

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

► See separate instructions.

Part I	Reporting Issuer
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1 Issuer's name

2 Issuer's employer identification number (EIN)

Demand Media, Inc.

20-4731239

3 Name of contact for additional information

4 Telephone No. of contact

5 Email address of contact

Mel Tang

310-394-6400

Mel@demandmedia.com

6 Number and street (or P.O. box if mail is not delivered to street address) of contact

7 City, town, or post office, state, and Zip code of contact

1655 26th Street

Santa Monica, CA, 90404

8 Date of action

9 Classification and description

Common Stock - Spin-Off - Reverse Stock Split/Common Stock

August 1, 2014

10 CUSIP number

11 Serial number(s)

12 Ticker symbol

13 Account number(s)

24802N109

DMD

24002N109				
Part II	Organizational Action Attach additional statements if needed. See back of form for additional questions.			

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ See attachment

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► See attachment

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► See attachment

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attachment

18 Can any resulting loss be recognized? ▶ See attachment

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶

Date ▶ August 27, 2014

Print your name ▶ Mel Tang

Title ▶ CFO

**Paid
Preparer
Use Only**

Print/Type preparer's name <u>Cathleen G. Hylton</u>	Preparer's signature <u>Cathleen G. Hylton</u>	Date <u>08/27/2014</u>	Check <input type="checkbox"/> if self-employed	PTIN <u>P00602315</u>
Firm's name ▶ <u>PricewaterhouseCoopers, LLP</u>	Firm's EIN ▶ <u>13-4008324</u>		Phone no. <u>206-398-3000</u>	
Firm's address ▶ <u>1420 Fifth Avenue, Suite 1900, Seattle, WA 98101</u>				

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

DEMAND MEDIA, INC.
FEIN: 20-4731239
ATTACHMENT TO FORM 8937, REPORT OF ORGANIZATIONAL
ACTIONS AFFECTING BASIS IN SECURITIES
AUGUST 1, 2014

Part II, Question 14

On August 1, 2014, as part of the separation (the "Spin-off") of Rightside Group, Ltd. ("Rightside") from Demand Media, Inc. ("Demand Media"), holders of record ("Demand Media Stockholders") of Demand Media common stock, par value \$0.0001 per share ("Demand Media Common Stock") as of the close of business, New York City time, on July 25, 2014, received one (1) share of Rightside common stock, par value \$0.0001 per share ("Rightside Common Stock") for every five (5) shares of Demand Media Common Stock (the "Distribution Ratio") held by such Demand Media Stockholders (the "Distribution"). Fractional shares of Rightside Common Stock were not issued to holders of Rightside Common Stock ("Rightside Stockholders") as part of the Distribution, and fractional shares of Rightside Common Stock that would otherwise have been issued as part of the Distribution to Demand Media Stockholders were aggregated and sold in the public market by American Stock Transfer & Trust LLC ("AST"), Rightside's transfer agent, shortly after the Distribution. The aggregate net proceeds of these sales were distributed ratably as cash payments to the Rightside Stockholders who would otherwise have received fractional interests. Immediately following the Distribution, Demand Media effected a 1-for-5 reverse stock split of its outstanding shares of Demand Media Common Stock (the "Reverse Stock Split"), in which cash was paid in lieu of fractional shares.

Part II, Question 15

The aggregate basis in the common stock held in Demand Media and Rightside following the Distribution (including any fractional share interests in Rightside for which cash is received) will equal the aggregate basis of Demand Media Common Stock held immediately before the Distribution. This aggregate basis would be allocated between the Demand Media Common Stock and the Rightside Common Stock received in the Distribution (including any fractional share interests in Rightside and Demand Media for which cash is received) in proportion to the relative fair market value of such common stock immediately following the Distribution. For example, using "when issued" closing price of the Demand Media Common Stock on the New York Stock Exchange ("NYSE") and the "when issued" closing price of the Rightside common stock on the Nasdaq Global Select Market ("NASDAQ"), 40.3% of a Demand Media Stockholder's aggregate tax basis would be allocated to Demand Media Common Stock and 59.7% of a Demand Media Stockholder's aggregate tax basis would be allocated the Rightside Common Stock (including any fractional shares of Rightside Common Stock for which the Demand Media Stockholder received cash in lieu thereof).

