VANASEK JAMES G
Form 4
February 01, 2005

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
VANASEK JAMES G

(Last) (First) (Middle)

1201 THIRD AVENUE

(Street)

SEATTLE, WA 98101

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
WASHINGTON MUTUAL INC ["WM"]

3. Date of Earliest Transaction (Month/Day/Year)
01/28/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP & Chief Entrprise Risk Off

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common (1)	01/28/2005		A		25,000	A	$ 0	32,146.38	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
VANASEK JAMES G 1201 THIRD AVENUE SEATTLE, WA 98101			EVP & Chief Entrprise Risk Off	

Signatures

By: /s/ Sophie Hager Hume, Attorney-in-Fact	02/01/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Grant of restricted stock pursuant to the 2003 Equity Incentive Plan as part of the Reporting Person?s annual equity compensation award.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ">

$
140,536

$
(4,254
)

(3.0
)%
Partner

920,275

760,323

159,952

21.0
%
Total cost of goods sold

$
1,056,557

$
900,859

$
155,698

17.3
%
Gross Profit

Direct

$
19,750

$
14,980

$
4,770

31.8
%

Partner

227,910

183,450

44,460

24.2
%

Total gross profit

$
247,660

$
198,430

$
49,230

24.8
%

Gross margins for the past eight quarterly periods and years ended December 31, 2013 and 2012 were:

	Q1 2013		Q2 2013		Q3 2013		Q4 2013		FY 2013	
Direct	11.4	%	12.2	%	13.7	%	13.4	%	12.7	%
Partner	20.0	%	20.8	%	20.4	%	18.6	%	19.8	%
Combined	18.9	%	19.7	%	19.6	%	18.0	%	19.0	%
	Q1 2012		Q2 2012		Q3 2012		Q4 2012		FY 2012	
Direct	8.0	%	8.3	%	10.3	%	11.5	%	9.6	%
Partner	20.0	%	19.6	%	19.4	%	18.9	%	19.4	%
Combined	18.1	%	18.0	%	18.2	%	17.9	%	18.1	%

The increase in direct gross margin for the year ended December 31, 2013 compared to the same period in 2012 is primarily due to a shift in sales mix into higher margin home and garden products, lower warehousing costs, partially offset by higher freight costs.

The increase in partner gross margin for the year ended December 31, 2013 is primarily due to higher revenue and a shift in product sales mix into higher margin home and garden products.

Cost of goods sold includes stock-based compensation expense of $154,000 and $272,000 for the years ended December 31, 2013 and 2012, respectively.

Fulfillment costs

The following table has been included to provide investors additional information regarding our classification of fulfillment costs, gross profit and margin, thus enabling investors to better compare our gross margin with others in our industry (in thousands):

51

Table of Contents

	Year ended December 31, 2013		2012	
Total net revenue	$1,304,217	100 %	$1,099,289	100 %
Cost of goods sold				
Product costs and other cost of goods sold	999,519	77 %	848,842	77 %
Fulfillment and related costs	57,038	4 %	52,017	5 %
Total cost of goods sold	1,056,557	81 %	900,859	82 %
Gross profit	$247,660	19 %	$198,430	18 %

Fulfillment costs as a percentage of sales may vary due to several factors, such as our ability to manage costs at our warehouses, significant changes in the number of units received and fulfilled, the extent to which we use third party fulfillment services and warehouses, and our ability to effectively manage customer service costs and credit card fees. Fulfillment and related costs remained relatively flat during the year ended December 31, 2013 as compared to 2012.

See Gross profit and gross margin above for additional discussion.

Operating expenses

Sales and marketing expenses

The following table reflects our sales and marketing expenses for the years ended December 31, 2013 and 2012 (in thousands):

	Year ended December 31, 2013	2012	$ Change	% Change
Sales and marketing expenses	$91,609	$63,467	$28,142	44.3 %
Sales and marketing expenses as a percent of net revenues	7.0 %	5.8 %		

Sales and marketing expenses as a percentage of revenue increased from 5.8% to 7.0% for the year ended December 31, 2013 as compared to the same period in 2012, primarily due to increased expenditures in the sponsored search marketing channel due to a higher proportion of our revenue coming through that channel.

In late 2012, Google discontinued providing its free Google Base product listing service to retailers and instead offered retailers a new fee-based product listing service. In addition, during the third quarter of 2013, Google tested and later implemented changes to its search engine algorithms, which reduced our ranking in certain Google search results during some periods. While we worked on adapting to Google's changes, we emphasized other marketing channels, such as sponsored search, which generated revenue growth but with higher associated marketing expenses as a percentage of revenue than was the case for revenue coming from Google Base and natural search.

Sales and marketing expenses include stock-based compensation expense of $167,000 and $318,000 for the years ended December 31, 2013 and 2012, respectively.

Technology expenses

The following table reflects our technology expenses for the years ended December 31, 2013 and 2012 (in thousands):

	Year ended December 31, 2013	2012	$ Change	% Change
Technology expenses	$71,788	$65,467	$6,321	9.7 %

Technology expenses as a percent of net revenues	5.5 %	6.0 %

The $6.3 million increase for the year ended December 31, 2013 is primarily due to an increase in staff-related costs partially offset by a decrease in depreciation.

Table of Contents

Technology expenses include stock-based compensation expense of $352,000 and $799,000 for the years ended December 31, 2013 and 2012, respectively.

General and administrative expenses

The following table reflects our G&A expenses for the years ended December 31, 2013 and 2012 (in thousands):

	Year ended December 31,			
	2013	2012	$ Change	% Change
General and administrative expenses	$68,169	$57,259	$10,910	19.1 %
General and administrative expenses as a percent of net revenues	5.2 %	5.2 %		

The $10.9 million increase in G&A expenses for the year ended December 31, 2013 is primarily due to a $10.1 million increase in legal costs due to an increase in activity on legal matters, including our defense of a case brought by district attorneys in eight California counties, and for civil penalties assessed in an adverse judgment received in the case.

G&A expenses include stock-based compensation expense of approximately $2.6 million and $2.1 million for the years ended December 31, 2013 and 2012, respectively.

Restructuring

During the year ended December 31, 2013, we reversed approximately $471,000 of lease termination costs primarily due to changes in our restructuring accrual as a result of our reoccupation of a portion of formerly restructured office space. We incurred $76,000 of restructuring charges during the year ended December 31, 2012 due to changes in the estimate of sublease income as a result of our entering into a new sublease agreement and ceasing the use of some of our office facilities.

Depreciation expense

Depreciation expense is classified within the corresponding operating expense categories on the consolidated statements of operations as follows (in thousands):

	Year ended December 31,	
	2013	2012
Cost of goods sold—direct	$380	$470
Technology	12,917	14,177
General and administrative	1,225	1,362
Total depreciation and amortization, including internal-use software and website development	$14,522	$16,009

Non-operating income (expense)

Interest income

Interest income is primarily derived from the investment of our cash in cash equivalents and short-term investments. Interest income for the years ended December 31, 2013 and 2012 totaled $127,000 and $116,000, respectively.

Interest expense

Interest expense is primarily related to interest incurred on our line of credit and our capital leases. Interest expense for the years ended December 31, 2013 and 2012 totaled $113,000 and $809,000, respectively. The decrease is primarily due to our repayment of the $17.0 million in advances under the U.S. Bank Financing Agreement in November 2012.

Other income (expense), net

Other income (expense), net for the year ended December 31, 2013 decreased to $(235,000) from $3.7 million in 2012 primarily related to $1.7 million of decreased Club O rewards breakage due to fewer expiring promotional memberships and $1.5 million of losses on our investment in precious metals.

Table of Contents

Income taxes

Our benefit for income taxes for the year ended December 31, 2013 of $68.0 million is primarily due to our decision to release our deferred tax asset valuation allowance of $75.5 million at December 31, 2013. Our provision for income taxes for the year ended December 31, 2012 of $485,000 was for federal alternative minimum tax and certain income tax uncertainties, including interest and penalties.

Liquidity and Capital Resources

Current sources of liquidity

Subject to our need for additional financing for a portion of the anticipated costs of completing our new corporate headquarters as described below, we believe that the cash and cash equivalents currently on hand and expected cash flows from future operations will be sufficient to continue operations for at least the next twelve months. However, we may require additional financing for the completion of the new corporate headquarters and related equipment and furniture. Although we are attempting to obtain additional financing, there can be no assurance that we will be able to do so, or that any financing available will be available on satisfactory terms. Our failure to generate sufficient revenues or profits or to obtain additional financing or raise additional capital could have a material adverse effect on our operations and on our ability to achieve our intended business objectives. Any projections of future cash needs and cash flows are subject to substantial uncertainty.

As we have previously announced, we plan to build a new corporate headquarters in Salt Lake City, Utah. In September 2014, our wholly owned real estate subsidiary purchased the site for the headquarters for approximately $11 million in cash. In October 2014, the subsidiary entered into a Construction Agreement relating to the construction of the future headquarters (see Construction agreement below). We currently estimate the total cost of the headquarters, including the cost of the land and related equipment and furniture, at approximately $95 million.

On October 24, 2014, we entered into a syndicated senior secured credit facility with U.S. Bank National Association, and other banks which provides for an approximately 27-month construction loan of $45.8 million (which is designed to subsequently convert into an approximately 6.75-year term loan following completion of the construction of the headquarters), and a three-year $10 million revolving loan facility that terminates on October 24, 2017 but may be renewed with the consent of all lenders.

The actual amount of financing to be available under the construction loan facility will be limited by a loan-to-value limit of 80% based on periodic appraisals. The loan agreement requires us to fund a substantial portion of the project costs ($37.4 million) prior to any draws on either the term loan facility or the revolving facility. We have the right to prepay either loan without penalty at any time.

If the conditions to the conversion of the construction loan into the term loan are not satisfied in early 2017, both the construction loan and the revolver would become due immediately. This would have a material adverse effect on our liquidity.

The $10 million in financing to be available under the revolving loan facility may be used for working capital, capital expenditures and other corporate purposes, but may not be used for the construction of the headquarters. In order to draw on either the construction loan or the revolving loan we are required to satisfy a number of conditions set forth in the loan agreement. Based on these conditions (primarily the requirement to fund a substantial portion of the project costs) we do not expect to draw on the construction loan until the second half of 2015 (see Borrowings - U.S. Bank term loan and revolving loan agreement below).

We expect to continue discussions with the bank regarding additional financing for equipment and furniture for our new corporate headquarters, when we are nearer to completion of construction.

Our principal sources of liquidity are cash flows generated from operations, and our existing cash and cash equivalents. At December 31, 2014, we had cash and cash equivalents of $181.6 million.

Table of Contents

Cash flow information is as follows (in thousands):

	Year ended December 31, 2014	2013
Cash provided by (used in):		
Operating activities	$80,834	$83,645
Investing activities	(44,430)	(26,000)
Financing activities	(3,428)	(2,527)

Free cash flow

"Free Cash Flow" (a non-GAAP measure) for the years ended December 31, 2014 and 2013, was $39.5 million and $65.6 million, respectively. See Non-GAAP Financial Measures below for a reconciliation of Free Cash Flow to net cash provided by (used in) operating activities.

Cash flows from operating activities

For the years ended December 31, 2014 and 2013, our operating activities resulted in net cash inflows of $80.8 million and $83.6 million, respectively.

Cash received from customers generally corresponds to our net revenues as our customers primarily use credit cards to buy from us causing our receivables from these sales transactions to settle quickly. We have payment terms with our partners that generally extend beyond the amount of time necessary to collect proceeds from our customers. As a result, following our typically seasonally strong fourth quarter sales, at December 31 of each year, our cash, cash equivalents and accounts payable balances normally reach their highest level (other than as a result of cash flows provided by or used in investing and financing activities). However, our accounts payable balance normally declines during the first three months following year-end, which normally results in a decline in our cash and cash equivalents balances from the year-end balance. The seasonality of our business causes payables and accruals to grow significantly in the fourth quarter, and then decrease in the first quarter when they are typically paid.

The $80.8 million of net cash provided by operating activities during the year ended December 31, 2014 was primarily from an increase in accounts payable of $21.7 million and accrued liabilities of $15.6 million, and non-cash depreciation and amortization expense of $18.1 million. Accounts payable increased due to increased holiday sales during the fourth quarter of 2014. Accrued liabilities increased due to increased marketing activities and legal matters. Depreciation and amortization expense increased primarily due to an increase in depreciation of web development projects. Other factors contributing to net cash provided by operating activities were the increases in deferred revenue of $11.1 million and consolidated net income of $8.8 million.

The $83.6 million of net cash provided by operating activities during the year ended December 31, 2013 was primarily from an increase in accounts payable and accrued liabilities of $28.2 million and $18.0 million, respectively. Accounts payable increased due to increased sales and in part due to a change in the timing of key holiday sales during the fourth quarter. In 2013, the holiday sales season began later than in 2012, and as a result some of our payments to our suppliers for holiday sales were due in January rather than in December. Accrued liabilities increased due to the timing of some invoices outstanding at year-end 2013 as compared to 2012, in particular, accruals for marketing expenses and legal matters increased. Other reasons for the increase in net cash provided by operating activities during 2013 were income before taxes of $16.3 million and non-cash depreciation and amortization expense of $14.5 million.

Cash flows from investing activities

Cash provided by investing activities primarily corresponds with expenditures for fixed assets and investments in precious metals.

For the year ended December 31, 2014, investing activities resulted in net cash outflows of $44.4 million, primarily from expenditures for fixed assets of $41.3 million. The increase in expenditures for fixed assets includes $16.7 million for the purchase of land and development costs for our future headquarters.

55

Table of Contents

For the year ended December 31, 2013, investing activities resulted in net cash outflows of $26.0 million, resulting primarily from expenditures for fixed assets of $18.1 million and investments in precious metals of $8.1 million.

Cash flows from financing activities

For the years ended December 31, 2014 and 2013, financing activities resulted in net cash outflows of $3.4 million and $2.5 million, respectively.

The $3.4 million used in financing activities during the year ended December 31, 2014 resulted primarily from the purchase of shares of our common stock withheld for minimum tax withholdings upon the vesting of a portion of certain restricted stock award grants and debt issuance costs related to the financing we obtained in preparation for the construction of our new corporate headquarters.

The $2.5 million used in financing activities during the year ended December 31, 2013 resulted primarily from $2.6 million for prepayment of capital leases for computer equipment in exchange for discounted pricing and $1.4 million for the purchase of shares of our common stock withheld for minimum tax withholdings upon the vesting of a portion of certain restricted stock award grants, partially offset by $1.6 million in proceeds for the exercise of stock options.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of December 31, 2014 and the effect such obligations and commitments are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments Due by Period						
Contractual Obligations	2015	2016	2017	2018	2019	Thereafter	Total
Operating leases	$11,546	$9,342	$4,963	$4,585	$3,916	$28,521	$62,873
Naming rights	1,351	1,391	—	—	—	—	2,742
Purchase obligations	18,774	—	—	—	—	—	18,774
Marketing, technology and other services	2,655	1,812	—	—	—	—	4,467
Headquarters construction costs	46,474	30,869	208	—	—	—	77,551
U.S. Bank term loan payments	199	1,929	3,283	3,322	3,266	50,032	62,031
Total contractual cash obligations (1)	$80,999	$45,343	$8,454	$7,907	$7,182	$78,553	$228,438

(1) As described below under "U.S. Bank Term Loan Payments," $45.8 million of the payments shown here is duplicative. See U.S. Bank term loan payments below.

	Amounts of Commitment Expiration Per Period						
Other Commercial Commitments	2015	2016	2017	2018	2019	Thereafter	Total
Letters of credit	$580	$—	$—	$—	$—	$—	$580

Operating leases

From time to time we enter into operating leases for facilities and equipment for use in our operations. During 2014, we entered into amendments to extend the leases on our corporate headquarters and a data center space from their previous expiration of June 30, 2016 to January 31, 2017 to better coincide with the expected timing of completion of our new corporate headquarters. The minimum future payments due under these amended operating leases are included in the table above.

