

MARIN SOFTWARE INC  
Form 10-K  
March 14, 2019

**UNITED STATES**

SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**FORM 10-K**

**Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the fiscal year ended December 31, 2018**

**OR**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission File Number: 001-35838**

**Marin Software Incorporated**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>20-4647180</b> (I.R.S. Employer Identification Number)
123 Mission Street, 27th Floor	

**San Francisco, CA 94105**

**(415) 399-2580**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>Common stock, par value \$0.001 per share</b>	<b>The Nasdaq Global Market</b>

**Securities registered pursuant to section 12(g) of the Act:**

**Not applicable**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act. Yes ☐ No ☐

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☐ No ☐

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Based on the closing price of the Registrant's Common Stock on the The Nasdaq Global Market of \$5.80 on the last business day of the Registrant's most recently completed second fiscal quarter, which was June 30, 2018, the aggregate market value of its shares held by non-affiliates was approximately \$31.3 million. Shares of the Registrant's Common Stock held by each executive officer and director were excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 9, 2019, there were approximately 5,944,000 shares of the Registrant's Common Stock outstanding.

**MARIN SOFTWARE INCORPORATED**

**FORM 10-K**

**For the Fiscal Year Ended December 31, 2018**

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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results, including statements regarding the capabilities of our technology platform and upgrades to the platform, product capabilities and their benefits for our customers, and expectations as to financial performance, that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "may," "potentially," "will," "estimate," "continue," "anticipate," "intend," "could," "should," "project," "plan," "predict," "expect," "seek," "likely," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations, estimates and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These statements reflect our beliefs and certain assumptions based upon information available to us at the time we file this Annual Report on Form 10-K or the time of the documents incorporated by reference. Such forward-looking statements are only predictions, which may differ materially from actual results or future events. Although we believe that our expectations, estimates and projections reflected in the forward-looking statements are reasonable, we cannot be sure that they will be achieved. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used in this report, the terms "Marin," "Registrant," "we," "us," "our," and "the Company" mean Marin Software Incorporated and its subsidiaries unless the context indicates otherwise. References to "fiscal 2018" and "fiscal 2017" refer to the year ended December 31, 2018 and the year ended December 31, 2017, respectively.

## **PART I**

### **ITEM 1. BUSINESS**

We are a leading provider of digital marketing software for search, social, eCommerce and display advertising channels, offered as a unified software-as-a-service, or SaaS, advertising management platform for performance-driven advertisers and agencies. Our platform is an analytics, workflow and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend. We market and sell our solutions to advertisers directly and through leading advertising agencies, and our customers collectively manage billions of dollars in advertising spend on our platform globally across a wide range of industries. We believe this makes us one of the largest providers of independent advertising cloud solutions. Our software solution is designed to help our customers:

measure the effectiveness of their advertising campaigns through our proprietary reporting and analytics capabilities;

manage and execute campaigns through our intuitive user interface and underlying technology that streamlines and automates key functions, such as advertisement creation and bidding, across multiple publishers and channels; and

optimize campaigns across multiple publishers and channels based on market and business data to achieve desired revenue outcomes using our predictive bid management technology.

Advertisers use our platform to create, target and convert precise audiences based on recent buying signals from users' search, social, eCommerce and display interactions. Our platform is integrated with leading publishers such as Amazon, Baidu, Bing, Facebook, Google, Instagram, Pinterest, Twitter, Verizon Media, Yahoo! Japan and Yandex. Additionally, we have integrations with more than 50 leading web analytics and advertisement-serving solutions and key enterprise applications, enabling our customers to more accurately measure the return on investment of their marketing programs.

Our software platform serves as an integration point for advertising performance, sales and revenue data, allowing advertisers to connect the dots between advertising spend and revenue outcomes. Through an intuitive interface, we enable our customers to simultaneously run large-scale digital advertising campaigns across multiple publishers and channels, making it easy for marketers to create, publish, modify and optimize campaigns.

Our predictive bid management and optimization technology also allows advertisers to forecast outcomes and optimize campaigns across multiple publishers and channels to achieve their business goals. Our optimization technology can help advertisers increase advertisement spend on those campaigns, publishers and channels that are performing well while reducing investment in those that are not. This category of solutions, which we refer to as cross-channel bid and campaign optimization, helps businesses intelligently and efficiently measure, manage, and

optimize their digital advertising spend to achieve desired business results.

Headquartered in San Francisco, we were incorporated in the State of Delaware in 2006. The mailing address of our headquarters is 123 Mission Street, 27th Floor, San Francisco, California 94105 and our telephone number at that location is (415) 399-2580.

## **Offered Solutions**

Our cloud-based platform helps our customers to measure, manage and optimize their digital marketing campaigns to improve performance of their online advertising campaigns, realize efficiencies and time savings, and make better business decisions. We offer solutions for direct advertisers of all sizes and the agencies that represent them, including enterprise, mid-market or small businesses. We offer SaaS solutions and managed services for search, social, eCommerce and display.

### *Search, Social and eCommerce*

Our current product lineup consists of MarinOne, which launched in 2018, and our two legacy products, Marin Search and Marin Social. We will continue to migrate customers to MarinOne over the course of 2019.

*MarinOne.* Our next-generation platform that brings search, social and eCommerce advertising into a single-platform. *MarinOne* helps advertisers maximize a customer journey that spans Google, Facebook and Amazon by combining the power of Marin Search and Marin Social with new channels like Amazon, Apple Search Ads and YouTube.

*Marin Search.* Our original product for large advertisers and agencies, *Marin Search* is designed to provide search advertisers with the power, scale and flexibility required to manage large-scale advertising campaigns.

*Marin Social.* Helps advertisers manage their Facebook, Instagram and Twitter advertising spend at scale.

Our platforms are comprised of the following modules:

*Optimization.* Our *Optimization* module helps advertisers manage bids across publishers to meet revenue goals and identify opportunities for campaign improvements, which we believe can improve financial performance and efficiencies. Forecasting capabilities help predict campaign performance, which simplifies the budgeting process for marketing departments.

*Reporting and Analytics.* Our *Reporting and Analytics* module enables advertisers to report results at a business level and analyze cross-channel performance trends, which we believe can lead to improved visibility and generate significant time savings.

*Campaign Management.* Our *Campaign Management* module provides the digital advertiser with a unified interface to create, manage and optimize campaigns across a broad range of publishers, creating greater efficiencies and increasing flexibility. Our goal is to complement and enhance the tools offered by these publishers to provide digital advertisers the ability to easily manage their campaigns on a global scale.

*Connect.* Our *Connect* module enables advertisers to automate and streamline the capture of revenue, cost and audience data from a range of sources such as advertisement servers, analytics systems, CRM platforms, publishers and third-party databases. Through integrations across multiple data sources, our *Connect* module can help advertisers have a holistic picture of their digital advertising campaigns.



### *Display – Perfect Audience*

Targeting small businesses, Perfect Audience, our wholly-owned subsidiary, is designed for rapid deployment and offers customers an easy-to-use interface to implement and optimize campaigns across all major networks and across devices.

### **Technology & Supporting Platform**

We designed our cloud-based platform to support large global advertisers. The majority of our software is written in Java. Our hardware consists of industry-standard servers and network infrastructure. Our standard operating system is Linux. Our software platform is character-set, language, currency, and time-zone independent. Our technology platform has the following key benefits:

*Scalability.* Our platform is designed to handle billions of advertising units across thousands of advertisers, while delivering a responsive browsing and editing experience. If the number of advertisers and resulting computing and storage requirements changes, we can add or remove hardware to our platform to accommodate the demand.

*Availability.* Our customers are highly dependent on the availability of our platform, which is designed to be available 24x7, 365 days a year. We operate our own hardware and use third-party data centers that offer server redundancy, back-up communications and power and physical security.

*Security.* Our platform manages a large quantity of customer data. We employ technologies, policies and procedures to protect customer data. Our primary third-party data center has SOC 1 attestations.

We are continuously upgrading our software platform in a manner that we believe will cost-effectively extend the scalability, speed, resiliency and availability of our services and facilitate our ability to add new features to our products.

### **Strategic Agreements**

We have entered into long-term strategic agreements with certain leading search publishers. Under these strategic agreements, we receive consideration based on a percentage of the search advertising spend that our customers manage on our platform.

In December 2018, we entered into such an agreement with Google, under which we receive revenue share payments based on our customers' search advertising spend on Google and certain other eligible search engines. In exchange, we will reinvest a percentage of these revenue share payments to drive our technology platform innovation. This agreement went into effect on October 1, 2018, and is scheduled to terminate on September 30, 2021, although Google may terminate the agreement on September 30, 2020 if we do not meet certain financial metrics for the three month period preceding that date. This agreement and the related revenue recognition considerations are described more fully in Note 3 of the accompanying consolidated financial statements.

## **Customers**

We market and sell our technology solutions to advertisers directly and through advertising agencies that use our platform on behalf of their customers. Advertisers that we serve through our relationships with agencies have historically represented between approximately one-third to one-half our overall revenues. We also generate revenues from leading publishers through our long-term strategic agreements.

## **Competition**

The digital advertising cloud market is highly competitive, fragmented, and subject to changes in both technology and customer behavior. We face significant competition today and expect competition to intensify in the future. To maintain and improve our competitive position, we must keep pace with the evolving needs of our customers and continue to develop and introduce new modules, features and services in a timely and efficient manner. We currently compete with large, well-established companies, such as Adobe Systems Incorporated, Facebook, Inc., Google Inc. (through its wholly owned subsidiary DoubleClick) and Kenshoo Ltd. We also compete with in-house proprietary tools, tools from publishers and custom solutions, including spreadsheets. We believe the principal competitive factors in our market include the following:

solution quality, breadth, stability, flexibility and functionality;

tangible platform benefits;

level of customer satisfaction and our ability to respond to customer needs rapidly;

breadth and quality of advertiser and agency relationships;

ability to innovate and develop new or improved products and features while maintaining platform speed and stability;

ability to respond to changes in publishers' APIs;

brand awareness and reputation; and

size of customer base.

Apart from cross-channel platform competitors, we also compete with channel solutions in the display and social advertising markets. Competitors in the display advertising market include companies such as AdRoll Inc., Criteo S.A. , MediaMath, Inc. and Sizmek, Inc., while in the social advertising market we compete with public companies such as 4C Insights, Inc., Nanigans, Inc., Salesforce.com (through its wholly owned subsidiary Social.com) and Smartly.io Inc.

Our ability to remain competitive will largely depend on our ongoing performance in the areas of the quality, functionality and breadth of our solution and the availability and knowledgeability of our customer support.

## **Sales and Marketing**

We sell our solutions directly to advertisers and to agencies in a wide range of industries through our global sales team. Our sales cycle can vary substantially by advertiser and agency, but can take up to nine months. We have a number of account executive sales teams organized by geography and market segments. We also have customer success professionals who are responsible for long-term customer satisfaction and retention, renewal, support and driving an increase in the volume of media managed by customers on our platform.

Our marketing team is focused on driving awareness and demand generation across major markets. This team provides thought leadership in the form of white papers, benchmarking reports, bylines, presenting at industry conferences and speaking to the press. In addition, they are responsible for the creation of field enablement assets such as case studies, blog posts and corporate and product collateral.