Pursuant to the 1-for-5 reverse stock split, the stockholders basis in each share of the new Demand Media Common Stock will be equal to the stockholder's basis in the 5 shares of Demand Media Commons Stock, which were deemed exchanged for such new share of Demand Media Common Stock. Accordingly, the tax basis of each share of Demand Media Common Stock before the reverse stock split should be multiplied by 5 for purposes of determining the post-split tax basis per share of Demand Media Common Stock.

Part II, Question 16

Current US Federal income tax law does not provide definitive guidance on how to determine the fair market values of securities for the purposes of tax basis allocation. Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. Thus, one possible approach to determining the relative fair market value of the Demand Media Common Stock and the Rightside Common Stock is to utilize the New York Stock Exchange ("**NYSE**") "when issued" closing price of Demand Media Common Stock (adjusted for the dividend payable in Rightside Common Stock and the Reverse Stock Split) on the date of the Distribution, which was \$10.70 per share, and the Nasdaq Global Select Market ("**NASDAQ**") "when issued" closing price of Rightside Common Stock (assuming the Distribution Ratio) on the date of the Distribution, which was \$15.85 per share, in order to establish a ratio of fair market values.

The calculation representing the percentage of tax basis allocated to a share of Demand Media Common Stock is therefore: $\$10.70/(\$10.70+\$15.85)$. The calculation representing the percentage of tax basis allocated to a share of Rightside Common Stock is therefore $\$15.85/(\$10.70+\$15.85)$.

Please note that some brokerage houses might not use the information provide in this document and the information is only provided as an example of one potential approach. There are various ways in brokerage houses may calculate the tax basis. Please contact your individual brokerage house to determine which calculation they may have used and contact your own tax advisor for additional information.

Part II, Question 17

Non-recognition treatment for the Distribution is based on Section 355 of the Code and tax basis allocation method is based on IRC Section 358(b)(2) and Treasury Regulation 1.358-2. In addition, Demand Media received a private letter ruling from the Internal Revenue Service on this regard.

The tax treatment of the Reverse Stock Split is pursuant to the Internal Revenue Code ("Code") Section 368 (a)(1)(E) and the tax basis of Demand Media common stock is based on Sections 354 and 358 of the code.

Part II, Question 18

For US Federal income tax purposes, Demand Media shareholders will not recognize gain, or loss with respect to the Distribution and Reverse Stock Split (except for the fractional shares) under IRC Sections 355(a)(1) and 354, respectively. Please note that gain or loss will be recognized by Demand Media shareholders with respect to any cash received in lieu of fractional shares of Demand Media or Rightside Common Stock.

Part II, Question 19

The effective date of the Distribution and the Reverse Stock Split is August 1, 2014 and thus the reportable tax year for the tax basis adjustment is calendar year 2014.

Demand Media, Inc. Stockholder Tax Basis Information

Regarding Distribution of Rightside Group, Ltd.