Naming rights

During 2011, we entered into a six-year agreement with the Oakland-Alameda County Coliseum Authority (“OACCA”) for the right to name Oakland Alameda County Coliseum (now known as “O.co Coliseum”). Amounts represent annual payments due OACCA for the naming rights. We have the right to terminate this agreement at our sole option, subject to payment of a termination fee.

56

Table of Contents

Purchase obligations

The amount of purchase obligations shown above is based on assumptions regarding the legal enforceability against us of inventory purchase orders we had outstanding at December 31, 2014. Under different assumptions regarding our rights to cancel our purchase orders or different assumptions regarding the enforceability of the purchase orders under applicable law, the amount of purchase obligations shown in the table above would be less.

Marketing, technology and other services

From time to time we enter into long-term contractual agreements for marketing, technology, or other services.

Headquarters construction costs

We have entered into various agreements under which we have incurred obligations relating to our plans to build an approximately 225,000 square foot building in Salt Lake City, Utah, to serve as our corporate headquarters, together with related facilities and improvements (collectively, the “Project”). We expect the total Project costs to be approximately $95 million. Under the financing agreement described below we are required to fund the first $37.4 million of project costs before we can draw on the loan (of which we had funded $16.7 million at December 31, 2014, including $11 million we paid to purchase the land). Our obligations include payments to become due under the Construction Agreement described below, and under engineering, architectural, project management and consulting agreements, as well as anticipated expenditures for fixed assets and various other anticipated obligations related to the Project. These costs are based on our current estimates; however, the costs we actually incur, the amounts we actually pay and the timing of the actual payments could vary significantly from these estimates.

U.S. Bank term loan payments

We have entered into a financing agreement related to the Project (see Borrowings below). The amounts presented reflect our estimated payments of principal and interest based on our anticipated draws on the loan. The timing and amount of our draws on the loan could vary significantly from these estimates. Further, $45.8 million of the amounts shown in the row titled "U.S. Bank term loan payments" reflect the scheduled repayment of the financing of $45.8 million of costs shown in the row titled "Headquarters construction costs."

Construction agreement

We estimate the total cost of building our corporate headquarters, including the land and related equipment and furniture, at approximately $95 million over approximately the next two years. Our wholly owned subsidiary O.com Land is party to a construction agreement dated October 13, 2014 (the “Construction Agreement”) with Okland Construction Company Inc. (“Okland”) regarding preconstruction and construction services to be provided by Okland in connection with the construction of the Project.

In accordance with the Project Milestones as described in the Construction Agreement, Okland is required to Substantially Complete the Work (as such term is defined in the Construction Agreement) within 100 weeks following the commencement of the Construction Phase (as defined in the Construction Agreement) subject to modification under certain circumstances. Pursuant to the Construction Agreement, O.Com Land agreed to make progress payments to Okland for construction services as set forth in the Construction Agreement, and subject to a 5% retention on progress payments for the Work.

Tax contingencies

As of December 31, 2014 and December 31, 2013, tax contingencies were $709,000 and $495,000, respectively. We expect the total amount of tax contingencies to increase in the future. In addition, changes in state, federal, and foreign tax laws may increase our tax contingencies. The timing of the resolution of income tax contingencies is highly uncertain, and the amounts ultimately paid, if any, upon resolution of issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next 12 months we will receive additional assessments by various tax authorities. These assessments may or may not result in changes to our contingencies related to positions on prior years' tax filings.

Borrowings

57

Table of Contents

U.S. Bank term loan and revolving loan agreement

On October 24, 2014, we entered into a syndicated senior secured credit facility (the "Facility") with U.S. Bank National Association ("U.S. Bank" or the "Administrative Bank") and certain other banks. The Facility is governed by a Loan Agreement dated as of October 24, 2014 and collateral and other agreements. The Loan Agreement provides for an aggregate credit amount of $55.8 million, consisting of (i) a senior secured real estate loan of $45.8 million (the "Real Estate Loan") to be used to finance a portion of the development and construction of the Project described above, and (ii) a three-year $10 million senior secured revolving credit facility (the "Revolving Loan") for working capital and capital expenditures, but not construction of the Project. We must satisfy a number of conditions at least 60 days prior to any funding under the Facility, including making cash contributions totaling approximately $37.4 million toward the Project. We may also be required to make additional cash contributions if necessary to maintain a loan to value ratio of 80% or less. The Real Estate Loan and the Revolving Loan are both secured by the Project, our inventory and accounts receivable, substantially all of our deposit accounts and related assets. We expect to satisfy the conditions to funding under the Facility in the second half of 2015.

The Real Estate Loan is intended initially to provide financing for a portion of the construction of the Project. On or about January 1, 2017 (subject to one potential extension of up to three months, and subject to potential additional extensions of up to 30 days for force majeure), upon completion of the Project, the Real Estate Loan is designed to convert into an approximately 6.75-year term loan due October 1, 2023 (the "Term Loan"). The conditions to conversion of the Real Estate Loan to the Term Loan include, among others, requirements that the Project must have been completed in accordance with the applicable plans, paid for in full, and be generally free of liens; completion must have been certified by the project architect and the inspecting architect; certificates of occupancy must have been issued; we must have paid all amounts then due to the Banks and must be in compliance with the covenants under the Loan Agreement; the Real Estate Loan must be or must be brought "in balance" as defined in the Loan Agreement, which may require us to contribute additional cash to the Project; we must have paid the final amount of our cash contribution as required by the Loan Agreement; and if required by the Administrative Bank, an updated appraisal must show that the Project is in compliance with an 80% loan to value ratio requirement (or we must pay down the principal balance and/or agree to reduce the amount of the Term Loan commitment to reach the required ratio). If the conditions to conversion are not satisfied in early 2017, all amounts outstanding under the Facility will become immediately due and payable.

Amounts outstanding under the Real Estate Loan and the Term Loan will carry an interest rate based on LIBOR plus 2.00% or an Alternate Base Rate plus 1.00%. However, we have entered into interest rate swap agreements with U.S. Bank and Compass Bank designed to fix our interest rate on the Real Estate Loan and the Term Loan at approximately 4.6% annually. Monthly payments of interest only will be due and payable on the Real Estate Loan prior to conversion, after which monthly payments of principal in the amount of $1.1 million annually plus interest will be due and payable, with a balloon payment of all then unpaid principal (estimated to be $38 million), interest and other amounts due and payable on the Term Loan due on October 1, 2023. Amounts outstanding under the Revolving Loan will carry an interest rate based on LIBOR plus 2.00% or an Alternate Base Rate plus 1.00%.

We are required to maintain compliance as of the end of each calendar quarter beginning with the quarter ending December 31, 2014 with the following financial covenants:

- a fixed charge coverage ratio on a trailing 12-month basis of no less than 1.15 to 1.00;
- a cash flow leverage ratio on a trailing 12-month basis not greater than 3.00 to 1.00 during the Construction Phase (as defined in the Loan Agreement);
- a cash flow leverage ratio not greater than 2.50 to 1.00 following the Construction Phase, and
- minimum liquidity of at least $50 million.

At December 31, 2014, we were in compliance with the financial covenants. In addition to the financial covenants described above, we are required to comply with a number of covenants relating to the Project and our business, including covenants limiting certain indebtedness, including senior-secured indebtedness consisting of interest-bearing debt for borrowed money or for financed assets. However, the Loan Agreement permits us to incur up to $20 million principal amount of additional senior-secured indebtedness for equipment financing, and other senior-secured indebtedness provided that the aggregate principal amount of such other senior-secured indebtedness does not exceed ten percent of our consolidated assets. The Loan Agreement includes customary events of default in addition to events of default relating specifically to the Project. The Real Estate Loan and the Revolving Loan are cross-defaulted and cross-collateralized. In the event of a default, the default rate of interest would be 2.00% above the otherwise applicable rate.

Table of Contents

Unless it terminates earlier or is extended with the consent of the Administrative Bank and all of the Banks, the Revolving Loan facility will terminate on October 24, 2017.

As of December 31, 2014 and as of March 2, 2015, we had not borrowed any amounts under either the Real Estate Loan or the Revolving Loan.

U.S. Bank letters of credit

As of December 31, 2014 and 2013, letters of credit totaling $580,000 and $1.6 million, respectively, were issued on our behalf collateralized by compensating cash balances held at U.S. Bank, which are included in restricted cash in the accompanying consolidated balance sheets.

U.S. Bank commercial purchasing card agreement

We have a commercial purchasing card (the “Purchasing Card”) agreement with U.S. Bank. We use the Purchasing Card for business purpose purchasing and must pay it in full each month. At December 31, 2014, $803,000 was outstanding and $4.2 million was available under the Purchasing Card. At December 31, 2013, $517,000 was outstanding and $4.5 million was available under the Purchasing Card.

Other Factors that May Affect Future Results

We periodically evaluate opportunities to repurchase common stock, obtain credit facilities, or issue additional debt or equity securities. In addition, we may, from time to time, consider the investment in, or acquisition of, complementary businesses, products, services, or technologies, any of which might affect our liquidity requirements or cause us to issue additional debt or equity securities. There can be no assurance that financing arrangements will be available in amounts or on terms acceptable to us, if at all.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors.

Non-GAAP Financial Measures

Regulation G, Conditions for Use of Non-GAAP Financial Measures, and other SEC regulations regulate the disclosure of certain non-GAAP financial information.

Contribution and contribution margin

Contribution (a non-GAAP financial measure which we reconcile to “Gross profit” in our consolidated statements of income and comprehensive income) consists of gross profit less sales and marketing expense and reflects an additional way of viewing our results. Contribution Margin is Contribution as a percentage of revenues. When viewed together with our GAAP results, we believe Contribution and Contribution Margin provide management and users of the financial statements information about our ability to cover our operating costs, such as technology and general and administrative expenses. Contribution and Contribution Margin are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. You should review our financial statements and publicly-filed reports in their entirety and not rely on any single financial measure. The material limitation associated with the use of Contribution is that it is an incomplete measure of profitability as it does not include all operating expenses or non-operating income and expenses. Management compensates for these limitations when using this measure by looking at other GAAP measures, such as operating income and net income.

59

Table of Contents

For further details on Contribution and Contribution Margin, see the calculation of these non-GAAP financial measures below (in thousands):

	Year ended December 31, 2014	2013	2012
Total net revenue	$1,497,103	$1,304,217	$1,099,289
Cost of goods sold	1,218,044	1,056,557	900,859
Gross profit	279,059	247,660	198,430
Less: Sales and marketing expense	109,461	91,609	63,467
Contribution	$169,598	$156,051	$134,963
Contribution margin	11.3 %	12.0 %	12.3 %

Free cash flow

Free cash flow (a non-GAAP financial measure) reflects an additional way of viewing our cash flows and liquidity that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our cash flows and liquidity. Free cash flow, which we reconcile to "Net cash provided by (used in) operating activities," is net cash provided by operating activities reduced by "Expenditures for fixed assets, including internal-use software and website development." We believe that net cash provided by operating activities is an important measure, since it includes both the cash impact of the continuing operations of the business and changes in the balance sheet that impact cash. However, we believe free cash flow is a useful measure to evaluate our business since purchases of fixed assets are a necessary component of ongoing operations and free cash flow measures the amount of cash we have available for mandatory debt service and financing obligations, changes in our capital structure, and future investments after purchases of fixed assets. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows as calculated below (in thousands):

	Year ended December 31, 2014	2013	2012
Net cash provided by operating activities	$80,834	$83,645	$28,145
Expenditures for fixed assets, including internal-use software and website development	(41,346)	(18,067)	(12,489)
Free cash flow	$39,488	$65,578	$15,656

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Other than the interest rate swaps described below and elsewhere in this Annual Report on Form 10-K, we do not use derivative financial instruments in our investment portfolio, and we have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents, trade accounts and contracts receivable, accounts payable and long-term obligations. We consider investments in highly-liquid instruments with a remaining maturity of 90 days or less at the date of purchase to be cash equivalents.

In connection with the syndicated senior secured credit facility described above, we entered into interest rate swap transactions. The swaps have an effective date of September 1, 2015 and a maturity date of October 1, 2023. The combined notional amount changes monthly beginning at approximately $3.7 million on September 1, 2015, increasing to a maximum of approximately $45.8 million on October 1, 2016, and decreasing thereafter to approximately $38.2 million on October 1, 2023. The swaps effectively fix our effective interest rate on the approximate amounts expected to be outstanding from time to time on the Real Estate Loan at an annual rate of approximately 4.6%. At December 31, 2014 we had no amounts outstanding under the Real Estate Loan, and the notional amount of the swaps was zero.

We carry our interest rate swaps at fair value on our consolidated balance sheets. At December 31, 2014 our swaps are included as Other long-term liabilities in the amount of $1 million. The change in fair value of our swaps for the year ended December 31, 2014 was a loss of $1 million. The fair value of the swaps can be impacted by several factors including forward rates, interest rates and discount rates (see Item 15 of Part IV, "Financial Statements"—Note 2. Accounting Policies, Fair value of financial instruments). Because we have designated our swaps as cash flow hedges for accounting purposes, changes in the

Table of Contents

fair value of the instruments are recognized through Other comprehensive income in our statements of comprehensive income (see Item 15 of Part IV, "Financial Statements"—Note 2. Accounting Policies, Derivative financial instruments).

Our exposure to market risk for changes in interest rates relates primarily to our short-term investments and short-term obligations; thus, fluctuations in interest rates would not have a material impact on the fair value of these securities. However, the fair values of our investments may be subject to fluctuations due to volatility of the stock market in general, investment-specific circumstances, and changes in general economic conditions.

At December 31, 2014, we had $181.6 million in cash and cash equivalents. Hypothetically, an increase or decrease in interest rates of one hundred basis points would have an estimated impact of $1.8 million on our earnings or loss, or the fair market value or cash flows of these instruments.

At December 31, 2014, we had assets consisting of investments in precious metals totaling $10.9 million. Hypothetically, an increase or decrease in the market value of one hundred basis points would have an estimated impact of $109,000 on our earnings or loss, or the recorded value or cash flows of these instruments. Earnings resulting from increases in the market value of precious metals would be limited to losses incurred in the same fiscal year.

At December 31, 2014, letters of credit totaling $580,000 were outstanding under our credit facilities. Hypothetically, an increase or decrease in interest rates of one hundred basis points would have an estimated impact of $5,800 on our earnings or loss, or the cash flows of these instruments, if the letters of credit were fully drawn.

At December 31, 2014, we had cryptocurrency-denominated assets totaling $340,000. Hypothetically, an increase or decrease in the market value of one hundred basis points would have an estimated impact of $3,400 on our earnings or loss, or the recorded value or cash flows of these instruments. Reported earnings resulting from increases in the market value of cryptocurrency would be limited to their historical cost.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item are included in Part IV, Item 15 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by the Exchange Act under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our

61

Table of Contents

management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

(b) Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making our assessment of the effectiveness of internal control over financial reporting, management used the criteria set forth in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that, as of December 31, 2014, our internal control over financial reporting was effective.

Our internal control over financial reporting is designed to provide reasonable assurance of achieving its objectives as specified above. Management does not expect, however, that our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is in Item 9A(c).

Table of Contents

(c) Independent Registered Public Accounting Firm's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Overstock.com, Inc.:

We have audited Overstock.com, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Overstock.com Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (Item 9A(b)). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Overstock.com, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Overstock.com, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated March 12, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Salt Lake City, Utah
March 12, 2015

Table of Contents

(d) Changes in Internal Control Over Financial Reporting

During the fiscal quarter ended December 31, 2014, there has not occurred any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

ITEM 9B. OTHER INFORMATION

None.