## **Research and Development**

Our research and development team is responsible for the design, development, and maintenance of our platform. Our research and development process emphasizes frequent, iterative and incremental development cycles. Within our research and development organizations, we have several project teams that focus on platform and feature development for our advertising cloud solutions. Each of these project teams includes engineers, quality engineers and product managers, as needed, responsible for the initial and ongoing development for their projects.

## **Government Regulation**

We are subject to a number of laws and regulations that affect companies conducting business in the advertising and SaaS industries and on the Internet, many of which are still evolving and could be interpreted in ways that could harm our business. The manner in which existing laws and regulations will be applied to the SaaS and advertising industries and the Internet in general and how they will relate to our business in particular, are often unclear. For example, we often cannot be certain how existing laws will apply in the eCommerce and online context, including with respect to such topics as privacy, advertising, pricing, taxation, content regulation, quality of products and services and intellectual property ownership and infringement.

Numerous laws and regulatory schemes have been adopted at the national and state level in the United States, and in some cases internationally, that have a direct impact on our business and operations. For example, in 2016 the European Union adopted the General Data Protection Regulation, or GDPR, a new regulation governing data privacy, which became effective in May 2018 and replaced the Data Protection Directive. The GDPR establishes new requirements applicable to the handling of personal data and imposes penalties for non-compliance of up to the greater

of €20,000,000 or 4% of worldwide revenue. Additionally, the California Consumer Privacy Act, or CCPA, which goes into effect on January 1, 2020, provides consumers the right to know what personal data companies collect, how it is used, and the right to access, delete and opt of sale of their personal information to third parties. It also expands the definition of personal information and gives consumers increased privacy rights and protections for that information.

## **Employees**

As of December 31, 2018, we had a total of 292 full-time and part-time employees.

## **Intellectual Property**

Our intellectual property rights are a key component of our success. We rely on a combination of patent, trademark, copyright, unfair competition and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish, maintain and protect our proprietary rights.

As of December 31, 2018, we had three issued patents and six patent applications (one of which is allowed) pending in the United States. We own and use trademarks on or in connection with our products and services, including two registered trademarks in the United States, Canada, the European Union, Australia, China, Japan and Russia, one registered mark in South Korea and Singapore, and unregistered common law marks and pending trademark applications in the United States, Canada and the European Union. We have also registered numerous Internet domain names.

## **Available Information**

The mailing address of our headquarters is 123 Mission Street, 27th Floor, San Francisco, California 94105 and our telephone number at that location is (415) 399-2580. Our website is [www.marinsoftware.com](http://www.marinsoftware.com). Through a link on the Investor Center section of our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission, or the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings are free of charge. The information posted to our website is not incorporated into this Annual Report on Form 10-K. The public may read and copy any materials that we file with the SEC at its website at [www.sec.gov](http://www.sec.gov).

## ITEM 1A. RISK FACTORS

*Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, results of operations, cash flows, financial conditions and the trading price of our common stock.*

### **Risks Related to Our Business**

*We have a history of losses and we may not achieve or sustain profitability in the future.*

We have incurred significant losses in each fiscal year since our incorporation in 2006. We experienced net losses of \$41.2 million, \$31.5 million and \$16.5 million during 2018, 2017 and 2016, respectively. As of December 31, 2018, we had an accumulated deficit of \$264.7 million. The losses and accumulated deficit were due largely to the substantial investments we made to grow our business and acquire customers. Our cost of revenues and operating expenses could increase in the future due to investments to grow our business, acquire customers and develop our platform and new functionality. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset these higher expenses. Many of our efforts to generate revenues from our business are new and unproven, and any failure to increase our revenues or generate revenues from new solutions or to maintain or increase revenues from existing products and customers could prevent us from attaining or increasing profitability. We do not expect to be profitable in 2019 on the basis of generally accepted accounting principles in the United States, or GAAP, and we cannot be certain that we will be able to attain profitability on a quarterly or annual basis, or if we do, that we will sustain profitability.

*We expect to continue to incur losses and experience negative cash flows, and may need to sell additional securities, borrow additional funds or reduce operating expenses to continue as a going concern.*

We currently operate at a loss and we anticipate that we will continue to have operating losses in the near term. Our business has not generated enough cash flow to fund our sales and marketing activities, research and development initiatives, and other business activities. We anticipate that increasing our market share for our current services through sales and marketing efforts, continuing development of new platform features and delivering efficient service to customers will require additional capital and expenditures. If we continue to burn cash without a corresponding increase to revenue, we will need to sell additional securities or borrow additional funds or reduce operating expenses through successful cost-cutting measures to continue as a going concern. There is no guarantee that we will be able to issue additional securities in future periods or borrow additional funds on commercially reasonable terms, or at all, in order to meet our cash needs. Further, there is no guarantee that we will be able to successfully reduce our operating expenses through successful cost-cutting measures. Our ability to continue as a going concern may be adversely affected if we are unable to raise additional cash or reduce our operating expenses.

***We might require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.***

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our existing platform, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

***We operate in a rapidly developing and changing industry, which makes it difficult to evaluate our current business and future prospects.***

We have encountered and will continue to encounter risks and difficulties frequently experienced by companies in rapidly developing and changing industries, including challenges in forecasting accuracy, hiring and retaining qualified employees, determining appropriate investments of our limited resources, market acceptance of our existing and future solutions, effectively integrating acquired products, competition from established companies with greater financial and technical resources, acquiring and retaining customers, managing customer deployments, making improvements to our existing products and developing new solutions. Our current operations infrastructure may require changes in order for us to achieve profitability and scale our operations efficiently. For example, we may need to automate portions of our solution to decrease our costs, ensure our marketing infrastructure is designed to drive highly qualified leads cost effectively and implement changes in our sales model to improve the predictability of our sales and reduce our sales cycle. In addition, from time to time, we may need to make additional investments in product development to address market demands, which may increase our overall expenses and reduce our ability to achieve profitability. If we fail to implement these changes in a timely manner or are unable to implement them due to factors beyond our control, our business may suffer, our revenue may decline and we may not be able to achieve growth or profitability. We cannot be assured that we will be successful in addressing these and other challenges we may face in the future.

***Our usage-based pricing model makes it difficult to forecast revenues from our current customers and future prospects.***

We primarily have a usage-based pricing model in which most of our fees are calculated as a percentage of customers' advertising spend managed on our platform. This pricing model makes it difficult to accurately forecast revenues because our customers' advertising spend managed by our platform may vary from month to month based on the

variety of industries in which our advertisers operate, the seasonality of those industries and fluctuations in our customers' advertising budgets or other factors. Our subscription contracts with our direct advertiser customers generally contain a minimum monthly platform fee, which is generally greater than one-half of our estimated monthly revenues from the customer at the time the contract is signed, and, as a result, the minimum monthly platform fee may not be a good indicator of our revenues from that customer. In addition, advertisers that use our platform through our agency customers typically do not have a minimum monthly spend amount or a minimum term during which they must use our platform, and as a result, our ability to forecast revenues from these advertisers is difficult. If we incorrectly forecast revenues for these advertisers and the amount of revenue is less than projections we provide to investors, the price of our common stock could decline substantially. Additionally, if we overestimate usage, we may incur additional expenses in adding infrastructure, without a commensurate increase in revenues, which would harm our gross margins and other operating results.



***We must develop and introduce enhancements and new features that achieve market acceptance or that keep pace with technological developments to remain competitive in our evolving industry.***

We operate in a dynamic market characterized by rapidly changing technologies and industry and legal standards. The introduction of new advertising platform solutions by our competitors, the market acceptance of solutions based on new or alternative technologies, or the emergence of new industry standards could render our platform obsolete. Our ability to compete successfully, attract new customers and increase revenues from existing customers depends in large part on our ability to enhance and improve our existing cross-channel, cross-device, enterprise marketing software platform and to continually introduce or acquire new features that are in demand by the market we serve. We also must update our software to reflect changes in publishers' APIs and terms of use. We are in the process of a significant upgrade to our software platform infrastructure, and the success of this project or any other enhancement or new solution depends on several factors, including timely completion, adequate quality testing, effective migration of existing customers with minimal disruption and appropriate introduction and market acceptance. Any new platform or feature that we develop or acquire may not be introduced in a timely manner, may contain defects, may be more costly to compete than we anticipate or may not achieve the broad market acceptance necessary to generate significant revenues. If we are unable to complete the upgrade to our software platform infrastructure effectively or in a timely manner, or to anticipate or timely and successfully develop or acquire new offerings or features or enhance our existing platform to meet customer requirements, our business and operating results will be adversely affected.

***If the market for digital advertising slows or declines, our business, growth prospects, and financial condition would be adversely affected.***

The future growth of our business could be constrained by the level of acceptance and expansion of emerging cloud-based advertising channels, as well as the continued use and growth of existing channels, such as search and display advertising. Even if these channels become widely adopted, advertisers and agencies may not make significant investments in solutions such as ours that help them manage their digital advertising spend across publisher platforms and advertising channels. It is difficult to predict customer adoption rates, customer demand for our platform, the future growth rate and size of the advertising cloud solutions market or the entry of competitive solutions. The continued expansion of the market for advertising cloud solutions depends on a number of factors, including the continued growth of the cloud-based advertising market, the growth of social and mobile as advertising channels and the cost, performance and perceived value associated with advertising cloud solutions, as well as the ability of cloud computing companies to address security and privacy concerns. Further, the cloud computing market is less developed in many jurisdictions outside the United States. If we or other cloud computing providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud computing as a whole, including our applications, may be negatively affected.

***If we are unable to maintain our relationships with, and access to, publishers, advertising exchange platforms and other platforms that aggregate the supply of advertising inventory, our business will suffer.***

We currently depend on relationships with various publishers, including Amazon, Baidu, Bing, Facebook, Google, Instagram, Pinterest, Twitter, Verizon Media and Yahoo! Japan, as well as advertising exchange platforms and aggregators of advertising inventory, including Google's DoubleClick Ad Exchange, Facebook's Exchange, Microsoft's Ad Exchange, Twitter's MoPub, OpenX, The Rubicon Project, PubMatic and AppNexus. Our subscription services interface with these publishers' platforms through APIs, such as the Google AdWords API or Facebook API. We are subject to the respective platforms' standard API terms and conditions, which govern the use and distribution of data from these platforms. Our business significantly depends on having access to these APIs, particularly the Google AdWords API, which the substantial majority of our customers use, on commercially reasonable terms and our business would be harmed if any of these publishers, advertising exchanges or aggregators of advertising inventory discontinues or limits access to their platforms, modifies their terms of use or other policies or place additional restrictions on us as API users, or charges API license fees for API access. Moreover, some of these publishers, such as Google, market competitive solutions for their platforms. Because the advertising inventory suppliers control their APIs, they may develop competitive offerings that are not subject to the limits imposed on us through the API terms and conditions. Currently, restrictions in these API agreements limit our ability to implement certain functionality, require us to implement functionality in a particular manner or require us to implement certain required minimum functionality, causing us to devote development resources to implement certain functionality that we would not otherwise include in our subscription services and to incur costs for personnel to provide services to implement functionality that we are prohibited from automating. Publishers, advertising exchanges and advertising inventory aggregators update their API terms of use from time to time and new versions of these terms could impose additional restrictions on us. In addition, publishers, advertising exchanges and advertising inventory aggregators continually update their APIs and may update or modify functionality, which requires us to modify our software to accommodate these changes and to devote technical resources and personnel to these efforts which could otherwise be used to focus on other priorities. Any of these outcomes could cause demand for our products to decrease, our research and development costs to increase, and our results of operations and financial condition to be harmed.