Required by Internal Revenue Code Section 6045B

On August 1, 2014, as part of the separation (the “*Spin-off*”) of Rightside Group, Ltd. (“*Rightside*”) from Demand Media, Inc. (“*Demand Media*”), holders of record (“*Demand Media Stockholders*”) of Demand Media common stock, par value \$0.0001 per share (“*Demand Media Common Stock*”) as of the close of business, New York City time, on July 25, 2014, received one (1) share of Rightside common stock, par value \$0.0001 per share (“*Rightside Common Stock*”) for every five (5) shares of Demand Media Common Stock (the “*Distribution Ratio*”) held by such Demand Media Stockholders (the “*Distribution*”). Fractional shares of Rightside Common Stock were not issued to holders of Rightside Common Stock (“*Rightside Stockholders*”) as part of the Distribution, and fractional shares of Rightside Common Stock that would otherwise have been issued as part of the Distribution to Demand Media Stockholders were aggregated and sold in the public market by American Stock Transfer & Trust LLC (“*AST*”), Rightside’s transfer agent, shortly after the Distribution. The aggregate net proceeds of these sales were distributed ratably as cash payments to the Rightside Stockholders who would otherwise have received fractional interests. Immediately following the Distribution, Demand Media effected a 1-for-5 reverse stock split of its outstanding shares of Demand Media Common Stock (the “*Reverse Stock Split*”), in which cash was paid in lieu of fractional shares.

Demand Media Common Stock trades under the ticker symbol “DMD” and Rightside Common Stock trades under the ticker symbol “NAME”.

We advise each Demand Media Stockholder to discuss the tax consequences of the Distribution and Reverse Stock Split, including the allocation of such stockholder’s tax basis in his or her Demand Media Common Stock, with an independent tax advisor.

CONSULT YOUR TAX ADVISOR

The information contained herein provides a general summary regarding the application of certain U.S. Federal income tax laws and regulations relating to the allocation of tax basis between Demand Media and Rightside common stock following the Spin-off and Reverse Stock Split. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Neither Demand Media nor Rightside provides tax advice to its stockholders. The example provided below is provided solely for illustrative purposes and as a convenience to stockholders and their tax advisors when establishing their specific tax position. You are urged to consult your own tax advisor regarding the particular consequences of the Spin-off and the Reverse Stock Split to you, including the applicability and effect of all U.S. Federal, state and local and foreign tax laws. We urge you to read the amended Form 10 for Rightside, as filed with the Securities and Exchange Commission on July 14, 2014 (the “*Form 10*”), noting especially the discussion on page 69-73 under the heading “Material U.S. Federal Income Tax Consequences.” You may access the Form 10 at Rightside’s website at www.rightside.co in the Investor Relations section, under “Financial Information”/“SEC Filings” or at www.sec.gov.

If you did not become entitled to receive any shares of Rightside common stock as a result of the Spin-Off on August 1, 2014, this information does not apply to you. Additionally, this notice does not apply to shares of Demand Media common stock sold, exchanged or otherwise disposed of prior to the time of the Spin-Off.

Distribution

Generally, for U.S. federal income tax purposes, your aggregate basis in the common stock you hold in Demand Media and Rightside following the Distribution (including any fractional share interests in Rightside for which cash is received) will equal the aggregate basis of Demand Media Common Stock held by you immediately before the Distribution. This aggregate basis should be allocated between your Demand Media Common Stock and the Rightside Common Stock you receive in the Distribution (including any fractional share interests in Rightside and Demand Media for which cash is received) in proportion to the relative fair market value of such common stock immediately following the Distribution. Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. Thus, one possible approach to determining the relative fair market value of the Demand Media Common Stock and the Rightside Common Stock is to utilize the New York Stock Exchange (“NYSE”) “when issued” closing price of Demand Media Common Stock (adjusted for the dividend payable in Rightside Common Stock and the Reverse Stock Split) on the date of the Distribution, which was \$10.70 per share, and the Nasdaq Global Select Market (“NASDAQ”) “when issued” closing price of Rightside Common Stock (assuming the Distribution Ratio) on the date of the Distribution, which was \$15.85 per share, in order to establish a ratio of fair market values. Based on such values, 40.3% of a Demand Media Stockholder’s aggregate tax basis in his or her shares of Demand Media Common Stock prior to the Distribution should be allocated to such stockholder’s shares of Demand Media Common Stock (including any fractional shares of Demand Media Common Stock for which the Demand Media Stockholder received cash in lieu thereof) and 59.7% of a Demand Media Stockholder’s aggregate tax basis in his or her shares of Demand Media Common Stock prior to the Distribution should be allocated to such stockholder’s shares of Rightside Common Stock (including any fractional shares of Rightside Common Stock for which the Demand Media Stockholder received cash in lieu thereof).