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our Executive Officers required by Item 10 of Part III is set forth in Item 1 of Part I under "Business—Executive Officers of the Registrant." Information required by Item 10 of Part III regarding our board of directors
and any material changes to the process by which security holders may recommend nominees to the board of directors will be
included in our definitive proxy statement for our 2015 annual meeting of stockholders, and is incorporated herein by reference.
Information relating to compliance with Section 16(a) of the 1934 Act will be set forth in our definitive proxy statement for our
2015 annual meeting of stockholders and is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics ("Code"), which is applicable to all employees of the Company, including the principal executive officer, principal financial officer, and principal accounting officer. The Code
includes provisions that are specifically applicable to our senior financial officers. We intend to disclose any amendments to
these provisions and any waivers from any of these provisions granted to our principal executive officer, principal financial
officer or principal accounting officer in the Investor Relations section of our Website, www.overstock.com. We will provide a
copy of the relevant portion to any person without any charge upon request in writing addressed to Overstock.com. Attn:
Investor Relations, 6350 South 3000 East, Salt Lake City, UT 84121.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to our definitive proxy statement for the 2015 annual meeting of stockholders.

Table of Contents

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except as set forth herein, the information required by this Item is incorporated by reference to our definitive proxy statement for the 2015 annual meeting of stockholders.

The following graph compares the total cumulative stockholder return, on our common stock with the total cumulative return of the NASDAQ Market Index—U.S. ("NASDAQ Market Index") and the Morningstar Specialty Retail Index ("Morningstar Group Index") during the period commencing on January 1, 2010 through December 31, 2014. The graph assumes a $100 investment at the beginning of the period in our common stock, the NASDAQ Market Index and the Morningstar Group Index, and the reinvestment of any dividends. Historic stock price performance is not necessarily indicative of future stock price performance.

COMPARISON OF YEAR CUMULATIVE TOTAL RETURN

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to our definitive proxy statement for the 2015 annual meeting of stockholders.

Table of Contents

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference to our definitive proxy statement for the 2015 annual meeting of stockholders.

Table of Contents

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

2. Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts listed in (1) above is included herein. Schedules other than those listed above have been omitted as they are either not required, not applicable, or the information has otherwise been shown in the consolidated financial statements or notes thereto.

3. Exhibits

Exhibits	
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed on July 29, 2014 (File No. 000-49799)).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 10, 2014 (File No. 000-49799)).
4.1	Form of specimen common stock certificate (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-1 (File No. 333-83728), which became effective on May 29, 2002).
10.1	Form of Indemnification Agreement between Overstock.com, Inc. and each of its directors and officers (incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-1 (File No. 333-83728), which became effective on May 29, 2002).
10.2	Lease Agreement dated January 23, 2002 between Overstock.com, Inc. and Holladay Building East L.L.C. (incorporated by reference to Exhibit 10.8 to our Registration Statement on Form S-1 (File No. 333-83728), which became effective on May 29, 2002).
10.3	Intellectual Property Assignment Agreement with Douglas Greene dated February 28, 2002 (incorporated by reference to Exhibit 10.14 to our Registration Statement on Form S-1 (File No. 333-83728), which became effective on May 29, 2002).
10.4	Amendment No. 1, dated April 29, 2002, to Intellectual Property Assignment Agreement dated February 28, 2002 by and between Overstock.com, Inc. and Douglas Greene (incorporated by reference to Exhibit 10.18 to our Registration Statement on Form S-1 (File No. 333-83728), which became effective on May 29, 2002).
10.5	Sublease Agreement by and between Overstock.com, Inc., Old Mill Technology Center, LLC, and Old Mill Building LLC (incorporated by reference to Exhibit 99.1 to our Current

Report on Form 8-K/A filed on December 7, 2004 (File No. 000-49799)).

69

Table of Contents

Exhibits

10.6	Sublease Agreement by and between Overstock.com, Inc., Document Controls Systems, Inc., and Old Mill Building LLC (incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K/A filed on December 7, 2004 (File No. 000-49799)).
10.7	Sublease Agreement by and between Overstock.com, Inc., Information Technology International, Inc., and Old Mill Building LLC (incorporated by reference to Exhibit 99.3 to our Current Report on Form 8-K/A filed on December 7, 2004 (File No. 000-49799)).
10.8	Old Mill Corporate Center Fourth Amendment to the Lease Agreement dated as of December 1, 2004 by and among Holladay Building East L.L.C., Overstock.com, Inc. and Old Mill Building LLC (incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K/A filed on December 7, 2004 (File No. 000-49799)).
10.9	Old Mill Corporate Center Fifth Amendment to the Lease Agreement dated March 6, 2014 by and between Old Mill Corporate Center III, LLC, other related parties and Overstock.com, Inc. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 11, 2014 (File No. 000-49799)).
10.10	Colocation Center Agreement dated as of December 1, 2004 between Old Mill Technology Center, LLC and Overstock.com, Inc. (incorporated by reference to Exhibit 99.5 to our Current Report on Form 8-K/A filed on December 7, 2004 (File No. 000-49799)).
10.11	First Amendment to the Colocation Center Agreement dated March 6, 2014 by and between OMTek, LLC and Overstock.com, Inc. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on March 11, 2014 (File No. 000-49799)).
10.12	2002 Stock Option Plan, as amended (incorporated by reference to Exhibit 99.6 to our Current Report on Form 8-K filed May 7, 2004 (File No. 000-49799)).
10.13	2005 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 7, 2012 (File No. 000-49799)).
10.14	Form of Restricted Stock Unit Grant Notice and Restricted Stock Agreement under the 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K filed on February 21, 2013 (File No. 000-49799)).
10.15	Industrial Net Lease dated May 1, 2013 between Overstock.com, Inc. and Landmark 4, LLC (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed May 17, 2013 (File No. 000-49799)).
*10.16 (a)	Summary of unwritten compensation arrangements with Directors.
10.17 (a)	Description of unwritten bonus pool plan adopted January 28, 2014 (incorporated by reference to our Current Report on Form 8-K filed on January 29, 2014 (File No. 000 49799)).
10.18 (a)	Description of unwritten bonus pool plan adopted February 5, 2015 (incorporated by reference to our Current Report on Form 8-K filed on February 11, 2015 (File No.

	000 49799)).
10.19	Purchase and Sale Agreement dated May 5, 2014 between O.Com Land LLC, Gardner Bingham Junction Holdings, L.C. and Arbor Bingham Junction Holdings, L.C. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 7, 2014 (File No. 000-49799)).
10.20	First Amendment dated July 29, 2014 to Purchase and Sale Agreement dated May 5, 2014 between O.Com Land LLC, Gardner Bingham Junction Holdings, L.C. and Arbor Bingham Junction Holdings, L.C. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 6, 2014 (File No. 000-49799)).
10.21	Second Amendment dated September 3, 2014 to Purchase and Sale Agreement dated May 5, 2014 between O.Com Land LLC, Gardner Bingham Junction Holdings, L.C. and Arbor Bingham Junction Holdings, L.C. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 8, 2014 (File No. 000-49799)).

70

Table of Contents

Exhibits	
10.22	Project Management Agreement dated May 5, 2014 between O.Com Land LLC and Gardner CMS, L.C. (incorporated by reference to Exhibit 10.2 to our Report on Current Form 8-K filed on May 7, 2014 (File No. 000-49799)).
10.23	Purchase and Sale Agreement dated September 17, 2014 by and between the Redevelopment Agency of Midvale City and O.com Land LLC (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 23, 2014 (File No. 000-49799)).
10.24	Loan Agreement dated as of October 24, 2014 by and between Overstock.com, Inc., O.com Land, LLC, U.S. Bank National Association and the other Banks party thereto from time to time (the "Loan Agreement") (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.25	Revolving Note dated October 24, 2014 made by Overstock.com, Inc. to U.S. Bank pursuant to the Loan Agreement (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.26	Revolving Note dated October 24, 2014 made by Overstock.com, Inc. to Compass Bank pursuant to the Loan Agreement (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.27	Swing Line Note dated October 24, 2014 made by Overstock.com, Inc. to U.S. Bank National Association as Swing Line Bank pursuant to the Loan Agreement (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.28	Construction Note dated October 24, 2014 made by O.com Land, LLC to U.S. Bank pursuant to the Loan Agreement (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.29	Construction Note dated October 24, 2014 made by O.com Land, LLC to Compass Bank pursuant to the Loan Agreement (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.30	Form of Term Note to be made by O.com Land, LLC pursuant to the Loan Agreement (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.31	Security Agreement dated October 24, 2014 between Overstock.com, Inc. and U.S. Bank National Association, as Administrative Bank for the Banks party to the Loan Agreement from time to time (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.32	Deed of Trust, Assignment of Rents, Security Agreement and Financing Statement dated October 24, 2014, made by O.com Land, LLC to First American Title Insurance Company, as trustee, and U.S. Bank National Association, as Administrative Bank for the Banks

	party to the Loan Agreement from time to time (incorporated by reference to Exhibit 10.9 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000 49799)).
10.33	Assignment of Construction and Development Documents dated October 24, 2014, made by O.com Land, LLC in favor of U.S. Bank National Association, as Administrative Bank for the Banks party to the Loan Agreement from time to time (incorporated by reference to Exhibit 10.10 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.34	Assignment of Project Management Agreement dated October 24, 2014, made by O.com Land, LLC to U.S. Bank National Association, as Administrative Bank for the Banks party to the Loan Agreement from time to time and acknowledged and consented to by Gardner CMS, L.C., as project manager (incorporated by reference to Exhibit 10.11 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).

Table of Contents

Exhibits	
10.35	Repayment and Completion Guaranty dated October 24, 2014, made by Overstock.com, Inc. in favor of U.S. Bank National Association, as Administrative Bank for the Banks party to the Loan Agreement from time to time (incorporated by reference to Exhibit 10.12 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.36	Environmental Indemnity Agreement dated October 24, 2014, made by O.com Land, LLC and Overstock.com, Inc. in favor of U.S. Bank National Association, as Administrative Bank for the Banks party to the Loan Agreement from time to time (incorporated by reference to Exhibit 10.13 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.37	ISDA Master Agreement and Schedule entered into on October 24, 2014 but dated as of August 26, 2014 between U.S. Bank National Association and O.com Land, LLC (the “Master Agreement”), (incorporated by reference to Exhibit 10.14 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.38	ISDA Master Agreement and Schedule dated as of October 27, 2014 between Compass Bank and O.com Land, LLC (the “Master Agreement”), (incorporated by reference to Exhibit 10.15 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.39	Unlimited Continuing Guaranty (Swap Transactions) entered into on October 24, 2014 but dated as of October 22, 2014 made by Overstock.com, Inc. to U.S. Bank National Association (incorporated by reference to Exhibit 10.16 to our Current Report on Form 8 K filed on October 28, 2014 (File No. 000-49799)).
10.40	Confirmation of swap transaction dated October 24, 2014 from U.S. Bank National Association to O.com Land, LLC (incorporated by reference to Exhibit 10.17 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.41	Confirmation of swap transaction dated October 27, 2014 from Compass Bank to O.com Land, LLC (incorporated by reference to Exhibit 10.18 to our Current Report on Form 8 K filed on October 28, 2014 (File No. 000-49799)).
10.42	Lease Agreement dated October 24, 2014 between O.com Land, LLC and Overstock.com Inc. (incorporated by reference to Exhibit 10.19 to our Current Report on Form 8-K filed on October 28, 2014 (File No. 000-49799)).
10.43	Construction Agreement, dated as of October 13, 2014 by and between O.Com Land, LLC and Okland Construction Company Inc. but executed on October 14, 2014 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 20, 2014 (File No. 000-49799)).
*21	Subsidiaries of the Registrant
*23	Consent of Independent Registered Public Accounting Firm

24	Powers of Attorney (see signature page)
*31.1	Exhibit 31 Certification of Principal Executive Officer
*31.2	Exhibit 31 Certification of Principal Financial Officer
*32.1	Section 1350 Certification of Principal Executive Officer
*32.2	Section 1350 Certification of Principal Financial Officer

72

Table of Contents

Exhibits	
101(b)	Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2014 and 2013; (ii) Consolidated Statements of Income for the years ended December 31, 2014, 2013, and 2012; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013, and 2012; (iv) Consolidated Statements of Changes in Stockholder's Equity for the years ended December 31, 2014, 2013, and 2012; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012; and (vi) Notes to Consolidated Financial Statements.

(a) Management contract or compensatory plan or arrangement.

(b) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Act of 1934 and otherwise are not subject to liability under these sections.

* Filed herewith.

73

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 12, 2015.

OVERSTOCK.COM, INC.	
By:	/s/ PATRICK M. BYRNE Patrick M. Byrne Chief Executive Officer (Principal Executive Officer)

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Patrick M. Byrne and Robert P. Hughes, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and conforming all that said attorney-in-fact, or his or their substitute or substitutes, may do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ PATRICK M. BYRNE Patrick M. Byrne	Chief Executive Officer (Principal Executive Officer)	March 12, 2015
/s/ JONATHAN E. JOHNSON III Jonathan E. Johnson III	Chairman of the Board	March 12, 2015
/s/ STORMY D. SIMON Stormy D. Simon	President and Director	March 12, 2015
/s/ ROBERT P. HUGHES Robert P. Hughes	Senior Vice President, Finance and Risk Management (Principal Financial Officer and Principal Accounting Officer)	March 12, 2015
/s/ ALLISON H. ABRAHAM Allison H. Abraham	Director	March 12, 2015
/s/ BARCLAY F. CORBUS Barclay F. Corbus	Director	March 12, 2015
/s/ KIRTHI KALYANAM Kirthi Kalyanam	Director	March 12, 2015
/s/ SAMUEL A. MITCHELL Samuel A. Mitchell	Director	March 12, 2015
/s/ JOSEPH J. TABACCO, JR. Joseph J. Tabacco, Jr.	Director	March 12, 2015

Table of Contents

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Overstock.com, Inc.:

We have audited the accompanying consolidated balance sheets of Overstock.com, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Overstock.com, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Overstock.com, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 12, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Salt Lake City, Utah
March 12, 2015

Table of Contents

Overstock.com, Inc.
Consolidated Balance Sheets
(in thousands)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$181,641	$148,665
Restricted cash	580	1,580
Accounts receivable, net	18,963	16,047
Inventories, net	26,208	27,043
Prepaid inventories, net	3,214	1,804
Deferred tax assets, net	14,835	13,570
Prepaids and other assets	12,621	10,298
Total current assets	258,062	219,007
Fixed assets, net	52,071	27,194
Precious metals	10,905	9,678
Deferred tax assets, net	50,331	54,950
Goodwill	2,784	2,784
Other long-term assets, net	2,712	2,023
Total assets	$376,865	$315,636
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$112,787	$90,582
Accrued liabilities	81,564	65,679
Deferred revenue	48,451	37,321
Total current liabilities	242,802	193,582
Other long-term liabilities	4,843	3,294
Total liabilities	247,645	196,876
Commitments and contingencies (Note 13)	—	—
Stockholders’ equity:		
Preferred stock, $0.0001 par value:		
Authorized shares - 5,000		
Issued and outstanding shares - none	—	—
Common stock, $0.0001 par value		
Authorized shares - 100,000		
Issued shares - 27,241 and 26,909		
Outstanding shares - 24,037 and 23,785	2	2
Additional paid-in capital	366,252	361,706
Accumulated deficit	(153,864)	(162,718)
Accumulated other comprehensive loss	(621)	—
Treasury stock:		
Shares at cost - 3,204 and 3,124	(82,531)	(80,230)
Equity attributable to stockholders of Overstock.com, Inc.	129,238	118,760
Equity attributable to noncontrolling interests	(18)	—
Total equity	129,220	118,760
Total liabilities and stockholders’ equity	$376,865	$315,636

See accompanying notes to consolidated financial statements.