***Our growth depends in part on the success of our relationships with advertising agencies.***

Our future growth will depend, in part, on our ability to enter into successful relationships with advertising agencies. Identifying agencies and negotiating and documenting relationships with them requires significant time and resources. These relationships may not result in additional customers or enable us to generate significant revenues. Our contracts for these relationships are typically non-exclusive and do not prohibit the agency from working with our competitors or from offering competing services. Frequently, these agencies do in fact work with our competitors and compete with us. In addition, we often work with, or seek to work with, high-profile brands directly. This may not be possible where, for example, those brands obtain advertising services exclusively or primarily from advertising agencies.

We generally bill agencies for their customers' use of our platform, but in most cases the agency's customer has no direct contractual commitment to make payment to us. Furthermore, some of these agency contracts include provisions whereby the agency is not liable for making payment to us for our subscription services if the agency does not receive a corresponding payment from its client on whose behalf the subscription services were rendered. These provisions may result in longer collections periods or our inability to collect payment for some of our subscription services. If we are unsuccessful in establishing or maintaining our relationships with these agencies on commercially reasonable terms, or if these relationships are not profitable for us, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results would suffer.

*We may not be able to compete successfully against current and future competitors.*

The overall market for advertising cloud solutions is rapidly evolving, highly competitive, complex, fragmented, and subject to changing technology and shifting customer needs. We face significant competition in this market and we expect competition to intensify in the future. We currently compete with large, well-established companies, such as Adobe Systems Incorporated and Google Inc. (through its wholly owned subsidiary DoubleClick), and privately-held companies, such as Kenshoo Ltd. We also compete with channel-specific offerings, in-house proprietary tools, tools from publishers and custom solutions, including spreadsheets. Increased competition may result in reduced pricing for our solutions, longer sales cycles or a decrease of our market share, any of which could negatively affect our revenues and future operating results and our ability to grow our business.

A number of competitive factors could cause us to lose potential sales or to sell our solutions at lower prices or at reduced margins, including, among others:

publishers generally offer their tools for free, or at a reduced price, as their primary compensation is via the sale of advertising on their own or syndicated websites;

some of our competitors, such as Adobe, Facebook and Google, have greater financial, marketing and technical resources than we do, allowing them to leverage a larger installed customer base, adopt more aggressive pricing policies, and devote greater resources to the development, promotion and sale of their products and services than we can;

channel-specific competitors, such as AdRoll Inc., Criteo S.A., Kenshoo Ltd., Nanigans, Inc. and Salesforce.com (through its wholly owned subsidiary Social.com), may devote greater resources to the development, promotion and sale of their channel-specific products and services than we can;

companies may enter our market by expanding their platforms or acquiring a competitor; and

potential customers may choose to develop or continue to use internal solutions rather than paying for our solutions or may choose to use a competitor's solution that has different or additional technical capabilities.

We cannot assure you that we will be able to compete successfully against current and future competitors. If we cannot compete successfully, our business, results of operations and financial condition could be negatively impacted.

***Our business depends on our customers' continued willingness to manage advertising spend on our platform.***

In order for us to improve our operating results, it is important that our customers continue to manage their advertising spend on our platform, increase their usage and also purchase additional solutions from us. In the case of our direct advertiser customers, we offer our solutions primarily through subscription contracts and generally bill customers over the related subscription period, which is generally one year or longer. During the term of their contracts, our direct advertiser customers generally have no obligation to maintain or increase their advertising spend on our platform beyond a specified minimum monthly platform fee, which is typically set at the time the contract is signed and is generally greater than half of the monthly amount we anticipate the customer will spend. Our direct advertiser customers generally have no renewal obligation after the initial or then-current renewal subscription period expires, and even if customers renew contracts, they may decrease the level of their digital advertising spend managed through our platform, resulting in lower revenues from that customer. Advertisers that we serve through our arrangements with our advertising agencies generally do not have any contractual commitment to use our platform. Our customers' usage may decline or fluctuate as a result of a number of factors, including, but not limited to, their satisfaction with our platform and our customer support, the frequency and severity of outages, the pricing of our, or competing, solutions, the effects of global economic conditions and reductions in spending levels or changes in our customers' strategies regarding digital advertising. We may not be able to accurately predict future usage trends. If our customers renew on less favorable terms or reduce their advertising spend on our platform, our revenues may grow more slowly than expected or decline.

***We incur upfront costs associated with onboarding advertisers to our platform and may not recoup our investment if we do not maintain the advertiser relationship over time.***

Our operating results may be negatively affected if we are unable to recoup our upfront costs for onboarding new advertisers to our platform. Upfront costs when adding new advertisers generally include sales commissions for our sales force, expenses associated with entering customer data into our platform and other implementation-related costs. Because our customers, including direct advertisers and agencies, are billed over the term of the contract, if new customers sign contracts with short initial subscription periods and do not renew their subscriptions, or otherwise do not continue to use our platform to a level that generates revenues in excess of our upfront expenses, our operating results could be negatively impacted. In cases in which the implementation process is particularly complex, the revenues resulting from the customer under our contract may not cover the upfront investment; therefore, if a significant number of these customers do not renew their contracts, it could negatively affect our operating results. In addition, because we capitalize certain upfront costs to obtain and fulfill contracts under authoritative accounting guidance, we could be required to record impairment expense for these upfront costs that are not covered by the underlying revenues.

***Because we generally bill our customers over the term of the contract, near term decline in new or renewed subscriptions may not be reflected immediately in our operating results.***

Most of our revenues in each quarter are derived from contracts entered into with our customers during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be fully reflected in our revenues for that quarter. Such declines, however, would negatively affect our revenues in future periods and the effect of significant downturns in sales and market acceptance of our solutions, and potential changes in our rate of renewals or renewal terms, may not be fully reflected in our results of operations until future periods. In addition, we may be unable to adjust our cost structure rapidly, or at all, to take account of reduced revenues. Our subscription model also makes it difficult for us to rapidly increase our total revenues through additional sales in any period, as revenues from new customers must be earned over the applicable subscription term based on the value of their monthly advertising spend.

***We have been dependent on our customers' use of search advertising. Any decrease in the use of search advertising or our inability to further penetrate social and display advertising channels would harm our business, growth prospects, operating results and financial condition.***

Historically, our customers have primarily used our solutions for managing their search advertising, including mobile search advertising, and the substantial majority of our revenue is derived from advertisers that use our platform to manage their search advertising. We expect that search advertising will continue to be the primary channel used by our customers for the foreseeable future. Should our customers lose confidence in the value or effectiveness of search advertising, or if search advertising growth moderates or declines, the demand for our solutions may decline, and it may negatively impact our revenues. In addition, our failure to achieve market acceptance of our solution for the management of social and display advertising spend would harm our growth prospects, operating results and financial condition.



***Our sales cycle can be long and unpredictable and require considerable time and expense, which may cause our operating results to fluctuate.***

The sales cycle for our solutions, from initial contact with a potential lead to contract execution and implementation, varies widely by customer, but can take up to nine months. Some of our customers undertake a significant evaluation process that frequently involves not only our solutions but also those of our competitors, which has in the past resulted in extended sales cycles. Our sales efforts involve educating our customers about the use, technical capabilities and benefits of our platform. In addition, under certain circumstances, we sometimes offer an initial term, typically of a few months in duration, to new customers who may terminate their subscription at any time during this initial period before the fixed term contract commences. We have no assurance that the substantial time and money spent on our sales efforts will produce any sales. If our sales efforts result in a new customer subscription, the customer may terminate its subscription during the initial period, after we have incurred the expenses associated with entering the customer's data in our platform and related training and support. If sales expected from a customer are not realized in the time period expected or not realized at all, or if a customer terminates during the initial period, our business, operating results and financial condition could be adversely affected.

***Our ability to generate revenue depends on our collection of significant amounts of data from various sources.***

Our ability to optimize the delivery of Internet advertisements for our customers depends on our ability to successfully leverage data, including data that we collect from our customers as well as data provided by publishers and from third parties. Using cookies and similar tracking technologies, we collect information about the interaction of users with our advertisers' and publishers' websites. Our ability to successfully leverage such data is dependent upon our continued ability to access and utilize such data. Our ability to access and use such data could be restricted by a number of factors, including consumer choice, restrictions imposed by advertisers and publishers, changes in technology, and new developments in laws, regulations, and industry standards.

If consumer resistance to the collection and sharing of the data used to deliver targeted advertising, increased visibility of consent / Do Not Track mechanisms as a result of industry regulatory and/or legal developments, and/or the development and deployment of new technologies result in a material impact on our ability to collect data, this will materially impair the results of our operations.

***Material defects or errors in our software platform could harm our reputation, result in significant costs to us and impair our ability to sell our subscription services.***

The software applications underlying our subscription services are inherently complex and may contain material defects or errors, which may cause disruptions in availability, misallocation of advertising spend or other performance problems. Any such errors, defects, disruptions in service or other performance problems with our software platform, including those resulting from new versions or updates, could negatively impact our customers' businesses or the

success of their advertising campaigns and cause harm to our reputation. If we have any errors, defects, disruptions in service or other performance problems with our software platform, customers could elect not to renew or reduce their usage or delay or withhold payment to us, which could result in an increase in our provision for doubtful accounts or an increase in the length of collection cycles for accounts receivable. Errors, defects, disruptions in service or other performance problems could also result in customers making warranty or other claims against us, our giving credits to our customers toward future advertising spend or costly litigation. As a result, material defects or errors in our platform could have a material adverse impact on our business and financial performance.

The costs incurred in correcting any material defects or errors in our software platform may be substantial and could adversely affect our operating results. After the release of new versions of our software, defects or errors may be identified from time to time by our internal team and by our customers. We implement bug fixes and upgrades as part of our regularly scheduled system maintenance. If we do not complete this maintenance according to schedule or if customers are otherwise dissatisfied with the frequency and/or duration of our maintenance services, customers could elect not to renew, or delay or withhold payment to us, or cause us to issue credits, make refunds or pay penalties.

***We primarily derive our revenues from a single software platform and any factor adversely affecting subscriptions to our platform could harm our business and operating results.***

We primarily derive our revenues from sales of a single software platform. As such, any factor adversely affecting subscriptions to our platform, including product release cycles, market acceptance, product competition, performance and reliability, reputation, price competition, and economic and market conditions, could harm our business and operating results.

***If mobile connected devices, their operating systems or content distribution channels, including those controlled by our competitors, develop in ways that prevent our advertising campaigns from being delivered to their users, our ability to grow our business will be impaired.***

Our success in the mobile channel depends upon the ability of our technology platform to integrate with mobile inventory suppliers and provide advertising for most mobile connected devices, as well as the major operating systems that run on them and the applications that are downloaded onto them. The design of mobile devices and operating systems is controlled by third parties with whom we do not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also impact the ability to access specified content on mobile devices. If our solution were unable to work on these devices or operating systems, either because of technological constraints or because an operating system or app developer, device maker or carrier wished to impair our ability to purchase inventory and provide advertisements, our ability to generate revenue could be significantly harmed.

***We primarily use third-party data centers to deliver our services. Any disruption of service at these facilities could harm our business.***



We manage a significant portion of our services and serve substantially all of our customers from only a single third-party data center facility. While we control the actual computer, network and storage systems upon which our platform runs, and deploy them to the data center facility, we do not control the operation of the facility. The owner of the facility has no obligation to renew the agreement with us on commercially reasonable terms, or at all. If we are unable to renew the agreement on commercially reasonable terms, we may be required to transfer to a new facility or facilities, and we may incur significant costs and possible service interruption in connection with doing so.