Reverse Stock Split

Generally, for U.S. federal income tax purposes, your aggregate tax basis in your Demand Media Common Stock held by you immediately before the Reverse Stock Split will equal the aggregate basis of your Demand Media Common Stock held by you immediately after the Reverse Stock Split. In other words, the Reverse Stock Split will not impact your aggregate tax basis of Demand Media Common Stock. The per share price of Demand Media Common Stock, however, will be impacted due to the fact that the number of shares has decreased by the Reverse Stock Split ratio, while your aggregate tax basis has not changed. Similar to the Distribution, fractional shares of Demand Media Common Stock were not issued to holders of Demand Media Common Stock in connection with the Reverse Stock Split, and fractional shares of Demand Media Common Stock that would otherwise have been issued to Demand Media Stockholders were aggregated and sold in the public market by AST, Demand Media’s transfer agent, shortly after the Reverse Stock Split.

The following is an example of how the basis allocation (post Distribution and Reverse Stock Split) should be applied:

Assumptions

- | | |
|--------------------------------------------------------------------------------------------------------------------------------|---------|
| • Shares of Demand Media Common Stock owned (pre-Reverse Stock Split) | 1,006 |
| • Demand Media Stockholder’s aggregate beginning tax basis @\$4.97 per share (1)
(Pre Distribution and Reverse Stock Split) | \$5,000 |
| • Whole shares of Rightside Common Stock received in the Distribution
(1,006 shares of Demand common stock x 1/5) | 201 |
| • Fractional share of Rightside Common Stock for which cash is paid in lieu | 0.2 |
| • Whole shares of Demand Media Common Stock after the Reverse Stock Split
(1,006 shares of Demand common stock x 1/5) | 201 |
| • Fractional share of Demand Media Common Stock for which cash is paid in lieu | 0.2 |

Tax Basis Allocation

	No. Shares Owned	Assumed Beginning Basis (1)	Adjusted Closing Price 8/1/2014*	FMV Share Owned Post Distribution 8/1/2014	Percentage of Total FMV 8/1/2014 (2)	Allocated Tax Basis = (1) x (2)
Demand Media Common Stock (Post Reverse Stock Split)	201	\$5,000.00	\$10.70	\$2,150.70	40.26%	\$2,013
Fractional Demand Media Share Exchanged for Cash due to Reverse Stock Split	0.2		\$10.70	\$2.14	0.0004%	\$2
Rightside Common Stock	201	-	\$15.85	\$3,185.85	59.64%	\$2,982
Fractional Rightside Share Exchanged for Cash due to Distribution	0.2	-	\$15.85	\$3.17	0.0006%	\$3
Totals				\$5,341.86	100.00%	\$5,000
*“When issued” closing price on NYSE and NASDAQ, respectively, on 8/1/2014						

Please note that all values used in the above example are for illustrative purposes only.

A U.S. holder's holding period for Rightside Common Stock received in the Distribution (including any fractional shares of Rightside Common Stock for which cash is received) will include the period for which a Demand Media Stockholder's Demand Media Common Stock was held. The receipt of cash in lieu of a fractional share of Demand Media Common Stock and Rightside Common Stock generally will be treated as a sale of the fractional share of Demand Media Common Stock and Rightside Common Stock, and a U.S. holder will recognize gain or loss equal to the difference between the amount of cash received and the holder's basis in the fractional share of Demand Media Common Stock and Rightside Common Stock, respectively, as shown in the example above. The gain or loss will be long-term capital gain or loss if the holding period for the fractional share of Demand Media Common Stock and Rightside Common Stock is greater than one year.

Each Demand Media Stockholder should consult with an independent tax advisor about the particular consequences of the Distribution and Reverse Stock Split, including the application of state, local and foreign tax laws, and possible changes in tax law that may affect the tax consequences described above.