76

Table of Contents

Overstock.com, Inc.
Consolidated Statements of Income
(in thousands, except per share data)

	Year ended December 31, 2014	2013	2012
Revenue, net			
Direct	$147,460	$156,032	$155,516
Partner	1,349,643	1,148,185	943,773
Total net revenue	1,497,103	1,304,217	1,099,289
Cost of goods sold			
Direct(1)	129,253	136,282	140,536
Partner	1,088,791	920,275	760,323
Total cost of goods sold	1,218,044	1,056,557	900,859
Gross profit	279,059	247,660	198,430
Operating expenses:			
Sales and marketing(1)	109,461	91,609	63,467
Technology(1)	86,258	71,788	65,467
General and administrative(1)	71,777	68,169	57,259
Restructuring	(360)	(471)	76
Total operating expenses	267,136	231,095	186,269
Operating income	11,923	16,565	12,161
Interest income	152	127	116
Interest expense	(39)	(113)	(809)
Other income (expense), net	1,169	(235)	3,686
Income before income taxes	13,205	16,344	15,154
Provision (benefit) for income taxes	4,404	(68,034)	485
Consolidated net income	$8,801	$84,378	$14,669
Less: Net loss attributable to noncontrolling interests	(53)	—	—
Net income attributable to stockholders of Overstock.com, Inc.	$8,854	$84,378	$14,669
Net income per common share—basic:			
Net income attributable to common shares—basic	$0.37	$3.56	$0.63
Weighted average common shares outstanding—basic	23,999	23,714	23,387
Net income per common share—diluted:			
Net income attributable to common shares—diluted	$0.36	$3.47	$0.62
Weighted average common shares outstanding—diluted	24,317	24,294	23,672

(1) Includes stock-based compensation as follows (Note 16):

Cost of goods sold — direct	$181	$154	$272
Sales and marketing	336	167	318
Technology	751	352	799
General and administrative	2,767	2,578	2,138
Total	$4,035	$3,251	$3,527

See accompanying notes to consolidated financial statements.

77

Table of Contents

Overstock.com, Inc.
Consolidated Statements of Comprehensive Income
(in thousands)

	Year ended December 31, 2014	2013	2012
Consolidated net income	$8,801	$84,378	$14,669
Other comprehensive loss:			
Unrealized loss on cash flow hedges, net of benefit for taxes of $387, $0, and $0	(621)	—	—
Other comprehensive loss	(621)	—	—
Comprehensive income	$8,180	$84,378	$14,669
Less: Comprehensive loss attributable to noncontrolling interests	(53)	—	—
Comprehensive income attributable to stockholders of Overstock.com, Inc.	$8,233	$84,378	$14,669

See accompanying notes to consolidated financial statements.

Table of Contents

Overstock.com, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except per share data)

	Year ended December 31, 2014	2013	2012
Equity attributable to stockholders of Overstock.com, Inc.			
Number of common shares issued			
Balance at beginning of year	26,909	26,481	26,241
Common stock issued upon vesting of restricted stock	302	339	240
Exercise of stock options	30	89	—
Balance at end of year	27,241	26,909	26,481
Number of treasury stock shares			
Balance at beginning of year	3,124	3,030	2,962
Purchases of treasury stock	80	94	68
Balance at end of year	3,204	3,124	3,030
Total number of outstanding shares	24,037	23,785	23,451
Common stock	$2	$2	$2
Additional paid-in capital			
Balance at beginning of year	$361,706	$356,895	$353,368
Stock-based compensation to employees and directors	4,035	3,251	3,527
Exercise of stock options	511	1,560	—
Balance at end of year	$366,252	$361,706	$356,895
Accumulated deficit			
Balance at beginning of year	$(162,718)	$(247,096)	$(261,765)
Net income attributable to stockholders of Overstock.com, Inc.	8,854	84,378	14,669
Balance at end of year	$(153,864)	$(162,718)	$(247,096)
Accumulated other comprehensive loss			
Balance at beginning of year	$—	$—	$—
Net other comprehensive loss	(621)	—	—
Balance at end of year	$(621)	$—	$—
Treasury stock			
Balance at beginning of year	$(80,230)	$(78,839)	$(78,368)
Purchases of treasury stock	(2,301)	(1,391)	(471)
Balance at end of year	(82,531)	(80,230)	(78,839)
Total equity attributable to stockholders of Overstock.com, Inc.	$129,238	$118,760	$30,962
Equity attributable to noncontrolling interests			
Balance at beginning of year	$—	$—	$—
Net loss attributable to noncontrolling interests	(53)	—	—
Paid-in capital attributable to noncontrolling interests	35	—	—
Total equity attributable to noncontrolling interests	$(18)	$—	$—

Total equity	$129,220	$118,760	$30,962

See accompanying notes to consolidated financial statements.

79

Table of Contents

Overstock.com, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year ended December 31, 2014	2013	2012
Cash flows from operating activities:			
Consolidated net income	$8,801	$84,378	$14,669
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,064	14,522	16,009
Stock-based compensation to employees and directors	4,035	3,251	3,527
Deferred income taxes	3,741	(68,520)	—
Loss on investment in precious metals	1,269	1,457	—
Restructuring charges (reversals)	(360)	(471)	76
Other	(8)	(15)	136
Changes in operating assets and liabilities:			
Restricted cash	1,000	200	131
Accounts receivable, net	(2,916)	3,226	(5,772)
Inventories, net	835	(579)	(3,471)
Prepaid inventories, net	(1,410)	108	(885)
Prepaids and other assets	(1,455)	(536)	1,294
Other long-term assets, net	26	2	(267)
Accounts payable	21,652	28,180	(7,902)
Accrued liabilities	15,607	17,959	(459)
Deferred revenue	11,130	(1,090)	10,433
Other long-term liabilities	823	1,573	626
Net cash provided by operating activities	80,834	83,645	28,145
Cash flows from investing activities:			
Purchases of marketable securities	(23)	(132)	(82)
Sales of marketable securities	77	292	154
Purchases of intangible assets	(135)	(13)	(6)
Investment in precious metals	(2,496)	(8,080)	(1,397)
Investment in cryptocurrency	(300)	—	—
Equity method investment	(250)	—	—
Expenditures for fixed assets, including internal-use software and website development	(41,346)	(18,067)	(12,489)
Proceeds from sale of fixed assets	43	—	56
Net cash used in investing activities	(44,430)	(26,000)	(13,764)
Cash flows from financing activities:			
Payments on capital lease obligations	(325)	(2,563)	(112)
Payments on line of credit	—	—	(17,000)
Paydown on direct financing arrangement	(282)	(258)	(236)
Change in restricted cash	—	125	—
Proceeds from exercise of stock options	511	1,560	—
Purchase of treasury stock	(2,301)	(1,391)	(471)
Debt issuance costs	(1,031)	—	—
Net cash used in financing activities	(3,428)	(2,527)	(17,819)
Net increase (decrease) in cash and cash equivalents	32,976	55,118	(3,438)
Cash and cash equivalents, beginning of period	148,665	93,547	96,985

Cash and cash equivalents, end of period	$181,641	$148,665	$93,547

Continued on the following page

Overstock.com, Inc.
Consolidated Statements of Cash Flows
(Continued)
(in thousands)

	Year ended December 31,		
	2014	2013	2012
Supplemental disclosures of cash flow information:			
Cash paid during the period:			
Interest paid	$47	$71	$582
Taxes paid	76	546	299
Non-cash investing and financing activities:			
Fixed assets, including internal-use software and website development, costs financed through accounts payable and accrued liabilities	$1,410	$219	$502
Equipment acquired under capital lease obligations	325	2,563	—
Capitalized interest cost	26	—	—
Change in value of cash flow hedge	1,008	—	—

See accompanying notes to consolidated financial statements.

80

Table of Contents

Overstock.com, Inc.
Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION

Business and organization

As used herein, "Overstock," "Overstock.com," "O.co," "we," "our" and similar terms include Overstock.com, Inc. and our majority-owned subsidiaries, unless the context indicates otherwise. We were formed on May 5, 1997 as D2-Discounts Direct, a limited liability company. On December 30, 1998, we were reorganized as a C Corporation in the State of Utah and reincorporated in Delaware in May 2002. On October 25, 1999, we changed our name to Overstock.com, Inc.

We are an online retailer offering price-competitive brand name, non-brand name and closeout merchandise, including furniture, home decor, bedding and bath, housewares, jewelry and watches, apparel and designer accessories, electronics and computers, and sporting goods, among other products. We also sell hundreds of thousands of best seller and current run books, magazines, CDs, DVDs and video games ("BMMG"). We sell these products through our Internet websites located at www.overstock.com, www.o.co and www.o.biz (referred to collectively as the "Website"). Although our three websites are located at different domain addresses, the technology and equipment and processes supporting the Website and the process of order fulfillment described herein are the same for all three websites.

Basis of presentation

We have prepared the accompanying consolidated financial statements pursuant to generally accepted accounting principles in the United States ("GAAP"). Preparing financial statements requires us to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on our best knowledge of current events and actions that we may undertake in the future, our actual results may be different from our estimates. The results of operations presented herein are not necessarily indicative of our results for any future period.

Our consolidated financial statements for the year ended December 31, 2013 include an immaterial revision to current and long-term deferred tax assets and our provision (benefit) for income taxes in the fourth quarter of 2013. The effect of the revision was to reduce current and long-term deferred tax assets by $284,000 and $3.8 million, respectively, with an offsetting increase of $4.1 million to our provision (benefit) for income taxes in 2013. We evaluated these changes in accordance with Staff Accounting Bulletin No. 99, Materiality ("SAB 99"), and Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"), and determined that the revisions are not material to the prior period.

2. ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include our accounts and the accounts of our wholly-owned and majority-owned subsidiaries. All intercompany account balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, investment valuation, receivables valuation, valuation of derivative financial instruments, revenue recognition, sales returns, incentive discount offers, inventory valuation, depreciable lives of fixed assets and internally-developed software, goodwill valuation, intangible valuation, income taxes, stock-based compensation, performance-based compensation, restructuring liabilities and contingencies. Actual results could differ materially from those estimates.

Cash equivalents

Table of Contents

We classify all highly liquid instruments, including money market funds with a remaining maturity of three months or less at the time of purchase, as cash equivalents. Cash equivalents were $135.1 million and $58.1 million at December 31, 2014 and 2013, respectively.

Restricted cash

We consider cash that is legally restricted and cash that is held as a compensating balance for letter of credit arrangements as restricted cash. Restricted cash was $580,000 and $1.6 million at December 31, 2014 and 2013, respectively.

Fair value of financial instruments

We account for our assets and liabilities using a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. These two types of inputs have created the fair-value hierarchy below. This hierarchy requires us to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value.

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Under GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. Our assets and liabilities that are adjusted to fair value on a recurring basis are investments in money market mutual funds, trading securities, derivative instruments, and deferred compensation liabilities.

The fair values of our investments in money market mutual funds, trading securities, and deferred compensation liabilities are determined using quoted market prices from daily exchange traded markets on the closing price as of the balance sheet date and are classified as Level 1. The fair values of our derivative instruments are determined using standard valuation models. The significant inputs used in these models are readily available in public markets, or can be derived from observable market transactions, and therefore have been classified as Level 2. Inputs used in these standard valuation models for derivative instruments include the applicable forward rates, interest rates and discount rates. Included in the fair value of derivative instruments is an adjustment for nonperformance risk. The adjustment for nonperformance risk did not have a significant impact on the estimated fair value of our derivative instruments. For additional disclosures related to our derivative instruments, see Derivative financial instruments below.

The following tables summarize our assets and liabilities measured at fair value on a recurring basis using the following levels of inputs as of December 31, 2014 and December 31, 2013 as indicated (in thousands):

	Fair Value Measurements at December 31, 2014:			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents - Money market mutual funds	$135,092	$135,092	$—	$—
Trading securities held in a “rabbi trust” (1)	90	90	—	—
Total assets	$135,182	$135,182	$—	$—
Liabilities:				
Derivatives (2)	$1,008	$—	$1,008	$—

Deferred compensation accrual “rabbi trust” (3)	94	94	—	—
Total liabilities	$1,102	$94	$1,008	$—

82

Table of Contents

	Fair Value Measurements at December 31, 2013:			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents - Money market mutual funds	$58,081	$58,081	$—	$—
Trading securities held in a “rabbi trust” (1)	138	138	—	—
Total assets	$58,219	$58,219	$—	$—
Liabilities:				
Deferred compensation accrual “rabbi trust” (3)	$212	$212	$—	$—
Total liabilities	$212	$212	$—	$—

(1) — Trading securities held in a rabbi trust are included in Other current and Other long-term assets in the consolidated balance sheets.

(2) — Derivative financial instruments are included in Other long-term liabilities in the consolidated balance sheets.

(3) — Non qualified deferred compensation in a rabbi trust is included in Accrued liabilities and Other long-term liabilities in the consolidated balance sheets.

Our other financial instruments, including cash, restricted cash, accounts receivable, accounts payable and accrued liabilities are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Restricted investments

We have a Non-Qualified Deferred Compensation Plan (the “NQDC Plan”) for senior management. Deferred compensation amounts are invested in mutual funds held in a “rabbi trust” and are restricted for payment to the participants of the NQDC Plan. We account for our investments held in the trust in accordance with Accounting Standards Codification (“ASC”) No. 320 “Investments — Debt and Equity Securities”. The investments held in the trust are classified as trading securities. The fair value of the investments held in the trust totaled $90,000 at December 31, 2014 and are included in Other current and Other long-term assets in the consolidated balance sheets. Our gains and losses on these investments were immaterial for the years ended December 31, 2014 and 2013.

Accounts receivable

Accounts receivable consist primarily of trade amounts due from customers and from uncleared credit card transactions at period end. Accounts receivable are recorded at invoiced amounts and do not bear interest.

Allowance for doubtful accounts

From time to time, we grant credit to some of our business customers on normal credit terms (typically 30 days). We perform credit evaluations of our business customers’ financial condition and payment history and maintain an allowance for doubtful accounts receivable based upon our historical collection experience and expected collectability of accounts receivable. The allowance for doubtful accounts receivable was $511,000 and $152,000 at December 31, 2014 and 2013, respectively.

Concentration of credit risk

Cash equivalents include short-term, highly liquid instruments with maturities at date of purchase of three months or less. At December 31, 2014 and 2013, two banks held the majority of our cash and cash equivalents. We do not believe that, as a result of this concentration, we are subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships.

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash equivalents and receivables. We invest our cash primarily in money market securities which are uninsured.

Our accounts receivable are derived primarily from revenue earned from customers located in the United States. We maintain an allowance for doubtful accounts based upon the expected collectability of accounts receivable.

Valuation of inventories

Table of Contents

Inventories, consisting of merchandise purchased for resale, are accounted for using a standard costing system which approximates the first-in-first-out ("FIFO") method of accounting, and are valued at the lower of cost or market. We write down our inventory for estimated obsolescence and to lower of cost or market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Once established, the original cost of the inventory less the related inventory allowance represents the new cost basis of such products. Reversal of the allowance is recognized only when the related inventory has been sold or scrapped.

Prepaid inventories, net

Prepaid inventories, net represent inventories paid for in advance of receipt. Prepaid inventories, net were $3.2 million and $1.8 million at December 31, 2014 and 2013, respectively.

Prepaids and other assets

Prepaids and other assets represent expenses paid prior to receipt of the related goods or services, including advertising, license fees, maintenance, packaging, insurance, and other miscellaneous costs. Total prepaids and other assets were $12.6 million and $10.3 million at December 31, 2014 and 2013, respectively.

Fixed assets

Fixed assets, which include assets such as technology infrastructure, internal-use software, website development, furniture and fixtures and leasehold improvements, are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets or the term of the related capital lease, whichever is shorter, as follows:

	Life (years)
Computer software	2-4
Computer hardware	3-4
Furniture and equipment	3-5

Leasehold improvements are amortized over the shorter of the term of the related leases or estimated useful lives.