The facility is vulnerable to damage or service interruption resulting from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Moreover, while we have a disaster recovery plan in place, we do not maintain a "hot failover" instance of our software platform permitting us to immediately switch over in the event of damage or service interruption at our data center. The occurrence of a natural disaster or an act of terrorism, any outages or vandalism or other misconduct, or a decision to close the facility without adequate notice or other unanticipated problems could result in lengthy interruptions in our services.

Any changes in service levels at the facility or any errors, defects, disruptions or other performance problems at or related to the facility that affect our services could harm our reputation and may damage our customers' businesses. For instance, in December 2017, researchers identified significant CPU architecture vulnerabilities commonly known as "Spectre" and "Meltdown" that have required software updates and patches to mitigate such vulnerabilities, and such updates and patches may require servers to go offline and may potentially slow their performance. Interruptions in our services might reduce our revenues, subject us to potential liability, or result in reduced usage of our platform. In addition, some of our customer contracts require us to issue credits for downtime in excess of certain levels and in some instances give our customers the ability to terminate their subscriptions.

We also depend on third-party Internet-hosting providers and continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our Internet-hosting or bandwidth providers for any reason or if their services are disrupted, for example due to viruses or "denial-of-service" or other attacks on their systems, or due to human error, intentional bad acts, power loss, hardware failures, telecommunications failures, fires, wars, terrorist attacks, floods, earthquakes, hurricanes, tornadoes or similar events, we could experience disruption in our ability to offer our solutions or we could be required to retain the services of replacement providers, which could increase our operating costs and harm our business and reputation.

*If we cannot efficiently implement our solutions for customers, we may lose customers.*

Our customers have a variety of different data formats, enterprise applications and infrastructure and our platform must support our customers' data formats and integrate with complex enterprise applications and infrastructures. If our platform does not currently support a customer's required data format or appropriately integrate with a customer's applications and infrastructure, then we may choose to configure our platform to do so, which would increase our expenses. Additionally, we do not control our customers' implementation schedules. As a result, as we have experienced in the past, if our customers do not allocate internal resources necessary to meet their implementation responsibilities or if we face unanticipated implementation difficulties, the implementation may be delayed. Further, in the past, our implementation capacity has at times constrained our ability to successfully implement our solutions for our customers in a timely manner, particularly during periods of high demand. If the customer implementation process is not executed successfully or if execution is delayed, we could incur significant costs, customers could become dissatisfied and decide not to increase usage of our platform, not to use our platform beyond an initial period prior to their term commitment and revenue recognition could be delayed. In addition, competitors with more efficient operating models with lower implementation costs could penetrate our customer relationships.

Additionally, large customers may request or require specific features or functions unique to their particular business processes, which increase our upfront investment in sales and deployment efforts and the revenues resulting from the customers under our typical contract length may not cover the upfront investments. If prospective large customers require specific features or functions that we do not offer, then the market for our solution will be more limited and our business could suffer. In addition, supporting large customers could require us to devote significant development services and support personnel and strain our personnel resources and infrastructure. If we are unable to address the needs of these customers in a timely fashion or further develop and enhance our solution, these customers may not renew their subscriptions, seek to terminate their relationship with us, renew on less favorable terms, or reduce their advertising spend on our platform. If any of these were to occur, our revenues may decline and our operating results could be adversely affected.

***If we are unable to maintain or expand our sales and marketing capabilities, we may not be able to generate anticipated revenues.***

Increasing our customer base and achieving broader market acceptance of our software platform will depend to a significant extent on our ability to expand our sales and marketing operations and activities. We are substantially dependent on our sales force to obtain new customers and our marketing organization to generate a sufficient pipeline of qualified sales leads. We may expand our sales team in order to increase revenues from new and existing customers and to further penetrate our existing markets and expand into new markets, but may not be able to attract and hire qualified sales personnel quickly enough or at all. Our solutions require a sophisticated sales force with specific sales skills and technical knowledge. Competition for qualified sales personnel is intense, and we may not be able to retain our existing sales personnel or attract, integrate, train or retain sufficient highly qualified sales personnel. In addition, we need to invest in lead generation activities to develop our pipeline of qualified opportunities for our sales force, which could increase our marketing expenses. If our lead generation activities do not increase our pipeline or if our sales force is unable to close opportunities at a high rate, then we may not generate an increase in revenues.

***Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and harm our financial results.***

Our customers depend on our support organization to resolve any technical issues relating to our solutions. In addition, our sales process is highly dependent on the quality of our solutions, our business reputation and on strong recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to sell our solutions to existing and prospective customers, and harm our business, operating results and financial condition.

We offer technical support services with our solutions and may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors. It is difficult to predict customer demand for technical support services and if customer demand increases significantly, we may be unable to provide satisfactory support services to our customers. Additionally, increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results.



***If our security measures are breached or unauthorized access to customer data or our data is otherwise obtained, our solutions may be perceived as not being secure, customers may reduce the use of or stop using our solutions and we may incur significant liabilities.***

In the ordinary course of our business, we maintain sensitive data on our networks, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. The secure maintenance of this information is critical to our business and reputation. We believe that companies have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to gain unauthorized access. These threats can come from a variety of sources, ranging in sophistication from an individual hacker to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. These data breaches and any unauthorized access or disclosure of our information or intellectual property could result in the loss of information, litigation, indemnity obligations and other liability. While we have security measures in place, our systems and networks are subject to ongoing threats and therefore these security measures may be breached as a result of third-party action, including cyber-attacks or other intentional misconduct by computer hackers, employee error, malfeasance or otherwise. This could result in one or more third parties obtaining unauthorized access to our customers' data or our data, including intellectual property and other confidential business information. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Third parties may also attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers' data or our data, including intellectual property and other confidential business information. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose potential sales and existing customers or we could incur other liabilities, which could adversely affect our business.

***Our growth depends in part on the success of our strategic relationships with third parties.***

Our future growth will depend on our ability to enter into and retain successful strategic relationships with third parties. For example, we are seeking to establish relationships with third parties to develop integrations with complementary technology and content. These relationships may not result in additional customers or enable us to generate significant revenues. Identifying partners and negotiating and documenting relationships with them require significant time and resources. Our contracts for these relationships are typically non-exclusive and do not prohibit the other party from working with our competitors or from offering competing services. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results would suffer.

***As a result of our customers' usage of our software platform, we will need to continually improve our hosting infrastructure to avoid service interruptions or slower system performance.***

We have experienced growth in the number of transactions and data that our hosting infrastructure supports. We seek to maintain sufficient excess capacity in our infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. For example, if we secure a large customer or a group of customers that require significant amounts of bandwidth or storage, we may need to increase bandwidth, storage, power or other elements of our application architecture and our infrastructure, and our existing systems may not be able to scale in a manner satisfactory to our existing or prospective customers.

The amount of infrastructure needed to support our customers is based on our estimates of anticipated usage. If we were to experience unforeseen increases in usage, we could be required to increase our infrastructure investments resulting in increased costs or reduced gross margins, and if we do not accurately predict our infrastructure capacity requirements, our customers could experience service outages that may subject us to financial penalties and liabilities and result in customer losses. If our hosting infrastructure capacity fails to keep pace with increased sales, customers may experience service interruptions or slower system performance as we seek to obtain additional capacity, which could harm our reputation and adversely affect our revenue growth. As use of our software platform grows and as customers use it for more complicated tasks, we will need to devote additional resources to improving our application architecture and our infrastructure in order to maintain the performance of our software platform. We may need to incur additional costs to upgrade or expand our computer systems and architecture in order to accommodate increased demand if our systems cannot handle current or higher volumes of usage. In addition, increasing our systems and infrastructure in advance of new customers would cause us to have increased cost of revenues, which can adversely affect our gross margins until we increase revenues that are spread over the increased costs.

***Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.***

Our success and ability to compete depends in part upon our intellectual property. We primarily rely on a combination of copyright, trade secret and trademark laws, as well as confidentiality procedures and contractual restrictions with our employees, customers, partners and others to establish and protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate or we may be unable to secure intellectual property protection for all of our solutions. In particular, we have three issued U.S. patents.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market products and services similar to ours and our ability to compete effectively would be impaired. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property. The enforcement of our intellectual property rights depends on our legal actions against these infringers being successful, but we cannot be sure these actions will be successful, even when our rights have been infringed. In addition, defending our intellectual property rights might entail significant expense and diversion of management resources. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. Any patents issued in the future may not provide us with competitive advantages or may be successfully challenged by third parties.

Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective protection of our intellectual property may not be available to us in every country in which our solutions are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We might be required to spend significant resources to monitor and protect our intellectual property rights, and our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management, whether or not it is resolved in our favor, and could ultimately result in the impairment or loss of portions of our intellectual property.

***We could incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.***

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. Companies in the Internet and technology industries are increasingly bringing and becoming subject to suits alleging infringement of proprietary rights, particularly patent rights, and our competitors may hold patents or have pending patent applications, which could be related to our business. These risks have been amplified by the increase in third parties, which we refer to as non-practicing entities, whose sole primary business is to assert such claims. We have received in the past, and expect to receive in the future, notices that claim we or our customers using our solutions have misappropriated or misused other parties' intellectual property rights. If we are sued by a third party that claims that our technology infringes its rights, the litigation could be expensive and could divert our management resources. We do not currently have an extensive patent portfolio of our own, which may limit the defenses available to us in any such litigation.

In addition, in most instances, we have agreed to indemnify our customers against certain claims that our subscription services infringe the intellectual property rights of third parties. Our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them. The results of any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease offering or using technologies that incorporate the challenged intellectual property;

- make substantial payments for legal fees, settlement payments or other costs or damages;

- obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or

- redesign technology to avoid infringement.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us or any obligation to indemnify our customers for such claims, such payments or costs could have a material adverse effect upon our business and financial results.

***Our use of open source technology could impose limitations on our ability to commercialize our software platform.***



We use open source software in our platform. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of various open source licenses have not been interpreted by the U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our software platform. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could cause us to breach customer contracts, harm our reputation, result in customer losses or claims, increase our costs or otherwise adversely affect our business and operating results.

***Because our long-term success depends, in part, on our ability to expand our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.***

We currently have personnel and/or customers in China, England, France, Ireland, Japan and Singapore, as well as the United States. Due to our international exposure, our business is susceptible to risks associated with international operations. However, we have a limited operating history outside the United States, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to particular challenges of supporting a rapidly growing business in an environment of diverse cultures, languages, customs, tax laws, legal systems, alternate dispute systems and regulatory systems. The risks and challenges associated with international expansion include:

the need to support and integrate with local publishers and partners;

continued localization of our platform, including translation into foreign languages and associated expenses;

competition with companies that have greater experience in the local markets than we do or who have pre-existing relationships with potential customers in those markets;

compliance with multiple, potentially conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;

compliance with anti-bribery laws, including compliance with the Foreign Corrupt Practices Act;

difficulties in invoicing and collecting in foreign currencies and associated foreign currency exposure;

difficulties in staffing and managing foreign operations and the increased travel, infrastructure and legal compliance costs associated with international operations;

different or lesser protection of our intellectual property rights;

difficulties in enforcing contracts and collecting accounts receivable, longer payment cycles and other collection difficulties;

restrictions on repatriation of earnings; and

regional economic and political conditions.