Depreciation and amortization expense is classified within the corresponding operating expense categories on the consolidated statements of income as follows (in thousands):

	Year ended December 31,		
	2014	2013	2012
Cost of goods sold - direct	$282	$380	$470
Technology	16,651	12,917	14,177
General and administrative	1,131	1,225	1,362
Total depreciation and amortization, including internal-use software and website development	$18,064	$14,522	$16,009

Internal-use software and website development

Included in fixed assets is the capitalized cost of internal-use software and website development, including software used to upgrade and enhance our Website and processes supporting our business. We capitalize costs incurred during the application development stage of internal-use software and amortize these costs over the estimated useful life of two to three years. Costs incurred related to design or maintenance of internal-use software are expensed as incurred.

During the years ended December 31, 2014 and 2013, we capitalized $13.9 million and $11.4 million, respectively, of costs associated with internal-use software and website development, both developed internally and acquired externally. Depreciation of costs associated with internal-use software and website development was $10.8 million and $8.0 million for those respective periods.

Equity method investments

84

Table of Contents

During 2014, we acquired a 24.9% interest in a registered broker-dealer as part of our efforts to develop and license software to trade cryptosecurities using the Bitcoin network and its protocols. The purchase price for the investment was $250,000 and is accounted for as an equity method investment which is included in Other long-term assets in our consolidated balance sheets. The difference between the carrying value of this investment and the amount of underlying equity in net assets of the investee is not significant. Our proportionate share of the net income or loss of our equity method investee for the year ended December 31, 2014 is not significant. When we record our proportionate share of net income, it increases income (or decreases loss) in our consolidated statements of income and our carrying value in that investment. Conversely, when we record our proportionate share of a net loss, it decreases income (or increases loss) in our consolidated statements of income and our carrying value in that investment. As part of the agreement with the registered broker-dealer, we formed an entity that is 75.1% owned by us and 24.9% owned by the registered broker-dealer. This entity is included in our consolidated financial statements. Intercompany transactions with the entity have been eliminated and the remaining contributions and gains or losses realized by the entity that are attributable to noncontrolling interests have been disclosed in our consolidated financial statements.

Leases

We account for lease agreements as either operating or capital leases depending on certain defined criteria. In certain of our lease agreements, we receive rent holidays and other incentives. We recognize lease costs on a straight-line basis without regard to deferred payment terms, such as rent holidays, that defer the commencement date of required payments. Additionally, tenant improvement allowances are amortized as a reduction in rent expense over the term of the lease. Leasehold improvements are capitalized at cost and amortized over the lesser of their expected useful life or the life of the lease, without assuming renewal features, if any, are exercised.

Treasury stock

We account for treasury stock under the cost method and include treasury stock as a component of stockholders' equity.

Precious metals

Our investments in precious metals were $10.9 million and $9.7 million at December 31, 2014 and 2013, respectively. Our precious metals consisted of $6.3 million in gold and $4.6 million in silver at December 31, 2014 and $4.0 million in gold and $5.7 million in silver at December 31, 2013. We store our precious metals at an off-site secure facility. Because these assets consist of actual precious metals, rather than financial instruments, we account for them as a cost method investment initially recorded at cost (including transaction fees) and then adjusted to the lower of cost or market based on an average unit cost. On an interim basis, we recognize decreases in the value of these assets caused by market declines. Subsequent increases in the value of these assets through market price recoveries during the same fiscal year are recognized in the later interim period, but may not exceed the total previously recognized decreases in value during the same year. Gains or losses resulting from changes in the value of our precious metal assets are recorded in Other income (expense), net in our consolidated statements of income. Losses on investments in precious metals were $1.3 million, $1.5 million, and $0 for the years ended December 31, 2014, 2013 and 2012, respectively.

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of the tangible net assets acquired in business combinations.

Goodwill is not amortized but is tested for impairment at least annually. When evaluating whether goodwill is impaired, we make a qualitative assessment to determine if it is more likely than not that its fair value is less than its carrying amount. If the qualitative assessment determines that it is more likely than not that its fair value is less than its carrying amount, we compare the fair value of the reporting unit to which the goodwill is assigned to its carrying amount. If the carrying amount exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss, if any, is calculated by comparing the implied fair value of the goodwill to its carrying amount. In calculating the implied fair value of goodwill, the fair value of the reporting unit is allocated to the other assets and liabilities within the reporting unit based on estimated fair value. The excess of the fair value of a reporting unit over the amount allocated to its other assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized when the carrying amount of goodwill exceeds its implied fair value.

Table of Contents

In accordance with this guidance, we test for impairment of goodwill in the fourth quarter or when we deem that a triggering event has occurred. Goodwill totaled $2.8 million at December 31, 2014 and 2013. There were no impairments to goodwill recorded during the years ended December 31, 2014, 2013 and 2012.

Cryptocurrency holdings

We hold cryptocurrency-denominated assets such as bitcoin and we include them in other current assets in our Consolidated Balance Sheets. Cryptocurrency-denominated assets were $340,000 and zero at December 31, 2014 and 2013, respectively, and are recorded at the lower of cost or market based on an average unit cost. On an interim basis, we recognize decreases in the value of these assets caused by market declines. Subsequent increases in the value of these assets through market price recoveries during the same fiscal year are recognized in the later interim period, but may not exceed the total previously recognized decreases in value during the same year. Gains or losses resulting from changes in the value of our cryptocurrency assets are recorded in Other income (expense), net in our consolidated statements of income. Losses on cryptocurrency holdings were $8,000 during the year ended December 31, 2014. There were no losses on cryptocurrency holdings for the year ended December 31, 2013.

Other long-term assets

Other long-term assets consist primarily of long-term prepaid expenses.

Impairment of long-lived assets

We review property and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability is measured by comparison of the assets' carrying amount to future undiscounted net cash flows the asset group is expected to generate. Cash flow forecasts are based on trends of historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. If such asset group is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair values. There were no impairments to long-lived assets recorded during the years ended December 31, 2014, 2013 and 2012.

Derivative financial instruments

In October 2014, we entered into a loan agreement in connection with the construction of our new corporate headquarters. We expect to borrow against the loan agreement in the second half of 2015. Because amounts borrowed on the loan will carry a variable LIBOR-based interest rate, we will be affected by changes in certain market conditions. These changes in market conditions may adversely impact our financial performance, and as such, we use derivatives as a risk management tool to mitigate the potential impact of these changes. We do not enter into derivatives for speculative or trading purposes. The primary market risk we manage through the use of derivative instruments is interest rate risk on the amounts we expect to borrow under the loan agreement relating to our new headquarters. To manage that risk, we use interest rate swap agreements. An interest rate swap agreement is a contract between two parties to exchange cash flows based on underlying notional amounts and indices. Our interest rate swaps entitle us to pay amounts based on a fixed rate in exchange for receipt of amounts based on variable rates. Because we have not yet borrowed against the loan agreement related to our cash flow hedges, the notional amounts under our hedges at December 31, 2014 were zero.

Our derivatives are carried at fair value in our consolidated balance sheets in Other long-term liabilities on a gross basis. The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments under GAAP. Our derivatives have been designated and qualify as cash flow hedges. We formally designated and documented, at inception, the financial instruments as hedges of specific underlying exposures, the risk management objectives, and the strategy for undertaking the hedging transactions. In addition, we formally assess, both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in the cash flows of the related underlying exposures. To the extent that the hedges are effective, the changes in fair values of our cash flow hedges are recorded in Accumulated other comprehensive income. Any ineffective portion is immediately recognized into earnings.

We determine the fair values of our derivatives based on quoted market prices or using standard valuation models (see Fair value of financial instruments above). The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks

86

Table of Contents

described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates.

The following table shows the effect of derivative financial instruments that were designated as accounting hedges for the period indicated (in thousands):

Cash flow hedges (1)	Amount of gain (loss) recognized in OCI on derivative (effective portion) net of tax	Location of gain (loss) reclassified from Accumulated OCI into income (effective portion)	Amount of gain (loss) reclassified from Accumulated OCI into income (effective portion)	Location of gain (loss) recognized in income on derivative (ineffective portion)	Amount of gain (loss) recognized in income on derivative (ineffective portion)
Year ended December 31, 2014					
Interest rate swap	$(621)	Interest expense	$—	Interest expense	$—

The following table provides the outstanding notional balances and fair values of derivative financial instruments that were designated as accounting hedges outstanding positions for the dates indicated, and recorded gains/(losses) during the periods indicated (in thousands):

Cash flow hedges (1)	Location in balance sheet	Expiration date	Outstanding notional	Fair value	Beginning gains (losses)	Gains (losses) recorded during period (2)	Ending gains (losses)
Year ended December 31, 2014							
Interest rate swap	Other long-term liabilities	2023	$—	$(1,008)	$—	$(1,008)	$(1,008)

(1) — There were no outstanding derivative instruments for the years ended December 31, 2013 and 2012.
(2) — Gains (losses) recorded during the period are presented gross of the related tax impact.

Revenue recognition

We derive our revenue primarily from direct revenue and partner revenue from merchandise sales. We also earn revenue from advertising on our shopping and other pages. We have organized our operations into two principal segments based on the primary source of revenue: direct revenue and partner revenue (see Note 21. Business Segments).

Revenue is recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or the service has been provided; (3) the selling price or fee revenue earned is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. Revenue related to merchandise sales is recognized upon delivery to our customers. As we ship high volumes of packages through multiple carriers, it is not practical for us to track the actual delivery date of each shipment. Therefore, we use estimates to determine which shipments are delivered and, therefore, recognized as revenue at the end of the period.

Our delivery date estimates are based on average shipping transit times, which are calculated using the following factors: (i) the type of shipping carrier (as carriers have different in-transit times); (ii) the fulfillment source (either our warehouses, those warehouses we control, or those of our partners); (iii) the delivery destination; and (iv) actual transit time experience, which shows that delivery date is typically one to eight business days from the date of shipment. We review and update our estimates on a quarterly basis based on our actual transit time experience. However, actual shipping times may differ from our estimates.

We evaluate the criteria outlined in ASC Topic 605-45, Principal Agent Considerations, in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When we are the primary obligor in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers, or have several but not all of these indicators, revenue is recorded gross. If we are not the primary obligor in the transaction and amounts earned are determined using a fixed percentage, revenue is recorded on a net basis. Currently, the majority of both direct revenue and partner revenue is recorded on a gross basis, as we are the primary obligor. We present revenue net of sales taxes.

Table of Contents

We periodically provide incentive offers to our customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers, which, when used by customers, are treated as a reduction of revenue.

Based upon our historical experience, revenue typically increases during the fourth quarter because of the holiday retail season.

Direct revenue

Direct revenue is derived from merchandise sales of our owned inventory to individual consumers and businesses. Direct revenue comes from merchandise sales that occur primarily through our Website, but may also occur through offline and other channels.

Partner revenue

Partner revenue is derived from merchandise sales of inventory owned by our partners which they generally ship directly to our consumers and businesses. Partner revenue comes from merchandise sales that occur primarily through our Website, but may also occur through offline and other channels.

Club O loyalty program

We have a customer loyalty program called Club O for which we sell annual memberships ("standard Club O"). During the third quarter of 2014, we also introduced an introductory customer loyalty program called Club O Lite for customers who sign up to receive promotional emails. For standard Club O memberships, we record membership fees as deferred revenue and we recognize revenue ratably over the membership period. Both the standard Club O and Club O Lite loyalty programs allow members to earn reward dollars for qualifying purchases made on our Website. We also have a co-branded credit card program (see Co-branded credit card revenue below for more information). Co-branded cardholders are also standard Club O members and earn additional reward dollars for purchases made on our Website, and from other merchants.

Club O Reward dollars earned may be redeemed on future purchases made through our Website. Standard Club O membership reward dollars expire 90 days after the customer’s Club O membership expires. Club O Lite reward dollars expire 90 days after they are earned if no additional qualifying purchases are made during that period.

We account for these transactions as multiple element arrangements and allocate revenue to the elements using their relative fair values. We include the value of reward dollars earned in deferred revenue and we record it as a reduction of revenue at the time the reward dollars are earned.

We recognize revenue for Club O reward dollars when customers redeem their reward dollars as part of a purchase at our Website. We recognize other income when Club O Reward dollars expire or the likelihood of reward dollars being redeemed by a customer is remote (“reward dollar breakage”). Reward dollar breakage is currently recognized when the reward dollars expire as Other income in our consolidated statements of income. Because we recently introduced Club O Lite, and enrolled a significant number of Club O Lite members, reward dollars and resulting breakage may increase as compared to prior periods.

In instances where customers receive free Club O reward dollars not associated with any purchases, we account for these transactions as sales incentives such as coupons and record a reduction of revenue at the time the reward dollars are redeemed.

Co-branded credit card programs

We have a co-branded credit card agreement with a commercial bank for the issuance of credit cards bearing the Overstock.com brand, under which the bank pays us fees for new accounts and for customer usage of the cards. The agreement also provides for a customer loyalty program offering reward points that customers will accrue from card usage and can use to make purchases on our Website (see Club O loyalty program above for more information). New account fees are recognized as revenue on a straight-line basis over the remaining life of the credit card relationship which runs through April 2015. Credit card usage fees are recognized as revenues as actual credit card usage occurs.

Table of Contents

We also have a private label credit card agreement with another commercial bank for the issuance of credit cards bearing our brand, but that is only available for use on our Website. In connection with the agreement, we received upfront fees that we recognize as revenue on a straight line basis over the term of the agreement, which runs through February 2022. When customers make regular revolving purchases using the card, we receive fees, which are recognized as revenue. When we offer promotional financing for purchases made with the card (for example, 12 months same as cash), we pay a discount fee to the commercial bank, which we recognize as a reduction of revenue. The commercial bank owns all of the accounts under the program and performs all account administration, underwriting and servicing. Fees and royalties from new accounts, credit card usage fees, and fees from both of these cards were less than 1% of total net revenues for all periods presented.

Deferred revenue

Customer orders are recorded as deferred revenue prior to delivery of products or services ordered. We record amounts received for Club O membership fees as deferred revenue and we recognize it ratably over the membership period. We record Club O reward dollars earned from purchases as deferred revenue at the time they are earned and we recognize it as revenue upon redemption. If reward dollars are not redeemed, we recognize other income upon expiration. In addition, we sell gift cards and record related deferred revenue at the time of the sale. We sell gift cards without expiration dates and we recognize revenue from a gift card upon redemption of the gift card. If a gift card is not redeemed, we recognize other income when the likelihood of its redemption becomes remote based on our historical redemption experience. We consider the likelihood of redemption to be remote after 36 months.

We periodically enter into agreements with other parties to jointly market ancillary products or services on our website. As a result of those agreements, we sometimes receive payments in advance of performing our obligations under those agreements. Such payments received before we perform our obligations are recognized over our service period.

Sales returns allowance

We inspect returned items when they arrive at our processing facility. We refund the full cost of the merchandise returned and all original shipping charges if the returned item is defective or we or our partners have made an error, such as shipping the wrong product.

If the return is not a result of a product defect or a fulfillment error and the customer initiates a return of an unopened item within 30 days of delivery, for most products we refund the full cost of the merchandise minus the original shipping charge and actual return shipping fees. However, we reduce refunds for returns initiated more than 30 days after delivery or that are received at our returns processing facility more than 45 days after initial delivery.

If our customer returns an item that has been opened or shows signs of wear, we issue a partial refund minus the original shipping charge and actual return shipping fees.

Revenue is recorded net of estimated returns. We record an allowance for returns based on current period revenues and historical returns experience. We analyze actual historical returns, current economic trends and changes in order volume and acceptance of our products when evaluating the adequacy of the sales returns allowance in any accounting period.

The allowance for returns was $15.5 million and $13.2 million at December 31, 2014 and 2013, respectively.

Credit card chargeback allowance

Revenue is recorded net of credit card chargebacks. We maintain an allowance for credit card chargebacks based on current period revenues and historical chargeback experience. The allowance for chargebacks was $129,000 and $94,000 at December 31, 2014 and 2013, respectively.

Cost of goods sold

Cost of goods sold includes product costs, warehousing costs, outbound shipping costs, handling and fulfillment costs, customer service costs and credit card fees, and is recorded in the same period in which related revenues have been recorded. Cost of goods sold, including product cost and other costs and fulfillment and related costs are as follows (in thousands):

89

Table of Contents

	Year ended December 31, 2014		2013		2012	
Total revenue, net	$1,497,103	100%	$1,304,217	100%	$1,099,289	100%
Cost of goods sold						
Product costs and other cost of goods sold	1,152,489	77%	999,519	77%	848,842	77%
Fulfillment and related costs	65,555	4%	57,038	4%	52,017	5%
Total cost of goods sold	1,218,044	81%	1,056,557	81%	900,859	82%
Gross profit	$279,059	19%	$247,660	19%	$198,430	18%

Advertising expense

We expense the costs of producing advertisements the first time the advertising takes place and expense the cost of communicating advertising in the period during which the advertising space or airtime is used. Internet advertising expenses are recognized as incurred based on the terms of the individual agreements, which are generally: 1) a commission for traffic driven to the Website that generates a sale or 2) a referral fee based on the number of clicks on keywords or links to our Website generated during a given period. Advertising expense is included in sales and marketing expenses and totaled $99.6 million, $82.1 million and $55.6 million during the years ended December 31, 2014, 2013 and 2012, respectively. Prepaid advertising (included in Prepaids and other assets in the accompanying consolidated balance sheets) was $1.5 million and $1.4 million at December 31, 2014 and 2013, respectively.

Stock-based compensation

We measure compensation expense for all outstanding unvested share-based awards at fair value on the date of grant and recognize compensation expense over the service period for awards expected to vest at the greater of a straight line basis or on an accelerated schedule when vesting of restricted stock awards exceeds a straight line basis. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results differ from estimates, such amounts are recorded as an adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including types of awards, and historical experience. Actual results may differ substantially from these estimates (see Note 16. Stock-Based Awards).

Loss contingencies

In the normal course of business, we are involved in legal proceedings and other potential loss contingencies. We accrue a liability for such matters when it is probable that a loss has been incurred and the amount can be reasonably estimated. When only a range of probable loss can be estimated, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. We expense legal fees as incurred (see Note 13. Commitments and Contingencies).

Restructuring

Restructuring expenses are primarily comprised of lease termination costs. ASC Topic 420, Accounting for Costs Associated with Exit or Disposal Activities, requires that when an entity ceases using a property that is leased under an operating lease before the end of the contractual term, the termination costs should be recognized and measured at fair value when the entity ceases using the facility. Key assumptions in determining the restructuring expenses include the terms that may be negotiated to exit certain contractual obligations (see Note 3. Restructuring Expense).

Income taxes

Income taxes are accounted for under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Table of Contents

We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including projected future taxable income, scheduled reversals of our deferred tax liabilities, tax planning strategies, and results of recent operations.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of income. Accrued interest and penalties are included within the related tax liability line in our consolidated balance sheets.

Earnings per share

Basic earnings per share is computed by dividing net income attributable to common shares by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to common shares for the period by the weighted average number of common and potential common shares outstanding during the period. Potential common shares, comprising incremental common shares issuable upon the exercise of stock options and restricted stock awards are included in the calculation of diluted earnings per common share to the extent such shares are dilutive.

The following table sets forth the computation of basic and diluted net income per common share for the periods indicated (in thousands, except per share data):

	Year ended December 31,		
	2014	2013	2012
Net income attributable to stockholders of Overstock.com, Inc.	$8,854	$84,378	$14,669
Net income per common share—basic:			
Net income attributable to common shares—basic	$0.37	$3.56	$0.63
Weighted average common shares outstanding—basic	23,999	23,714	23,387
Effect of dilutive securities:			
Stock options and restricted stock awards	318	580	285
Weighted average common shares outstanding—diluted	24,317	24,294	23,672
Net income attributable to common shares—diluted	$0.36	$3.47	$0.62

The following shares were excluded from the calculation of diluted shares outstanding as their effect would have been anti-dilutive (in thousands):

	Year ended December 31,		
	2014	2013	2012
Stock options and restricted stock units	291	154	537

Recently issued accounting standards

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard becomes effective for us on January 1, 2017. Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

91

Table of Contents

3. RESTRUCTURING EXPENSE

During the fourth quarter of 2006, we began a facilities consolidation and restructuring program designed to reduce the overall expense structure in an effort to improve future operating performance. The facilities consolidation and restructuring program was substantially completed by the end of the second quarter of 2007.

Restructuring liabilities along with charges (credits) to expense and payments associated with the facilities consolidation and restructuring program are as follows (in thousands):

	Balance at Beginning of Year	Accretion Expense	Net Cash Payments	Adjustments	Balance at End of Year
Year ended December 31, 2014	$445	$7	$(92)	$(360)	$—
Year ended December 31, 2013	$1,197	$71	$(352)	$(471)	$445

During the years ended December 31, 2014 and 2013, we reversed approximately $360,000 and $471,000, respectively, of lease termination costs primarily due to changes in our restructuring accrual as a result of our reoccupation of a portion of formerly restructured office space.

4. COMPREHENSIVE INCOME (LOSS)

Our comprehensive income (loss) is as follows (in thousands):

	Year ended December 31,		
	2014	2013	2012
Consolidated net income	$8,801	$84,378	$14,669
Other comprehensive loss:			
Unrealized loss on cash flow hedges, net of benefit for taxes of $387, $0, and $0	(621)	—	—
Other comprehensive loss	(621)	—	—
Comprehensive income	$8,180	$84,378	$14,669

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (in thousands):

	December 31,	
	2014	2013
Accounts receivable, other	$11,292	$10,098
Credit card receivables	8,182	6,101
	19,474	16,199
Less: allowance for doubtful accounts	(511)	(152)
Accounts receivable, net	$18,963	$16,047

Table of Contents

6. INVENTORIES

Inventories consist of the following (in thousands):

	December 31, 2014	2013
Product inventory	$17,117	$18,841
Inventory in-transit	9,091	8,202
Total inventories, net	$26,208	$27,043

7. PREPAIDS AND OTHER ASSETS

Prepaids and other assets consist of the following (in thousands):

	December 31, 2014	2013
Prepaid maintenance	$6,872	$6,949
Prepaid other	4,231	1,993
Prepaid advertising	1,518	1,356
Total prepaids and other assets	$12,621	$10,298

8. FIXED ASSETS

Fixed assets consist of the following (in thousands):

	December 31, 2014	2013
Computer hardware and software, including internal-use software and website development	$156,700	$170,702
Land	10,861	—
Furniture and equipment	10,605	14,457
Leasehold improvements	7,630	6,539
Construction in progress - building	5,810	—
	191,606	191,698
Less: accumulated depreciation and amortization	(139,535)	(164,504)
Total fixed assets, net	$52,071	$27,194

Depreciation of property and equipment totaled $18.1 million, $14.5 million, and $16.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. Fixed assets included assets under capital leases of $4.7 million and $4.2 million, and accumulated depreciation related to assets under capital leases of $2.8 million and $2.1 million, at December 31, 2014 and 2013, respectively. Depreciation expense of assets recorded under capital leases was $707,000 and $429,000 for the years ended December 31, 2014 and 2013, respectively. During 2014, we retired $43 million of fully depreciated fixed assets that were removed from service in 2014.

Table of Contents

9. OTHER LONG-TERM ASSETS

Other long-term assets consist of the following (in thousands):

	December 31, 2014	2013
Prepaid expenses, long-term portion	$1,156	$1,585
Capitalized debt issuance costs	849	—
Other long-term assets	707	438
Total other long-term assets, net	$2,712	$2,023

10. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	December 31, 2014	2013
Accounts payable accrual	$20,682	$10,870
Allowance for returns	15,531	13,232
Other accrued expenses	13,497	9,934
Accrued marketing expenses	12,167	13,715
Accrued compensation and other related costs	6,682	8,558
Accrued freight	5,115	4,276
Inventory received but not invoiced	3,048	864
Accrued taxes	2,639	1,833
Accrued professional expenses	954	824
Credit card processing fee accrual	776	700
Facility lease accruals	473	567
Short term portion of restructuring accrual (Note 3)	—	306
Total accrued liabilities	$81,564	$65,679

11. DEFERRED REVENUE

Deferred revenue consists of the following (in thousands):

	December 31, 2014	2013
Payments owed or received prior to product delivery	$30,608	$24,402
Club O membership fees and reward points	8,008	5,697
In store credits	5,389	2,400
Unredeemed gift cards	2,872	3,061
Other	1,574	1,761
Total deferred revenue	$48,451	$37,321

12. BORROWINGS

U.S. Bank term loan and revolving loan agreement

On October 24, 2014, we entered into a syndicated senior secured credit facility (the “Facility”) with U.S. Bank National Association ("U.S. Bank" or the "Administrative Bank") and certain other banks in connection with the construction of

94

Table of Contents

our new corporate headquarters (the "Project"). The Facility is governed by a Loan Agreement dated as of October 24, 2014 which provides for an aggregate credit amount of $55.8 million, consisting of (i) a senior secured real estate loan of $45.8 million (the “Real Estate Loan”) to be used to finance a portion of the Project and (ii) a three-year $10 million senior secured revolving credit facility (the “Revolving Loan”) for working capital and capital expenditures, but not for the Project. We must satisfy a number of conditions at least 60 days prior to any funding under the Facility, including making cash contributions of approximately $37.4 million toward the Project. We may also be required to make additional cash contributions if necessary to maintain a loan to value ratio of 80% or less. The Real Estate Loan and the Revolving Loan are both secured by the Project, our inventory and accounts receivable, substantially all of our deposit accounts and related assets. We expect to begin borrowing under the Facility in the second half of 2015.

On or about January 1, 2017, upon completion of the Project, the Real Estate Loan is designed to convert into an approximately 6.75-year term loan due October 1, 2023 (the “Term Loan”). The conditions to conversion of the Real Estate Loan to the Term Loan include, among others, requirements that the Project must have been completed in accordance with the applicable plans, paid for in full, and generally free of liens; completion must have been certified by the project architect and the inspecting architect; certificates of occupancy must have been issued; we must have paid all amounts then due to the lending banks and must be in compliance with the covenants under the Loan Agreement; the Real Estate Loan must be brought “in balance” as defined in the Loan Agreement, which may require us to contribute additional cash to the Project; we must have paid the final amount of our cash contribution as required by the Loan Agreement; and if required by the Administrative Bank, an updated appraisal must show that the Project is in compliance with an 80% loan to value ratio requirement. If the conditions to conversion are not satisfied in early 2017, all amounts outstanding under the Facility will become immediately due and payable.

Amounts outstanding under the Real Estate Loan and the Term Loan will carry an interest rate based on one-month LIBOR plus 2.00% or an Alternate Base Rate plus 1.00%. However, we have entered into interest rate swap agreements designed to fix our interest rate on the Real Estate Loan and the Term Loan at approximately 4.6% annually (see Derivative financial instruments in Note 2. Accounting Policies). Monthly payments of interest only will be due and payable on the Real Estate Loan prior to conversion. Following conversion, we are required to make monthly payments of principal estimated to be $1.1 million annually plus interest, with a balloon payment of all unpaid principal (estimated to be $38 million) and interest on October 1, 2023. Amounts outstanding under the Revolving Loan will carry an interest rate based on LIBOR plus 2.00% or an Alternate Base Rate plus 1.00%.

We are required to maintain compliance as of the end of each calendar quarter beginning with the quarter ending December 31, 2014 with the following financial covenants:

- a fixed charge coverage ratio on a trailing 12-month basis of no less than 1.15 to 1.00;
- a cash flow leverage ratio on a trailing 12-month basis not greater than 3.00 to 1.00 during the Construction Phase (as defined in the Loan Agreement);
- a cash flow leverage ratio not greater than 2.50 to 1.00 following the Construction Phase, and
- minimum liquidity of at least $50 million.

At December 31, 2014 we were in compliance with the financial covenants. In addition to the financial covenants described above, we are required to comply with a number of covenants relating to the Project and our business, including covenants limiting certain indebtedness. Notwithstanding, the Loan Agreement permits us to incur up to $20 million of additional senior-secured indebtedness for equipment financing, and other senior-secured indebtedness provided that the aggregate principal amount of such other senior-secured indebtedness does not exceed ten percent of our consolidated assets. The Loan Agreement includes customary events of default in addition to events of default relating specifically to the Project. The Real Estate Loan and the Revolving Loan are cross-defaulted and cross-collateralized. In the event of a default, the default rate of interest would be 2.00% above the otherwise applicable rate.

Unless it terminates earlier or is extended with the consent of the Administrative Bank and all of the Banks, the Revolving Loan facility will terminate on October 24, 2017.

As of December 31, 2014 we had not borrowed any amounts under either the Real Estate Loan or the Revolving Loan.

U.S. Bank letters of credit

Table of Contents

At December 31, 2014 and 2013, letters of credit totaling $580,000 and $1.6 million, respectively, were issued on our behalf collateralized by compensating cash balances held at U.S. Bank, which are included in Restricted cash in the accompanying consolidated balance sheets.

U.S. Bank commercial purchasing card agreement

We have a commercial purchasing card (the “Purchasing Card”) agreement with U.S. Bank. We use the Purchasing Card for business purpose purchasing and must pay it in full each month. At December 31, 2014, $803,000 was outstanding and $4.2 million was available under the Purchasing Card. At December 31, 2013, $517,000 was outstanding and $4.5 million was available under the Purchasing Card.

Capital leases

In May 2014 and March 2013, we entered into a capital lease arrangements of computer equipment for $325,000 and $2.6 million respectively. These arrangements will expire in 2017. In order to obtain discounted pricing, we prepaid the entire $325,000 and $2.6 million shortly after entering into the agreement. As such, we have no future payment obligations under capital leases at December 31, 2014.

13. COMMITMENTS AND CONTINGENCIES

Summary of future minimum lease payments for all operating leases

Minimum future payments under all operating leases as of December 31, 2014, are as follows (in thousands):

Payments due by period:	
2015	$11,546
2016	9,342
2017	4,963
2018	4,585
2019	3,916
Thereafter	28,521
	$62,873

Rental expense for operating leases totaled $11.7 million, $10 million and $8.5 million for the years ended December 31, 2014, 2013 and 2012, respectively. There is no estimated sublease income expected over the next five years.

During 2014, we entered into amendments to extend the leases on our corporate headquarters and a data center space from their previous expiration of June 30, 2016 to January 31, 2017 to better coincide with the expected timing of completion of our new corporate headquarters. The minimum future payments due under these amended operating leases are included in the table above.

Naming rights

During 2011, we entered into a six-year agreement with the Oakland-Alameda County Coliseum Authority ("OACCA") for the right to name the Oakland Alameda County Coliseum. Amounts shown below represent annual payments due OACCA for the naming rights. We have the right to terminate this agreement at our sole option, subject to payment of a termination fee.