We have limited experience in marketing, selling and supporting our subscription services internationally, which increases the risk that any potential future expansion efforts that we may undertake will not be successful.

***Fluctuations in the exchange rate of foreign currencies could result in currency transactions losses.***

We currently have foreign sales denominated in Australian Dollars, British Pound Sterling, Chinese Yuan, Euros, Japanese Yen and Singaporean Dollars. In addition, we incur a portion of our operating expenses in the currencies of the countries where we have offices. We face exposure to adverse movements in currency exchange rates, which may cause our revenues and operating results to differ materially from expectations. If the U.S. Dollar continues to strengthen relative to foreign currencies as it has been doing since the second quarter of 2018, our non-U.S. revenues would be adversely affected. Conversely, a decline in the U.S. Dollar relative to foreign currencies would increase our non-U.S. revenues when translated into U.S. Dollars. Our operating results could be negatively impacted depending on the amount of expense denominated in foreign currencies. As exchange rates vary, revenues, cost of revenues, operating expenses and other operating results, when translated, may differ materially from expectations. In addition, our revenues and operating results are subject to fluctuation if our mix of U.S. and foreign currency-denominated transactions or expenses changes in the future because we do not currently hedge our foreign currency exposure. Even if we were to implement hedging strategies to mitigate foreign currency risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

***Unfavorable conditions in the market for digital advertising or the global economy or reductions in digital advertising spend could limit our ability to grow our business and negatively affect our operating results.***

Revenue growth and potential profitability of our business depends on digital advertising spend by advertisers in the markets we serve. Our operating results may vary based on changes in the market for digital advertising or the global economy. To the extent that weak economic conditions cause our customers and potential customers to freeze or reduce their advertising budgets, particularly digital advertising, demand for our solution may be negatively affected.

Historically, economic downturns have resulted in overall reductions in advertising spend. If economic conditions deteriorate or the rise of geopolitical instability and military hostilities causes economic uncertainty, our customers and potential customers may elect to decrease their advertising budgets or defer or reconsider software and service purchases, which would limit our ability to grow our business and negatively affect our operating results.

***We have experienced turnover in our senior management, and the loss of key personnel or an ability to attract, retain and motivate qualified personnel may result in operational inefficiencies that could negatively affect our business.***

Our success depends upon the continued service of our talented management, operational and key technical employees, as well as our ability to continue to attract additional highly qualified talent. Turnover amongst our employees could result in operational and administrative inefficiencies and added costs, which could adversely impact our results of operations, stock price and customer relationships, and could make recruiting for future management and other positions more difficult. In addition, we must successfully integrate any new senior management and other new personnel within our organization in order to achieve our operating objectives, and changes in other key positions may temporarily affect our financial performance and results of operations as new employees become familiar with our business.

We do not maintain key person life insurance policies on any of our employees. Each of our executive officers, key technical personnel and other employees could terminate his or her relationship with us at any time. Our business also requires skilled technical, sales and other personnel, who are in high demand and are often subject to competing offers. As we expand into additional geographic markets, we will require personnel with expertise in these new areas. Competition for qualified employees is intense in our industry and particularly in San Francisco, California. An inability to retain, attract, relocate and motivate employees required for our business, including the planned expansion of our business, could delay or prevent the achievement of our business objectives and could materially harm our business and our customer relationships.

***Managing a global organization has placed, and may continue to place, significant demands on our management and infrastructure. If we fail to manage our operations effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.***

Managing a global and geographically dispersed workforce and operation has required substantial management effort, the allocation of valuable management resources and significant additional investment in our infrastructure. We will be required to continue to improve our operational, financial and management controls and operations reporting procedures, and we may not be able to do so effectively. Moreover, we may from time to time decide to undertake cost savings initiatives, such as additional restructurings, disposing of, and/or otherwise discontinuing certain products, in an effort to focus our resources on key strategic initiatives and streamline our business. Further, supporting our customers and operations, and driving future growth, we must continually improve and maintain our technology, systems and network infrastructure. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross margins or operating expenses in any particular quarter. If we fail to manage our anticipated growth or change in a manner that does not preserve the key aspects of our corporate culture, the quality of our solutions may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers.

***Domestic and foreign government regulation and enforcement of data practices and data tracking technologies is expansive, not clearly defined and rapidly evolving. Such regulation could directly restrict portions of our business or indirectly affect our business by constraining our customers' use of our platform or limiting the growth of our markets.***

Federal, state, municipal and/or foreign governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, and regulations covering user privacy, data security, technologies such as cookies that are used to collect, store and/or process data, the taxation of products and services, unfair and deceptive practices, and/or the collection, use, processing, transfer, storage and/or disclosure of data associated with a unique individual. The categories of data regulated under these laws vary widely and are often ill-defined and subject to new applications or interpretation by regulators. Our subscription services enable our customers to display digital advertisements to targeted population segments, as well as collect, manage and store data regarding the measurement and valuation of their digital advertising and marketing campaigns, which may include data that is directly or indirectly obtained or derived through the activities of online or mobile visitors. The uncertainty and inconsistency among these laws, coupled with a lack of guidance as to how these laws will be applied to current and emerging Internet and mobile analytics technologies, creates a risk that regulators, lawmakers or other third parties, such as potential plaintiffs, may assert claims, pursue investigations or audits, or engage in civil or criminal enforcement. These actions could limit the market for our subscription services or impose burdensome requirements on our services and/or customers' use of our services, thereby rendering our business unprofitable.

Some features of our subscription services use cookies, which trigger the data protection requirements of certain foreign jurisdictions, such as the EU General Data Protection Regulation, or the GDPR, and the EU ePrivacy Directive. In addition, our services collect data about visitors' interactions with our advertiser clients that may be subject to regulation under current or future laws or regulations. If our privacy or data security measures fail to comply with these current or future laws and regulations in any of the jurisdictions in which we collect information, we may be subject to litigation, regulatory investigations, civil or criminal enforcement, audits or other liabilities in such jurisdictions, or our advertisers may terminate their relationships with us. In addition, foreign court judgments or regulatory actions could impact our ability to transfer, process and/or receive transnational data that is critical to our operations, including data relating to users, clients, or partners outside the United States. Such judgments or actions could affect the manner in which we provide our services or adversely affect our financial results if foreign clients and partners are not able to lawfully transfer data to us.

This area of the law is currently under intense government scrutiny and many governments, including the U.S. government, are considering a variety of proposed regulations that would restrict or impact the conditions under which data obtained from or through the activities of visitors could be collected, processed or stored. In addition, regulators such as the Federal Trade Commission and the California Attorney General are continually proposing new regulations and interpreting and applying existing regulations in new ways. For example, in June 2018, California passed the California Consumer Privacy Act, or the CCPA, which provides new data privacy rights for consumers and new disclosure and operational requirements for companies, effective January 2020. Fines for non-compliance may be up to \$7,500 per violation. The burdens imposed by the GDPR and CCPA, and changes to existing laws or new laws regulating the solicitation, collection or processing of personal and consumer information, truth-in-advertising and consumer protection could affect our customers' utilization of digital advertising and marketing, potentially reducing demand for our subscription services, or impose restrictions that make it more difficult or expensive for us to provide our services.

***If legislation dampens the growth in web and mobile usage or access to the Internet, our results of operations could be harmed.***

Legislation enacted in the future could dampen the growth in web and mobile usage and decrease its acceptance as a medium of communications and commerce or result in increased adoption of new modes of communication and commerce that may not be serviced by our products. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet, which could result in slower growth or a decrease in eCommerce, use of social media and/or use of mobile devices. Any of these outcomes could cause demand for our platform to decrease, our costs to increase, and our results of operations and financial condition to be harmed.

***If our customers fail to abide by applicable privacy laws or to provide adequate notice and/or obtain consent from end users, we could be subject to litigation or enforcement action or reduced demand for our services. Industry self-regulatory standards may be implemented in the future that could affect demand for our platform and our ability to access data we use to provide our platform.***

Our customers utilize our services to support and measure their direct interactions with visitors, and although we provide notice and choice mechanisms on our websites for our subscription services, we also must rely on our customers to implement and administer notice and choice mechanisms required under applicable laws. If we or our customers fail to abide by these laws, it could result in litigation or regulatory or enforcement action against our customers or against us directly.

In addition, self-regulatory organizations (such as the Digital Advertising Network or Network Advertising Initiative) to which our customers, partners and suppliers may belong, may impose opt-in or opt-out requirements on our customers, which may in the future require our customers to provide various mechanisms for users to opt-in or opt-out of the collection of any data, including anonymous data, with respect to such users' web or mobile activities. The online and/or mobile industries may adopt technical or industry standards, or federal, state, local or foreign laws may be enacted that allow users to opt-in or opt-out of data that is necessary to our business. In particular, some government regulators and standard-setting organizations have suggested a "Do Not Track" standard that allows users to express a preference, independent of cookie settings in their browser, not to have website browsing recorded. All the major Internet browsers have implemented some version of a "Do Not Track" setting. Furthermore, publishers may implement alternative tracking technologies that make it more difficult to access the data necessary to our business or make it more difficult for us to compete with the publisher's own advertising management solutions. If any of these events were to occur in the future, it could have a material effect on our ability to provide services and for our customers to collect the data that is necessary to use our services.

***Our revenues may be adversely affected if we are required to charge sales taxes in additional jurisdictions or other taxes for our solutions.***

We collect or have imposed upon us sales or other taxes related to the solutions we sell in certain states and other jurisdictions. Additional states, countries or other jurisdictions may seek to impose sales or other tax collection obligations on us in the future, or states or jurisdictions in which we already pay tax may increase the amount of taxes we are required to pay. A successful assertion by any state, country or other jurisdiction in which we do business that we should be collecting sales or other taxes on the sale of our products and services could, among other things, create significant administrative burdens for us, result in substantial tax liabilities for past sales, discourage clients from purchasing solutions from us or otherwise substantially harm our business and results of operations.

***We may experience quarterly fluctuations in our operating results due to a number of factors which make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.***

Our quarterly operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as indicative of our future performance. If our revenues or operating results fall below the expectations of investors or securities analysts, or below any guidance we may provide to the market, the price of our common stock could decline substantially.





In addition to other risk factors listed in this section, factors that may affect our quarterly operating results include the following:

the level of advertising spend managed through our platform for a particular quarter;

fluctuations in the contractual rates of our strategic agreements with publishers;

customer renewal rates, and the pricing and usage of our platform in any renewal term;

demand for our platform and the size and timing of our sales;

customers delaying purchasing decisions in anticipation of new releases by us or of new products by our competitors;

delays in projects to upgrade our own software platform infrastructure and any resulting delays in releasing new features;

network outages, platform downtime, software bugs or security breaches and any associated credits, warranty claims or other expenses;

changes in the competitive dynamics of our industry, including consolidation among competitors or customers;

market acceptance of our current and future solutions;

changes in spending on digital advertising or information technology and software by our current and/or prospective customers;

budgeting cycles of our customers;

our potentially lengthy sales cycle;

our ability to control costs, including our operating expenses;

the amount and timing of infrastructure costs and operating expenses related to the maintenance and expansion of our business, operations and infrastructure;

hiring or separation of employees;

foreign currency exchange rate fluctuations; and

general economic and political conditions in our domestic and international markets.

Based upon all of the factors described above, we have a limited ability to forecast our future revenues, costs and expenses, and as a result, our operating results may from time to time fall below our estimates or the expectations of public market analysts and investors.

***Future acquisitions, strategic investments, partnerships or alliances could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value and adversely affect our results of operations and financial condition.***

We acquired businesses in the past and may seek to acquire additional businesses, products or technologies in the future. However, we have limited experience in acquiring and integrating businesses, products and technologies. If we identify an appropriate acquisition candidate, we may not be successful in negotiating the terms and/or financing of the acquisition, and our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues related to intellectual property, product quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues.

Any acquisition or investment may require us to use significant amounts of cash, issue potentially dilutive equity securities or incur debt. In addition, acquisitions involve numerous risks, any of which could harm our business, including:

regulatory and commercial risks relating to advertising technologies we may acquire;

difficulties in integrating the operations, technologies, services and personnel of acquired businesses, especially if those businesses operate outside of our core competency or in foreign countries;

cultural challenges associated with integrating employees from the acquired company into our organization;

reputation and perception risks associated with the acquired product or technology by the general public;

ineffectiveness or incompatibility of acquired technologies or services;

potential loss of key employees of acquired businesses;

inability to maintain the key business relationships and the reputations of acquired businesses;

diversion of management's attention from other business concerns;

litigation for activities of the acquired company, including claims from terminated employees, clients, former shareholders or other third parties;

failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, technology, or solution, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or client issues;

in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries; costs necessary to establish and maintain effective internal controls for acquired businesses;

failure to successfully further develop the acquired technology in order to recoup our investment; and

increased fixed costs.

If we are unable to successfully integrate any future business, product or technology we acquire, our business and results of operations may suffer.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. For instance, in connection with our prior acquisitions, we issued shares of our common stock.

***We identified a material weakness in our internal control over financial reporting in the year ended December 31, 2016 that has since been remediated. If we experience additional material weaknesses or deficiencies in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.***

Our management determined that there was a material weakness in our internal control over financial reporting for the year ended December 31, 2016 because we did not maintain effective controls over the preparation and review of the annual income tax provision. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected in a timely basis. As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, this material weakness arose during the review of the annual income tax provision in connection with the preparation of our consolidated financial statements for the year ended December 31, 2016, where an error was identified that related to the accounting for

changes in uncertain tax positions at one of our subsidiaries in France. Once this error was identified, an accounting adjustment was recorded to our liability for uncertain tax positions and the provision for income taxes, as well as the related income tax disclosures, on the consolidated financial statements for the year ended December 31, 2016. Although the error was identified prior to the completion of our 2016 consolidated financial statements, management determined that a design deficiency existed in a control intended to properly account for and present the accounting for income taxes in accordance with GAAP.

As further described in Part I, Item 4 “Controls and Procedures,” of our Annual Report on form 10-K, as amended, for the year ended December 31, 2017, filed with the Securities and Exchange Commission, or the SEC, on March 5, 2018, we developed a detailed plan to address the material weakness, and were successful in remediating it in the year ended December 31, 2017. However, there can be no assurance that we will not identify additional control deficiencies or material weaknesses in the future.

In addition, if we identify new material weaknesses in the future, if we are unable to comply with the requirements of Section 404(b) of the Sarbanes-Oxley Act, or Section 404, in a timely manner, if we are unable to assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

***We are a smaller reporting company and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our common stock less attractive to investors.***

While we have ceased being an emerging growth company as of December 31, 2018, many of the exemptions available for emerging growth companies are also available to smaller reporting companies like us that have less than \$250 million of worldwide common equity held by non-affiliates. The disclosures we will be required to provide in our SEC filings will increase, but will still be less than it would be if we were not considered a smaller reporting company. Specifically, similar to emerging growth companies, smaller reporting companies are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404 requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as a smaller reporting company may make it harder for investors to analyze our results of operations and financial prospects. We cannot predict if investors will find our common stock less attractive because we will rely on the exemptions available to smaller reporting companies. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our profitability.***

As of December 31, 2018, we had federal and state net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire in 2026 and 2022 for federal and state purposes, respectively. We also have federal research tax credit carryforwards, which if not utilized will begin to expire in 2026. These net operating loss and research tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an “ownership change.” A Section 382 “ownership change” generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws.

Future issuances of our stock could cause an “ownership change.” It is possible that any future ownership change could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

***Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.***

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

***We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become further impaired.***

We are required under GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. The events and circumstances we consider include the business climate, legal factors, operating performance indicators and competition. In the future we may be required to record a significant charge to earnings in our consolidated financial statements for the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations and harm our business.

During the year ended December 31, 2018, the market capitalization of our publicly traded common stock sustained a decline to the extent that it fell below the book value of our net assets, triggering the need to perform a goodwill impairment test. As a result of this test, we identified and recorded goodwill impairment expense of \$14.7 million for the year ended December 31, 2018. Refer to Note 2 and Note 6 of the accompanying consolidated financial statements for further information on this goodwill impairment expense. As additional facts, circumstances or assumptions change in the future, we may be required to record additional impairment charges to reduce the carrying value of our goodwill, intangible assets and other long-term assets.

## **Risks Related to the Ownership of Our Common Stock**

***If we cannot meet the continued listing requirements of The Nasdaq Global Market, The Nasdaq Global Market may de-list our common stock, which would have an adverse effect on the trading volume, liquidity and market price of our common stock.***

Our common stock is listed on The Nasdaq Global Market, or Nasdaq. Although we currently meet Nasdaq's listing standards, which generally require that we meet certain requirements relating to stockholders' equity, market capitalization, stock price, the aggregate market value of publicly held shares, and distribution requirements, we cannot assure you that we will be able to continue to meet Nasdaq's listing requirements. If we fail to satisfy Nasdaq's continued listing requirements, Nasdaq may take steps to de-list our common stock. If Nasdaq delists our securities for trading on the Nasdaq, we could face significant adverse consequences, including:

a limited availability of market quotations for our common stock;

reduced liquidity with respect to our common stock;

reduced trading volume in and market price of our common stock;

a limited amount of news and analyst coverage for our company; and

a decreased ability to issue additional securities or obtain additional financing in the future.

Such a de-listing would likely have an adverse effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a de-listing, we may take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity or trading volume of our common stock, prevent our common capitalization and stockholder's equity from dropping below the Nasdaq minimum requirements, or prevent other future non-compliance with Nasdaq's continued listing requirements.

***The trading prices of the securities of technology companies have been highly volatile. Accordingly, the market price of our common stock has been, and is likely to continue to be, subject to wide fluctuations and could subject us to litigation.***

Since our initial public offering, the closing sales price of our common stock on the New York Stock Exchange (from March 22, 2013 through June 19, 2018) and The Nasdaq Global Market (from June 20, 2018 to December 31, 2018) has been volatile. Factors affecting the market price of our common stock include:



variations in, or forward-looking guidance regarding, our revenues, gross margin, operating results, free cash flow, loss per share, revenue retention rates, annualized advertising spend on our platform, adjusted EBITDA and how these results compare to analyst and investor expectations;

announcements of technological innovations, new products or services, strategic alliances, acquisitions or significant agreements by us or by our competitors;

disruptions in our cloud-based operations or services or disruptions of other prominent cloud-based operations or services;

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

any other factors discussed herein.

In addition, the stock market in general has experienced substantial price and volume volatility that is often seemingly unrelated to the operating results of any particular companies. Moreover, if the market for technology stocks, especially software and cloud computing-related stocks, or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price for our stock might also decline in reaction to events that affect other companies within, or outside, our industry, even if these events do not directly affect us. Some companies that have experienced volatility in the trading price of their stock have been subject of securities litigation. If we are the subject of such litigation, it could result in substantial costs and a diversion of management's attention and resources.

From January 1, 2016 through December 31, 2018, the closing sales price of our common stock on the New York Stock Exchange (from January 1, 2016 through June 19, 2018), and The Nasdaq Global Market (from June 20, 2018 to December 31, 2018) ranged from \$2.20 to \$25.27 per share (retroactively adjusting for the one-for-seven reverse stock split, which became effective on October 5, 2017). Because our stock price has been volatile, investing in our common stock is risky.

***We do not intend to pay dividends for the foreseeable future.***

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

***If there are substantial sales of shares of our common stock, the price of our common stock could decline.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur could depress the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. We are unable to predict the effect that sales may have on the prevailing market price of our common stock. Any sales of securities by existing stockholders could adversely affect the trading price of our common stock.

***Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.***

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change

of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our Company more difficult, including the following:

our Board is classified into three classes of directors with staggered three-year terms and directors can only be removed from office for cause;

only our Board has the right to fill a vacancy created by the expansion of our Board or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board;

only our chairman of the Board, our lead independent director, our chief executive officer, our president, or a majority of our Board is authorized to call a special meeting of stockholders;

certain litigation against us can only be brought in Delaware;

our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without the approval of the holders of common stock; and

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

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

#### **ITEM 1B.UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

Our corporate headquarters are located in San Francisco, California, where we occupy facilities totaling approximately 43,000 square feet under a lease which expires in July 2022. We use these facilities for administration, sales and marketing, research and development, engineering, customer support and professional services. We sublease approximately 28,600 square feet of this property to two unrelated third parties through separate agreements. One of these sublease agreements expires in July 2022, while the other expires in May 2020, but has a subtenant option to extend the agreement through July 2022.

We lease office space in Austin, Chicago, New York and Portland in the United States, and China, England, France, Ireland, and Japan, which we use principally for sales and marketing, research and development, administration, customer support and to deliver professional services locally. We operate a data center at a third-party facility located in the United States. During 2018, we exited office space in Australia and Germany as part of the organizational restructuring described in Note 4 to the accompanying consolidated financial statements.

We believe our facilities are in good condition and adequate for our current needs and for the foreseeable future. See Note 15 to the accompanying consolidated financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations and Commitments” for information regarding our lease obligations.

### **ITEM 3. LEGAL PROCEEDINGS**

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### **Market Price of Our Common Stock**

Our common stock trades on The Nasdaq Global Market, or Nasdaq, under the symbol MRIN.

#### **Holders of our Common Stock**

As of March 9, 2019, there were 54 stockholders of record. The actual number of stockholders is greater than the number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

#### **Dividend Policy**

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent on a number of factors, including our earnings, capital requirements and overall financial conditions.

#### **Unregistered Sales of Equity Securities**

We made no sales of unregistered securities during the quarter ended December 31, 2018.

#### **Use of Proceeds from Public Offering of Common Stock**

There have been no material changes in our use of the proceeds from our initial public offering in March 2013.

**Recent Issuer Purchases of Equity Securities**

We made no purchases of equity securities during the quarter ended December 31, 2018.

**Stock Performance Graph**

*The following shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.*

The following graph shows a comparison from December 31, 2013 through December 31, 2018, of the cumulative total return for our common stock, the NYSE Composite Index, and the S&P 1500 Data Processing & Outsourced Services Index (retroactively adjusting for the one-for-seven reverse stock split, which became effective on October 5, 2017). The graph assumes an investment of \$100 on December 31, 2013 and reinvestment of any dividends. The comparisons in the graph below are required by the Securities and Exchange Commission, or the SEC, and are not intended to forecast or be indicative of possible future performance of our common shares.