96

Table of Contents

Minimum future payments under the naming rights agreement as of December 31, 2014, are as follows (in thousands):

Payments due by period	
2015	$1,351
2016	1,391
2017	—
Thereafter	—
	$2,742

Technology

From time to time we enter into non-cancellable, long-term contractual agreements for technology services. Minimum future payments under these agreements as of December 31, 2014, are as follows (in thousands):

Payments due by period:	
2015	2,324
2016	1,683
2017	—
Thereafter	—
	$4,007

Legal Proceedings

From time to time, we are involved in litigation concerning consumer protection, employment, intellectual property and other commercial matters related to the conduct and operation of our business and the sale of products on our Website. In connection with such litigation, we may be subject to significant damages. In some instances other parties may have contractual indemnification obligations to us. However, such contractual obligations may prove unenforceable or non-collectible, and if we cannot enforce or collect on indemnification obligations, we may bear the full responsibility for damages, fees and costs resulting from such litigation. We may also be subject to penalties and equitable remedies that could force us to alter important business practices. Such litigation could be costly and time consuming and could divert or distract our management and key personnel from our business operations. Due to the uncertainty of litigation and depending on the amount and the timing, an unfavorable resolution of some or all of these matters could materially affect our business, results of operations, financial position, or cash flows.

On February 2, 2007, along with five shareholder plaintiffs, we filed a lawsuit in the Superior Court of California, County of San Francisco against Morgan Stanley & Co. Incorporated, Goldman Sachs & Co., Bear Stearns Companies, Inc., Bank of America Securities LLC, Bank of New York, Citigroup Inc., Credit Suisse (USA) Inc., Deutsche Bank Securities, Inc., Merrill Lynch, Pierce, Fenner & Smith, Inc., and UBS Financial Services, Inc., and later amended the complaint to add Lehman Brothers Holdings Inc. as a defendant. The suit alleged that the defendants, who controlled over 80% of the prime brokerage market, participated in an illegal stock market manipulation scheme and that the defendants had no intention of covering short sell orders with borrowed stock, as they are required to do, causing what are referred to as “fails to deliver” and that the defendants’ actions caused and continued to cause dramatic declines in the share price of our stock and that the amount of “fails to deliver” often exceeded our entire supply of outstanding shares. The suit accused the defendants of violations of California securities laws and common law and violations of California’s Unfair Business Practices Act. After it filed for bankruptcy on September 2008, we elected not to pursue our claims against Lehman Brothers Holdings. On July 23, 2009, the court sustained defendants’ demurrer to our amended causes of action for conversion and trespass to chattels. On December 15, 2010, we and the other plaintiffs in the case entered into a settlement agreement with certain of the defendants requiring these defendants to pay in the aggregate $4.5 million to plaintiffs. Other terms of settlement are confidential. At that time, remaining defendants in the suit were Goldman Sachs Group, Inc., Goldman Sachs & Co., Goldman Sachs Execution & Clearing L.P., ("Goldman Defendants") Merrill Lynch, Pierce, Fenner & Smith, Inc., Merrill Lynch Professional Clearing Corporation ("Merrill Lynch Defendants), and Bank of America Securities LLC. On December 15, 2010, we filed a motion to amend our complaint against the Goldman and Merrill Lynch Defendants to add a cause of action based on the New Jersey Racketeer Influenced and Corrupt Organization (RICO) Act. Defendants challenged the RICO claim by demurrer and eventually the court sustained the demurrer. We thereafter entered a settlement agreement with Bank of America Securities LLC, the terms of which are confidential, and have dismissed the action as to that defendant. On August 19, 2011, the remaining defendants filed a motion for summary judgment. On January 10, 2012, the court granted the motion for summary judgment as to all remaining defendants and the

97

Table of Contents

judgment was entered. We have appealed that decision and each side appealed the trial court's decisions regarding sealing of certain records in the case. The defendants applied to the court for reimbursement from us of their allowable court costs, and the court ordered costs in the amount of $689,471. The Court of Appeal heard oral argument of all appeals on August 15, 2014, and issued its decision on November 13, 2014, reversing the trial court's dismissal and summary judgment in favor of Merrill Lynch Professional Clearing Corporation, but the court upheld the decision dismissing the Goldman Defendants. The Court of Appeal also upheld the trial court's decision denying the amendment of the complaint to include RICO claims, and in the matter of the sealing of the records, ordered that the relevant portions of the records be made public, subject to the trial court's determination of which documents were relevant and what third party, private financial information should be redacted. All parties petitioned the California Supreme Court for review of various parts the decision, and the court denied the petitions. The case has been remitted to the Court of Appeal. We anticipate the case will return to the trial court for final trial preparation and trial of our claims against Merrill Lynch Professional Clearing Corporation. The nature of the loss contingencies relating to any court costs ordered against us are described above.

On September 23, 2009, SpeedTrack, Inc. sued us along with 27 other defendants in the United States District Court in the Northern District of California. We are alleged to have infringed a patent covering search and categorization software. We believe that certain third party vendors of products and services sold to us are contractually obligated to indemnify us in this action. On November 11, 2009, the parties stipulated to stay all proceedings in the case until resolution of a reexamination of the patent in question, and also until a previously filed infringement action against Wal-Mart Stores, Inc. and other retailers resulted either in judgment or dismissal. Subsequently, the parties agreed to extend the time for defendants to answer until 21 days following a court order to lift the stay to which the parties stipulated. The United States Patent and Trademark Office resolved the reexamination of the patent in question in favor of SpeedTrack, Inc. The case remains stayed, pending the outcome and appeal of the infringement action against Wal-Mart Stores, Inc. and other retailers. On February 22, 2012, the court in the Wal-Mart Stores case granted Wal-Mart Stores' motion for summary judgment of non-infringement. The court also granted Speedtrack's motion for summary judgment on patent validity. Speedtrack appealed, and the ruling was upheld. It is not known whether the summary judgments granted in the Wal-Mart Stores case will have an effect on the Speedtrack case in which we are named as one of the defendants. The nature of the loss contingencies relating to claims that have been asserted against us are described above. However no estimate of the loss or range of loss can be made. We intend to vigorously defend this action and pursue our indemnification rights with our vendors.

On September 29, 2010, a trustee in bankruptcy filed against us an adversary proceeding in the matter of In re: Petters Company, Inc., a case filed in United States Bankruptcy Court, in the District of Minnesota. The complaint alleges principal causes of action against us under various Bankruptcy Code sections and the Minnesota Fraudulent Transfer Act, to recover damages for alleged transfers of property from the Petters Company occurring prior to the filing of the case initially as a civil receivership in October 2008. The trustee's complaint alleges such transfers occurred in at least one note transaction whereby we transferred at least $2.3 million and received in return transfers totaling at least $2.5 million. The case is in its discovery stages. We filed a motion to dismiss on statute of limitations and other grounds. The court consolidated the issues in our motion with issues raised by motion in similar trustee-filed cases. The court issued legal rulings on these consolidated legal issues, and has allowed portions of the case to proceed to the discovery stage. The nature of the loss contingencies relating to claims that have been asserted against us are described above. However, no estimate of the loss or range of loss can be made. We intend to vigorously defend this action.

On November 17, 2010, we were sued in the Superior Court of California, County of Alameda, by District Attorneys for the California Counties of Alameda, Marin, Monterey, Napa, Santa Clara, Shasta and Sonoma County, and the County of Santa Cruz later joined the suit. These district attorneys sought damages and an injunction under claims for violations of California consumer protection laws, alleging we made untrue or misleading statements concerning our pricing, price reductions, sources of products and shipping charges. The complaint asked for damages in the amount of not less than $15 million. We tried the case in September 2013 before the judge of the court and made final arguments in December 2013. On January 3, 2014, the court issued a tentative ruling in favor of the District Attorneys, which became a final Statement of Decision on February 5, 2014. The decision provides for an injunction that prescribes disclosures necessary for certain types of price advertising and price reductions and imposes civil penalties of $3,500 per day for practices from March 2006 through September 2008, and $2,000 per day for September 2008 through September 2013, totaling $6.8 million. The court issued a Final Judgment February 19, 2014 reflecting the Court’s Statement of Decision. We have stipulated to Plaintiff’s reimbursement of costs in the amount of $111,500. We have appealed the decision and have secured a bond as required in the ruling in the amount of 150% of the penalty imposed in the matter until the ruling on the appeal. The appeal is briefed. No date has been set for oral argument. The nature of the loss contingencies relating to claims that have been asserted against us are described above. We intend to continue to vigorously pursue the appeal and defend this action.

On September 11, 2011, Droplets, Inc. filed suit against us and eight other defendants in the United States District Court in the Eastern District of Texas for infringement of a patent covering strings of programming code downloaded from a

98

Table of Contents

server to a client computer. The case was tried and on January 16, 2015 the jury rendered a verdict of infringement assessing damages in the amount of $4.0 million. The court may also order injunctive relief, the payment of pro and post-judgment interest, future royalties, attorney fees and costs. We intend to appeal. The nature of the loss contingencies relating to claims that have been asserted against us are described above. We intend to vigorously defend this action and pursue our indemnification rights with our vendors.

On February 11, 2013, RPost Holdings, Inc., RPost Communications Limited, and RMail Limited, filed suit against us in the United States District Court in Eastern District of Texas for infringement of patents covering products and services that verify the delivery and integrity of email messages. We tendered defense of the case to an indemnitor which accepted the defense. We answered the complaint. The case is in its early stages. The nature of the loss contingencies relating to claims that have been asserted against us are described above. However, no estimate of the loss or range of loss can be made. We intend to vigorously defend this action and pursue our indemnification rights with our vendors.

On January 31, 2014, Guardian Media Technologies LTD filed suit against us in the United States District Court in the Eastern District of Texas for infringement of patents covering parental control features in DVD players and televisions. The suit relates to two prior lawsuits with Guardian filed in 2008, and in 2013, which were previously dismissed. The case was settled for a nominal amount and is now dismissed.

On September 30, 2013, Altaf Nazerali filed suit against us in the Supreme Court of British Columbia for vicarious liability for defamation, liable and slander. The suit relates to alleged representations about Nazerali found on the website www.deepcapture.com. The suit alleges that the representations were made by our Chief Executive Officer, Patrick Byrne, and two other employees. The case is in its discovery stages. A trial is scheduled in April 2015. The nature of the loss contingencies relating to claims that have been asserted against us are described above. However, no estimate of the loss or range of loss can be made.

In June 2013, William French filed suit against us and 46 other defendants under seal in the Superior Court of the State of Delaware. The filing was unsealed on March 24, 2014. French brought the action on Delaware’s behalf for violations of Delaware’s unclaimed property laws and for recovery of the unredeemed gift card value allegedly attributable to Delaware residents. French’s complaint alleges that we, and other defendants, knowingly refused to fulfill obligations under Delaware's Abandoned Property Law by failing to report and deliver unclaimed gift card funds to the State of Delaware, and knowingly made, used or caused to be made or used, false statements and records to conceal, avoid or decrease an obligation to pay or transmit money to Delaware in violation of the Delaware False Claims and Reporting Act. The complaint seeks an injunction, monetary damages (including treble damages) penalties, and attorneys' fees and costs. The case is in its discovery stages. The nature of the loss contingencies relating to claims that have been asserted against us are described above. However, no estimate of the loss or range of loss can be made.

We establish liabilities when a particular contingency is probable and estimable. At December 31, 2014, we have accrued $12.5 million in light of these probable and estimable liabilities. It is reasonably possible that the actual losses may exceed our accrued liabilities. We have other contingencies which are reasonably possible; however, the reasonably possible exposure to losses cannot currently be estimated.

14. INDEMNIFICATIONS AND GUARANTEES

During our normal course of business, we have made certain indemnities, commitments, and guarantees under which we may be required to make payments in relation to certain transactions. These indemnities include, but are not limited to, indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnities to our directors and officers to the maximum extent permitted under the laws of the State of Delaware. The duration of these indemnities, commitments, and guarantees varies, and in certain cases, is indefinite. In addition, the majority of these indemnities, commitments, and guarantees do not provide for any limitation of the maximum potential future payments we could be obligated to make. As such, we are unable to estimate with any reasonableness our potential exposure under these items. We have not recorded any liability for these indemnities, commitments, and guarantees in the accompanying consolidated balance sheets. We do, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is both probable and reasonably estimable.

15. STOCKHOLDERS' EQUITY

Common Stock

Table of Contents

Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid on our common stock through December 31, 2014.

16. STOCK BASED AWARDS

Stock Option Awards

Our board of directors adopted the 2005 Equity Incentive Plan and it was most recently amended and restated and re-approved by the stockholders on May 3, 2012 (as so amended and restated, the "Plan"). Under the Plan, the board of directors may issue incentive stock options to employees and directors of the Company and non-qualified stock options to consultants, as well as restricted stock units and other types of equity awards of the Company. Options granted under this Plan generally expire at the end of ten years and vest in accordance with a vesting schedule determined by our board of directors, usually over four years from the grant date. We did not grant any options during the years ended December 31, 2014, 2013 and 2012. At December 31, 2014, 2.7 million shares of stock remained available for future grants under the Plan. We settle stock option exercises with newly issued common shares.

The following is a summary of stock option activity (in thousands, except per share data):

	2014		2013		2012	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding—beginning of year	273	$17.30	364	$17.34	405	$17.58
Exercised	(30)	17.08	(89)	17.45	—	—
Expired/Forfeited	(19)	18.00	(2)	17.08	(41)	20.06
Outstanding—end of year	224	$17.27	273	$17.30	364	$17.34
Options exercisable at year-end	224	$17.27	273	$17.30	364	$17.34

The following table summarizes information about stock options as of December 31, 2014 (in thousands, except per share data):

Options Outstanding				Options Exercisable			
Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value
224	$17.27	2.15	$1,590	224	$17.27	2.15	$1,590

Stock options vest over four years at 28% at the end of the first year and 2% each month thereafter. During the years ended December 31, 2014, 2013 and 2012, we recorded stock based compensation related to stock options of $0, $0 and $3,000, respectively.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, based on our stock price of $24.27 as of December 31, 2014, which would have been received by the option holders had all option holders exercised their options as of that date.

The total intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was $126,000, $728,000, and $0, respectively. The total cash received from employees as a result of employee stock option exercises during the years ended December 31, 2014, 2013 and 2012 were approximately $511,000, $1.6 million, and $0, respectively. In connection with these exercises, there was no tax benefit realized due to our net operating loss position.

Restricted Stock Awards

100

Table of Contents

For the years ended December 31, 2014, 2013 and 2012, we granted 242,000, 275,000 and 795,000 restricted stock units, respectively. The cost of restricted stock units is determined using the fair value of our common stock on the date of the grant and we recognize compensation expense over the three-year vesting schedule on a straight line basis or on an accelerated schedule when vesting of restricted stock awards exceeds a straight line basis. The weighted average grant date fair value of restricted stock units granted during the years ended December 31, 2014, 2013 and 2012 was $28.24, $16.12 and $6.75, respectively.

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

	2014		2013		2012	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Outstanding—beginning of year	704	$10.79	1,003	$8.81	522	$13.40
Granted at fair value	242	28.24	275	16.12	795	6.75
Vested	(301)	11.87	(339)	10.23	(240)	12.11
Forfeited	(67)	17.70	(235)	9.38	(74)	8.25
Outstanding—end of year	578	$16.70	704	$10.79	1,003	$8.81

Restricted stock units granted in 2014 vest over three years at 33.3% at the end of each of the first, second and third year. Restricted stock units granted in 2013 vest over three years at 40% at the end of the first year, 30% at the end of the second year and 30% at the end of the third year. Restricted stock units granted in or prior to 2012 vest over three years at 25% at the end of the first year, 25% at the end of the second year and 50% at the end of the third year. Each restricted stock unit represents the right to one share of common stock upon vesting. During the years ended December 31, 2014, 2013 and 2012, we recorded stock based compensation related to restricted stock units of $4.0 million, $3.3 million and $3.5 million, respectively. Changes to the estimated forfeiture rate are accounted for as a cumulative effect of change in the period of such change.