Company / Index	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
<b>Marin Software Incorporated</b>	<b>\$ 100</b>	\$ 82.62	\$ 34.96	\$ 22.95	\$ 15.28	\$ 7.41
<b>NYSE Composite Index</b>	<b>100</b>	106.75	102.38	114.61	136.07	123.89
<b>S&amp;P 1500 Data Processing &amp; Outsourced Services</b>	<b>100</b>	112.50	126.50	136.33	190.95	216.99



**ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA**

*The following tables present selected historical financial data for our business. You should read this information together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.*

We derived the consolidated statements of operations data for the years ended December 31, 2018, 2017 and 2016, and the consolidated balance sheet data as of December 31, 2018 and 2017 from our audited consolidated financial statements included elsewhere in this report. We derived the consolidated statements of operations data for the years ended December 31, 2015 and 2014 and the consolidated balance sheet data as of December 31, 2016, 2015 and 2014 from our audited financial statements not included in this report. Our historical results are not necessarily indicative of the results to be expected in the future. The selected consolidated financial data includes the impact of our acquisitions.

	<b>Years Ended December 31,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(in thousands, except per share data)</i>				
Revenues, net	\$58,631	\$74,991	\$99,878	\$108,530	\$99,354
Cost of revenues (1) (2) (3)	27,154	32,520	35,203	40,137	35,614
Gross profit	31,477	42,471	64,675	68,393	63,740
<b>Operating expenses</b>					
Sales and marketing (1) (2) (3)	23,425	26,936	32,889	45,132	47,716
Research and development (1) (2) (3)	22,450	26,564	27,841	33,318	28,751
General and administrative (1) (2) (3)	13,113	16,444	19,890	22,391	21,257
Impairment of goodwill	14,740	2,797	—	—	—
Total operating expenses	73,728	72,741	80,620	100,841	97,724
Loss from operations	(42,251)	(30,270)	(15,945)	(32,448)	(33,984)
Other income (expenses), net	1,593	(214)	869	104	(643)
Loss before (provision for) benefit from income taxes	(40,658)	(30,484)	(15,076)	(32,344)	(34,627)
(Provision for) benefit from income taxes	(586)	(1,007)	(1,404)	(1,005)	1,456
Net loss available to common stockholders	\$(41,244)	\$(31,491)	\$(16,480)	\$(33,349)	\$(33,171)
Net loss per share available to common stockholders, basic and diluted (4) (5)	\$(7.13)	\$(5.59)	\$(3.01)	\$(6.38)	\$(6.79)
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted (4) (5)	5,783	5,638	5,474	5,225	4,887

(1) Stock-based compensation included in the consolidated statements of operations data above was allocated as follows:

**Years Ended December 31,**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(in thousands)</i>				
Cost of revenues	\$739	\$822	\$1,314	\$1,171	\$765
Sales and marketing	957	827	1,281	2,537	1,895
Research and development	1,398	1,996	4,989	7,518	3,785
General and administrative	877	1,059	2,711	4,393	2,797
	\$3,971	\$4,704	\$10,295	\$15,619	\$9,242

- (2) Amortization of intangible assets included in the consolidated statements of operations data above was allocated as follows:

	<b>Years Ended December 31,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(in thousands)</i>				
Cost of revenues	\$938	\$971	\$1,027	\$1,033	\$399
Sales and marketing	658	877	934	921	261
Research and development	938	969	1,027	1,034	397
General and administrative	3	33	92	146	74
	\$2,537	\$2,850	\$3,080	\$3,134	\$1,131

- (3) Restructuring related expenses included in the consolidated statements of operations data above was allocated as follows:

	<b>Years Ended December 31,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(in thousands)</i>				
Cost of revenues	\$176	\$ —	\$184	\$173	\$ —
Sales and marketing	827	—	348	718	—
Research and development	115	—	44	53	—
General and administrative	158	—	20	270	—
	\$1,276	\$ —	\$596	\$1,214	\$ —

(4) See Note 13 of the consolidated financial statements for an explanation of the calculations of basic and diluted net loss per share available to common stockholders.

(5) All share and per share amounts of our common stock for all periods presented have been adjusted to reflect the one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on October 5, 2017. See Note 2 of the consolidated financial statements for further information on this reverse stock split.

	As of December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
<b>Consolidated Balance Sheet Data</b>					
Cash and cash equivalents	\$10,210	\$27,544	\$34,420	\$37,326	\$68,253
Property and equipment, net	11,815	15,559	20,581	21,817	16,274
Total assets	46,792	83,369	107,093	116,192	128,307
Capital lease obligations, current	1,249	1,416	1,015	1,384	2,587
Capital lease obligations, less current portion	549	1,687	2,381	1,557	621
Total stockholders' equity	29,371	62,783	87,598	94,131	106,117

## ITEM 7. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K for the fiscal year ended December 31, 2018. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those forward-looking statements below. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the section entitled "Risk Factors" included elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "believe," "may," "potentially," "will," "estimate," "continue," "anticipate," "intend," "could," "should," "would," "project," "plan," "predict," "expect," "seek" and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors", set forth in Part I, Item 1A of this Annual Report on Form 10-K. Except as required by law, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. References to "2018," "2017" and "2016" refer to the year ended December 31, 2018, the year ended December 31, 2017 and the year ended December 31, 2016, respectively.*

### **Overview**

We are a leading provider of cross-channel, cross-device, enterprise marketing software platform for search, social, eCommerce and display advertising channels, offered as a software-as-a-service, or SaaS, solution for advertisers and agencies. Our platform is an analytics, workflow and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend. We market and sell our solutions to advertisers directly and through leading advertising agencies, and our customers collectively manage billions of dollars in advertising spend on our platform globally across a wide range of industries. Our solution is designed to help our customers:

measure the effectiveness of their advertising campaigns through our proprietary reporting and analytics capabilities;

manage and execute campaigns through our intuitive user interface and underlying technology that streamlines and automates key functions, such as advertisement creation and bidding, across multiple publishers and channels; and

optimize campaigns across multiple publishers and channels based on market and business data to achieve desired revenue outcomes using our predictive bid management technology.

Our subscription contracts provide advertisers with access to our search, social, eCommerce and display advertising management platform, either directly or through the advertiser's relationship with an agency with whom we have a contract. Under our subscription contracts with most of our direct advertisers and some of our independent agency customers, customers are contractually committed to a minimum or fixed monthly platform fee, which is payable on a monthly basis over the duration of the contract and is generally greater than one-half of our estimated monthly revenues from these customers, at the time the contract is signed. However, most of our subscription contracts with our network advertising agency customers do not include a committed minimum monthly platform fee. In general, if our contractual arrangement is with an advertising agency, the advertiser is not a party to the terms of the contract. Accordingly, most advertisers through our agency customers do not have a commitment to use our services and the advertisers may be added or removed from our platform at the discretion of the respective agency. Historically, our revenues earned from advertising agency customers have ranged between approximately one-third and one-half of our overall revenues. In accordance with the terms of our subscription contracts, we generally begin invoicing our customers the first day of the month following the execution of the contract at an amount equal to the greater of the minimum monthly platform fee or the percentage of advertising spend on our platform. The implementation process for new advertisers is typically four to six weeks, and we have not historically charged a separate implementation fee under our standard subscription contracts. Our search subscription contracts are generally one year in length, while social and display contracts may vary in duration.

Our implementation and customer support personnel, as well as costs associated with our operating infrastructure, are included in our cost of revenues. We are leveraging our headcount and operating expenses to bring them in line with our revenues, while continuing to invest in our data center capacity and new platform features.

To grow subscription revenues, we need to invest in (1) research and development to improve and further expand our platform and support for additional publishers and (2) sales activities by adding sales representatives globally to target new advertisers and agencies. These activities will require us to make investments, particularly in research and development and sales and marketing, and if these investments do not generate additional customers or additional advertising spend managed by our platform, our future operating results could be harmed.

We have also entered into long-term strategic agreements with certain leading search publishers. Under these strategic agreements, we receive consideration based on a percentage of the search advertising spend that our customers manager on our platform. In December 2018, we entered into such an agreement with Google, under which we receive revenue share payments based on our customers' search advertising spend on Google and certain other eligible search engines. In exchange, we will reinvest a percentage of these revenue share payments to drive our technology platform innovation. This agreement and the related revenue recognition considerations are described more fully in Note 3 of the accompanying consolidated financial statements.

The majority of our revenues are derived from advertisers based in the United States. Advertisers from outside of the United States represented 30%, 34% and 31% of total revenues for 2018, 2017 and 2016, respectively.

We were incorporated in 2006 and initially focused on building the core elements of our cloud-based platform, which we currently use to service our customers. In September 2007, we launched Marin Search, which targets large

advertisers and agencies. In June 2018, we launched MarinOne, the next generation of our cross-channel advertising platform. We have an iterative development process and we typically release new features every month.

## **Components of Results of Operations**

### ***Revenues, Net***

We generate revenues principally from subscription contracts under which we provide advertisers with access to our search, social, eCommerce and display advertising management platform, either directly or through the advertiser's relationship with an agency with whom we have a contract. Our search subscription contracts are generally one year or less in length, while social and display contracts may vary in duration. Under subscription contracts with most of our direct advertisers and some independent agencies, we charge fees generally based on the amount of advertising spend that these customers manage through our platform or a contractual minimum monthly platform fee, whichever is greater. Certain of these customers are charged only a fixed monthly platform fee. Most of our subscription contracts with our network agency customers do not include a committed minimum monthly platform fee, and we charge fees based upon the amount of advertising spend that these customers manage through our platform. Due to the nature of the platform and the services performed under the subscription agreements, revenues are typically recognized in the amount billable to the advertiser.

Our long-term strategic agreements have historically included multiple-year terms, and are invoiced quarterly. In the case of our largest agreement with Google, it includes both a fixed baseline amount, as well as a variable portion based on a percentage of relevant advertising search spend above the baseline threshold that runs through our technology platform. We recognize the entire contract price under this agreement ratably over the initial minimum two-year term. Our other long-term strategic agreements are generally variable in nature, based on a percentage of relevant search advertising spend that runs through our technology platform. Consideration received under these agreements is allocated to the period in which we have the contractual right to bill. We expect that in the future, revenues from these strategic agreements will continue to grow as a percentage of our total revenues, net.

Refer to Note 3 of the accompanying consolidated financial statements for further discussion of our revenue recognition considerations.

### ***Cost of Revenues***

Cost of revenues primarily includes personnel costs, consisting of salaries, benefits, bonuses and stock-based compensation expense for employees associated with our cloud infrastructure and global services for implementation and ongoing customer service. Other costs of revenues include fees paid to contractors who supplement our support and data center personnel, expenses related to third-party data centers, depreciation of data center equipment, amortization of internally developed software, amortization of intangible assets and allocated overhead.

We expect that, in the future, cost of revenues will decrease year-over-year in absolute dollars as we seek to realign our cost structure with our future revenues.

### ***Sales and Marketing***

Sales and marketing expenses consist primarily of personnel costs, including salaries, benefits, stock-based compensation expense and bonuses, as well as sales commissions and other costs including travel and entertainment, marketing and promotional events, lead generation activities, public relations, marketing activities, professional fees, amortization of intangible assets and allocated overhead. All of these costs are expensed as incurred, except sales commissions and the related payroll taxes, which are capitalized and amortized over a three year expected period of benefit in accordance with the relevant authoritative accounting guidance (refer to Note 3 of the accompanying consolidated financial statements). Our commission plans provide that commission payments to our sales representatives are paid based on the key components of the applicable customer contract, including the minimum or fixed monthly platform fee during the initial contract term.