17. EMPLOYEE RETIREMENT PLAN

We have a 401(k) defined contribution plan which permits participating employees to defer a portion of their compensation, subject to limitations established by the Internal Revenue Code. During the years ended December 31, 2013 and 2012, employees who had completed six months of service and were 21 years of age or older were qualified to participate in the plan which provided matches of 50% of the first 6% of each participant's contributions to the plan subject to IRS limits. These contributions will vest based on the participant's years of service at 20% per year over five years. Participant contributions vest immediately. During the year ended December 31, 2014, we changed the plan to reduce the required service period to three months, to increase our match to 100% of the first 6% of each participant's contributions to the plan subject to IRS limits, and to vest our matching contributions immediately. Our matching contribution totaled $2.4 million, $1.0 million and $653,000 for the years ended December 31, 2014, 2013 and 2012, respectively. No discretionary contributions were made to eligible participants for the years ended December 31, 2014, 2013 and 2012, respectively.

We have a Non-Qualified Deferred Compensation Plan for senior management. The plan allows eligible members of senior management to defer their receipt of compensation from us, subject to the restrictions contained in the plan. Participants are 100% vested in their deferred compensation amounts and the associated gains or losses. For our contributions, if any, and the associated gains or losses, the participants shall vest in those deferred compensation amounts according to a vesting schedule that we shall determine at the time our contribution is made. As of December 31, 2014, we have not made any contributions into the NQDC Plan. Participants are generally eligible to receive distributions from the plan two plan years subsequent to the plan year their initial deferral contribution is made. Deferred compensation amounts are held in a "rabbi trust," which invests primarily in mutual funds. The trust assets, which consist primarily of mutual funds, are recorded in our consolidated balance sheets because they are subject to the claims of our creditors. The corresponding deferred compensation liability represents the amounts deferred by the plan participants plus or minus any earnings or losses on the trust assets. The trust's assets totaled $90,000 and $138,000 at December 31, 2014 and December 31, 2013, respectively, and are included in Other current and long-term assets in the consolidated balance sheets. Gains and losses on these investments were immaterial for the years ended December 31, 2014, 2013 and 2012.

101

Table of Contents

18. OTHER INCOME (EXPENSE), NET

Other income (expense), net consisted of the following (in thousands):

	Years ended December 31,		
	2014	2013	2012
Gift card and Club-O rewards breakage	$2,439	$1,187	$3,308
Other	(1)	35	23
Loss on precious metals	(1,269)	(1,457)	—
Sublease income	—	—	355
Total other income (expense), net	$1,169	$(235)	$3,686

19. INCOME TAXES

The provision (benefit) for income taxes for 2014, 2013 and 2012 consists of the following (in thousands):

	Years ended December 31,		
	2014	2013	2012
Current:			
Federal	$210	$196	$416
State	385	239	39
Foreign	68	51	30
Total current	663	486	485
Deferred:			
Federal	3,777	(62,150)	—
State	(36)	(6,370)	—
Total deferred	3,741	(68,520)	—
Total provision (benefit) for income taxes	$4,404	$(68,034)	$485

The provision (benefit) for income taxes for 2014, 2013 and 2012 differ from the amounts computed by applying the U.S. federal income tax rate of 35% to income before income taxes for the following reasons (in thousands):

	Year ended December 31,		
	2014	2013	2012
U.S. federal income tax provision at statutory rate	$4,622	$5,720	$5,303
Adjustment to reserves in prior years (1)	—	4,418	—
Non-deductible fines and penalties	(112)	2,387	—
Other	336	242	(1,764)
Lobbying expenses	266	209	—
Stock based compensation expense	(43)	(176)	1
Research and development credit	(2,050)	(6,069)	—
State income tax expense, net of federal benefit	385	(4,828)	44
Change in valuation allowance	1,000	(69,937)	(3,099)
Income tax provision (benefit)	$4,404	$(68,034)	$485

(1) Adjustments to reserves in prior years includes (1) the effects of reconciling income tax amounts recorded in our Consolidated Statements of Operations and Consolidated Income (Loss) to amounts reflected on our tax returns, including any adjustments to the Consolidated Balance Sheets; and (2) reductions to the net operating losses ("NOLs") from previous acquisitions.

102

Table of Contents

We account for income taxes in accordance with ASC Topic 740, Income Taxes (“ASC 740”). ASC 740 requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for years in which taxes are expected to be paid or recovered.

The components of our deferred tax assets and liabilities as of December 31, 2014 and 2013 are as follows (in thousands):

	December 31, 2014	2013
Deferred tax assets:		
Net operating loss carryforwards	$50,952	$56,859
R&D tax credits	7,382	5,332
AMT and other tax credits	850	639
Accrued expenses	10,924	5,773
Reserves and other	3,119	4,565
Gross deferred tax assets	73,227	73,168
Valuation allowance	(1,000)	—
Total deferred tax assets	72,227	73,168
Deferred tax liabilities:		
Fixed assets	(5,786)	(3,291)
Prepaid expenses	(1,275)	(1,357)
Total deferred tax liabilities	(7,061)	(4,648)
Total deferred tax assets, net	$65,166	$68,520

At December 31, 2014 and 2013, we had federal NOL carryforwards of approximately $155.0 million and $166.2 million and state NOL carryforwards of approximately $144.0 million and $154.7 million, respectively, which may be used to offset future taxable income. Of the total federal and state NOLs, $20.6 million was generated from stock option deductions and are not reflected in our deferred tax assets. The net tax benefit of $7.9 million will be credited to additional paid-in capital in our consolidated balance sheets under the "with-and-without" method of utilization for tax attributes. We utilize the with-and-without approach in determining if and when such excess tax benefits are realized. Under this approach excess tax benefits related to stock-based compensation are the last to be realized. Our NOLs begin to expire in 2018 to 2034 if unused. In accordance with an Internal Revenue Code section 382 study completed during 2014, the NOL carryforwards indicated above are not limited in future periods.

At December 31, 2014 and 2013, we had federal research credit carryforwards of approximately $7.8 million and $6.0 million and state research credit carryforwards of approximately $4.2 million and $3.3 million, respectively, which may be used to offset future income tax. These tax credits expire at various dates between 2021 and 2034. We do not have any indefinite lived intangibles and the remaining deferred tax assets have no expiration date.

Each quarter we assess the recoverability of our deferred tax assets under ASC 740. We are required to establish a valuation allowance for any portion of the assets that we conclude is not more likely than not realizable. Our assessment considers, among other things, the three year cumulative net income, positive pretax net income and taxable income, forecasts of our future taxable income, carryforward periods, our utilization experience with operating loss and tax credit carryforwards, and tax planning strategies. We have concluded based on all available positive and negative evidence it is more likely than not the Company’s deferred tax assets as of December 31, 2014 arising from ordinary income and deductions and tax credits will be realized in the future. We have also concluded it is unlikely the Company’s deferred tax asset arising from unrealized capital losses will be realized in the future. On the basis of this evaluation, as of December 31, 2014, a valuation allowance of $1.0 million has been recorded to record only the portion of the deferred tax asset that is more likely than not to be realized. This assessment required significant judgment and estimates about our ability to generate revenue, gross profit, operating income and taxable income in future periods. Except as otherwise disclosed, there are no known trends, events, transactions or other uncertainties that are expected to negatively impact the future levels of taxable income. We will continue to monitor the need for a valuation allowance against our federal and state deferred tax assets on a quarterly basis.

103

Table of Contents

A reconciliation of the beginning and ending tax contingencies, excluding interest and penalties, as of December 31, 2014 and 2013 is as follows (in thousands):

	Year ended December 31,		
	2014	2013	2012
Beginning balance	$2,968	$231	$231
Additions for tax positions related to the current year	959	2,737	—
Additions for tax positions taken in prior years	201	—	—
Ending balance	$4,128	$2,968	$231

Accrued interest and penalties on tax contingencies as of December 31, 2014 and 2013 were $184,000 and $127,000, respectively. Our policy is to recognize interest and penalties accrued on any unrecognized tax positions as a component of income tax expense.

The Company is subject to taxation in the United States and several state and foreign jurisdictions. Tax years beginning in 2011 are subject to examination by taxing authorities, although NOL and credit carryforwards from all years are subject to examinations and adjustments for at least three years following the year in which the attributes are used.

We operate under an income tax holiday in Ireland, which is effective through December 31, 2015. The impact has been tax savings of approximately $15,000 and $3,000 for December 31, 2014 and 2013.

The Company intends to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2014, the Company has not made a provision for U.S. or additional foreign withholding taxes on approximately $142,000 of indefinitely reinvested foreign earnings. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends to the U.S. and under certain other circumstances. It is not practicable to estimate the amount of deferred taxes related to investments in these foreign subsidiaries.

20. RELATED PARTY TRANSACTIONS

On occasion, Haverford-Valley, L.C. (an entity owned by our Chief Executive Officer) and certain affiliated entities make travel arrangements for our executives and pay the travel related expenses incurred by our executives on company business. During the years ended December 31, 2014, 2013 and 2012 we reimbursed Haverford-Valley L.C. $270,000, $170,000, and $93,000, respectively, for these expenses.

21. BUSINESS SEGMENTS

Segment information has been prepared in accordance with ASC Topic 280 Segment Reporting. Segments were determined based on how we manage the business. There were no inter-segment sales or transfers during the years ended December 31, 2014 and 2013. We evaluate the performance of our segments and allocate resources to them based primarily on gross profit. The table below summarizes information about reportable segments for the years ended December 31, 2014, 2013 and 2012 (in thousands):

Table of Contents

	Year ended December 31, Direct	Partner	Total
2014			
Revenue, net	$147,460	$1,349,643	$1,497,103
Cost of goods sold	129,253	1,088,791	1,218,044
Gross profit	$18,207	$260,852	$279,059
Operating expenses			(267,136)
Other income, net			1,282
Provision for income taxes			4,404
Consolidated net income			$8,801
2013			
Revenue, net	$156,032	$1,148,185	$1,304,217
Cost of goods sold	136,282	920,275	1,056,557
Gross profit	$19,750	$227,910	$247,660
Operating expenses			(231,095)
Other loss, net			(221)
Benefit for income taxes			(68,034)
Consolidated net income			$84,378
2012			
Revenue, net	$155,516	$943,773	$1,099,289
Cost of goods sold	140,536	760,323	900,859
Gross profit	$14,980	$183,450	$198,430
Operating expenses			(186,269)
Other income, net			2,993
Provision for income taxes			485
Consolidated net income			$14,669

The direct segment includes revenues, direct costs, and cost allocations associated with sales of inventory we own. Costs for this segment include product costs, freight, warehousing and fulfillment costs, credit card fees and customer service costs.

The partner segment includes revenues, direct costs and cost allocations associated with sales of inventory owned by our partners. Costs for this segment include product costs, outbound freight and fulfillment costs, credit card fees and customer service costs.

Assets have not been allocated between the segments for our internal management purposes and, as such, they are not presented here.

For the years ended December 31, 2014, 2013 and 2012, substantially all of our sales revenues were attributable to customers in the United States. At December 31, 2014 and December 31, 2013, substantially all of our fixed assets were located in the United States.

22. SUBSEQUENT EVENTS

In conjunction with our crypto-initiatives, in January 2015 we purchased a noncontrolling interest in a privately held entity. The amount of the investment totaled $5 million. We will recognize the investment as a cost method investment. Earnings from the investment will be recognized to the extent of dividends received, and we will recognize subsequent impairments to the investment if they are other than temporary.

23. QUARTERLY RESULTS OF OPERATIONS (unaudited)

105

Table of Contents

The following tables set forth our unaudited quarterly results of operations data for the eight most recent quarters for the period ended December 31, 2014. We have prepared this information on the same basis as the consolidated statements of operations and the information includes all adjustments that we consider necessary for a fair statement of its financial position and operating results for the quarters presented.

	Three Months Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(in thousands, except per share data)			
Consolidated Statement of Operations Data:				
Revenue, net				
Direct	$38,047	$33,215	$ 33,592	$ 42,606
Partner	303,160	299,330	319,399	427,754
Total net revenue	341,207	332,545	352,991	470,360
Cost of goods sold				
Direct	33,097	29,473	29,385	37,298
Partner	244,114	240,447	256,548	347,682
Total cost of goods sold	277,211	269,920	285,933	384,980
Gross profit	63,996	62,625	67,058	85,380
Operating expenses:				
Sales and marketing	23,392	23,543	25,428	37,098
Technology	19,601	21,408	22,202	23,047
General and administrative	15,296	15,881	17,073	23,527
Restructuring	(360)	—	—	—
Total operating expenses	57,929	60,832	64,703	83,672
Operating income	6,067	1,793	2,355	1,708
Interest income	41	37	36	38
Interest expense	(7)	(12)	(11)	(9)
Other income (expense), net	459	524	(350)	536
Net income before income taxes	6,560	2,342	2,030	2,273
Provision for income taxes	2,590	433	413	968
Consolidated net income	3,970	1,909	1,617	1,305
Less: Net loss attributable to noncontrolling interests	—	—	—	(53)
Net income attributable to stockholders of Overstock.com, Inc.	$3,970	$1,909	$ 1,617	$ 1,358
Net income per common share—basic:				
Net income attributable to common shares—basic	$0.17	$0.08	$ 0.07	$ 0.06
Weighted average common shares outstanding—basic	23,926	24,009	24,027	24,031
Net income per common share—diluted:				
Net income attributable to common shares—diluted	$0.16	$0.08	$ 0.07	$ 0.06
Weighted average common shares outstanding—diluted	24,339	24,247	24,283	24,399

Table of Contents

	Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(in thousands, except per share data)			
Consolidated Statement of Operations Data:				
Revenue, net				
Direct	$41,942	$36,250	$ 35,681	$ 42,159
Partner	270,052	256,954	265,745	355,434
Total net revenue	311,994	293,204	301,426	397,593
Cost of goods sold				
Direct	37,149	31,842	30,777	36,514
Partner	215,909	203,523	211,499	289,344
Total cost of goods sold	253,058	235,365	242,276	325,858
Gross profit	58,936	57,839	59,150	71,735
Operating expenses:				
Sales and marketing	18,705	19,208	22,463	31,233
Technology	18,160	17,920	17,259	18,449
General and administrative	15,088	16,585	15,970	20,526
Restructuring	(432)	(39)	—	—
Total operating expenses	51,521	53,674	55,692	70,208
Operating income	7,415	4,165	3,458	1,527
Interest income	34	32	34	27
Interest expense	(51)	(37)	(33)	8
Other income (expense), net	345	(150)	165	(595)
Net income before income taxes	7,743	4,010	3,624	967
Provision (benefit) for income taxes	46	312	91	(68,483)
Consolidated net income	7,697	3,698	3,533	69,450
Less: Net loss attributable to noncontrolling interests	—	—	—	—
Net income attributable to stockholders of Overstock.com, Inc.	$7,697	$3,698	$ 3,533	$ 69,450
Net income per common share—basic:				
Net income per share—basic	$0.33	$0.16	$ 0.15	$ 2.92
Weighted average common shares outstanding—basic	23,594	23,714	23,766	23,780
Net income per common share—diluted:				
Net income per share—diluted	$0.32	$0.15	$ 0.14	$ 2.84
Weighted average common shares outstanding—diluted	24,016	24,283	24,446	24,430

107

Table of Contents

Schedule II
Valuation and Qualifying Accounts
(in thousands)

	Balance at Beginning of Year	Charged to Expense	Deductions	Balance at End of Year
Year ended December 31, 2014				
Deferred tax valuation allowance	$—	$1,000	$—	$1,000
Allowance for sales returns	13,232	117,932	115,633	15,531
Allowance for doubtful accounts	152	359	—	511
Year ended December 31, 2013				
Deferred tax valuation allowance	$79,693	$—	$79,693	$—
Allowance for sales returns	10,618	95,807	93,193	13,232
Allowance for doubtful accounts	797	161	806	152
Year ended December 31, 2012				
Deferred tax valuation allowance	$83,617	$—	$3,924	$79,693
Allowance for sales returns	10,899	79,785	80,066	10,618
Allowance for doubtful accounts	574	249	26	797

108