We expect that, in the future, sales and marketing expenses will decrease year-over-year in absolute dollars as we seek to realign our cost structure with our future revenues.

### ***Research and Development***

Research and development expenses consist primarily of personnel costs for our product development and engineering employees and executives, including salaries, benefits, stock-based compensation expense and bonuses. Also included are non-personnel costs such as professional fees payable to third-party development resources, amortization of intangible assets and allocated overhead.

Our research and development efforts are focused on enhancing our software architecture, adding new features and functionality to our platform and improving the efficiency with which we deliver these services to our customers, including the development of MarinOne. We expect that research and development expenses may decrease year-over-year in absolute dollars as we seek to realign our cost structure with our future revenues.

### ***General and Administrative***

General and administrative expenses consist primarily of personnel costs, including salaries, benefits, stock-based compensation expense and bonuses for our administrative, legal, human resources, finance and accounting employees and executives. Also included are non-personnel costs, such as audit fees, tax services and legal fees, as well as



professional fees, insurance and other corporate expenses, including allocated overhead.

We expect our general and administrative expenses to decrease year-over-year in absolute dollars as we seek to align our cost structure with our future revenues.

***Other Income (Expenses), Net***

Other income (expenses), net, primarily consists of sublease income and foreign currency transaction gains and losses, as well as interest income earned on our cash equivalents offset by the interest expense related to our capital lease obligations.

***Provision for Income Taxes***

The provision for income taxes consists of federal, state and foreign income taxes. Due to recent losses, we maintain a valuation allowance against our United States deferred tax assets as of December 31, 2018. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets.

## Results of Operations

The following table is a summary of our consolidated statements of operations for the specified periods and results of operations as a percentage of revenues for those periods. The period-to-period comparisons of results are not necessarily indicative of results for future periods. Percentage of revenues figures are rounded and therefore may not subtotal exactly.

	<b>Years Ended December 31,</b>			<b>2017</b>			<b>2016</b>		
	<b>2018</b>	<b>% of</b>		<b>Amount</b>	<b>% of</b>		<b>Amount</b>	<b>% of</b>	
	<b>Amount</b>	<b>Revenue</b>			<b>Revenue</b>			<b>Revenue</b>	
	<i>(dollars in thousands)</i>								
Revenues, net	\$58,631	100	%	\$74,991	100	%	\$99,878	100	%
Cost of revenues (1) (2) (3)	27,154	46		32,520	43		35,203	35	
Gross profit	31,477	54		42,471	57		64,675	65	
<b>Operating expenses</b>									
Sales and marketing (1) (2) (3)	23,425	40		26,936	36		32,889	33	
Research and development (1) (2) (3)	22,450	38		26,564	35		27,841	28	
General and administrative (1) (2) (3)	13,113	22		16,444	22		19,890	20	
Impairment of goodwill	14,740	26		2,797	4		—	—	
Total operating expenses	73,728	126		72,741	97		80,620	81	
Loss from operations	(42,251)	(72)	)	(30,270)	(40)	)	(15,945)	(16)	)
Other income (expenses), net	1,593	3		(214)	—		869	1	
Loss before provision for income taxes	(40,658)	(69)	)	(30,484)	(41)	)	(15,076)	(15)	)
Provision for income taxes	(586)	(1)	)	(1,007)	(1)	)	(1,404)	(1)	)
Net loss	\$(41,244)	(70)	)%	\$(31,491)	(42)	)%	\$(16,480)	(17)	)%

(1) Stock-based compensation expense included in the consolidated statements of operations data above was as follows:

	<b>Years Ended December</b>		
	<b>31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(in thousands)</i>		
Cost of revenues	\$739	\$822	\$1,314
Sales and marketing	957	827	1,281
Research and development	1,398	1,996	4,989
General and administrative	877	1,059	2,711
	\$3,971	\$4,704	\$10,295

(2) Amortization of intangible assets included in the consolidated statements of operations data above was as follows:

**Years Ended December 31,**

**2018    2017    2016**

*(in thousands)*

Cost of revenues	\$938	\$971	\$1,027
Sales and marketing	658	877	934
Research and development	938	969	1,027
General and administrative	3	33	92
	\$2,537	\$2,850	\$3,080

(3) Restructuring related expenses included in the consolidated statements of operations data above was as follows:

**Years Ended December 31,**

**2018    2017    2016**

*(in thousands)*

Cost of revenues	\$176	\$	—\$184
Sales and marketing	827	—	348
Research and development	115	—	44
General and administrative	158	—	20
	\$1,276	\$	—\$596

The following table sets forth our consolidated revenues by geographic area, as well as the related percentages of total revenues, for the specified periods.

**Years Ended December 31,**

**2018**

**2017**

**2016**

**Amount    % of  
Revenue**

**Amount    % of  
Revenue**

**Amount    % of  
Revenue**

*(dollars in thousands)*

Revenues, net by geography

United States of America	\$40,907	70	%	\$49,637	66	%	\$69,220	69	%
United Kingdom	7,664	13		9,556	13		11,083	11	
Other	10,060	17		15,798	21		19,575	20	
Total revenues, net	\$58,631	100	%	\$74,991	100	%	\$99,878	100	%

## Adjusted EBITDA

Adjusted EBITDA is a financial measure not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. We define Adjusted EBITDA as net loss, adjusted for stock-based compensation expense, depreciation, the amortization of internally developed software, intangible assets and deferred costs to obtain and fulfill contracts, the capitalization of internally developed software costs, the deferral of costs to obtain and fulfill contracts, the impairment of goodwill and long-lived assets, the benefit from or provision for income taxes, other income or expenses, net and the non-recurring costs associated with acquisitions and restructurings. Adjusted EBITDA should not be considered as an alternative to net loss, operating loss or any other measure of financial performance calculated and presented in accordance with GAAP. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. Investors are encouraged to evaluate these adjustments and the reasons we consider them appropriate.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items, such as stock-based compensation expense, depreciation and amortization, capitalized software development costs, deferred costs associated with contracts, benefit from or provision for income taxes, other income or expenses, net and costs associated with acquisitions and restructurings, that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;

Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for bonus compensation and planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance; and

Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

We understand that, although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, it has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; Adjusted EBITDA does not reflect any cash requirements for these replacements;

Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;

Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense; and

Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of net loss, the most comparable GAAP measure, to Adjusted EBITDA for each of the periods indicated:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(in thousands)</i>		
Net loss	\$(41,244)	\$(31,491)	\$(16,480)
Depreciation	2,658	4,758	6,035
Amortization of internally developed software	3,774	3,669	2,988
Amortization of intangible assets	2,537	2,850	3,080
Amortization of deferred costs to obtain and fulfill contracts	2,045	—	—
Provision for income taxes	586	1,007	1,404
Impairment of goodwill	14,740	2,797	—
Stock-based compensation expense	3,971	4,704	10,295
Capitalization of internally developed software costs	(2,129 )	(2,068 )	(4,712 )
Deferral of costs to obtain and fulfill contracts	(1,424 )	—	—
Acquisition related expenses	—	—	40
Restructuring related expenses	1,276	—	596
Other (income) expenses, net	(1,593 )	214	(869 )
Adjusted EBITDA	\$(14,803)	\$(13,560)	\$2,377

**Comparison of the Years Ended December 31, 2018 and 2017*****Revenues, Net***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Revenues, net	\$58,631	\$74,991	\$(16,360)	(22)%

Revenues, net in 2018 decreased by \$16.4 million, or 22%, as compared to 2017. During 2018, we experienced ongoing customer turnover, which was not fully offset by new customer bookings. Revenues, net in 2018 are inclusive of \$2.9 million from the revenue share agreement with Google that became effective in the fourth quarter of 2018, as described in Note 3 to the consolidated financial statements.

Revenues in 2018 and 2017 from our customers located in the United States represented 70% and 66%, respectively, of total revenues, net. There were no customers that accounted for greater than 10% of our revenues in either 2018 or 2017.

***Cost of Revenues and Gross Margin***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Cost of revenues	\$27,154	\$32,520	\$(5,366 )	(17)%
Gross profit	31,477	42,471	(10,994)	(26)
Gross margin	54	% 57	%	

Cost of revenues in 2018 decreased by \$5.4 million, or 17%, as compared to 2017. This was primarily driven by a reduction in the number of global services and cloud infrastructure personnel, which led to decreases of \$2.8 million in compensation and benefits expense and \$0.3 million in allocated facilities and information technology costs as compared to 2017. We also experienced decreases of \$0.6 million in hosting costs, due to a decline in the usage of our hosted platform, and \$1.6 million in depreciation and amortization of internally developed software, due primarily to the nature and timing of capital expenditures and internal projects as compared to 2017.

Our gross margin decreased to 54% during 2018, as compared to 57% during 2017. This was primarily due to our revenues declining during the year at a faster rate than the corresponding decrease in costs. Specifically, expenses for compensation and benefits, hosting and facilities and information technology all declined in absolute dollars, but increased as a percentage of revenues in 2018, as compared to 2017.

### ***Sales and Marketing***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Sales and marketing	\$23,425	\$26,936	\$(3,511)	(13)%
Percent of revenues, net	40	% 36	%	

Sales and marketing expenses in 2018 decreased by \$3.5 million, or 13%, as compared to 2017. This decrease was primarily due to a reduction in the global sales support and marketing headcount, including reductions that were part of our restructuring activities during 2018 (refer to Note 4 of the accompanying consolidated financial statements), contributing to net decreases of \$3.3 million in personnel-related costs, and \$0.6 million in allocated facilities and information technology costs as compared to 2017. Due in part to this headcount reduction, we incurred restructuring costs of \$0.8 million in 2018, as compared to 2017 when no restructuring costs were incurred. The remaining decrease during 2018 was primarily the result of lower marketing costs of \$0.6 million, as we eliminated or shifted the timing of certain of our marketing activities.

### ***Research and Development***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Research and development	\$22,450	\$26,564	\$(4,114)	(15)%
Percent of revenues, net	38	% 35	%	

Research and development expenses in 2018 decreased by \$4.1 million, or 15%, as compared to 2017. This was primarily due to a reduction in the number of full-time research and development personnel, resulting in a decrease of \$3.6 million in compensation and benefits expense as compared to 2017. This included a decrease in stock-based compensation expense of \$0.6 million, driven by employee turnover and the decline in our stock price. These decreases were further driven by lower professional fees of \$0.2 million in 2018, as we reduced the number of research and development contractors as compared to 2017, and \$0.2 million in depreciation expense, as we have reduced capital expenditures in recent years.





**General and Administrative**

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
General and administrative	\$13,113	\$16,444	\$(3,331)	(20)%
Percent of revenues, net	22	% 22	%	

General and administrative expenses in 2018 decreased by \$3.3 million, or 20%, as compared to 2017. Compensation and benefits expenses decreased by \$0.8 million during 2018, primarily due to reductions in headcount and a decrease in stock-based compensation expense, driven by employee turnover and the decline in our stock price. These decreases were further driven by the reduction in our provision for bad debts of \$1.5 million in 2018. We reduced our allowance for doubtful accounts by \$1.4 million during this period, primarily due to improved efforts to collect on long outstanding and reserved receivables. Additionally, professional fees declined \$1.3 million in 2018, due largely to reductions in accounting and legal costs. We reduced these costs through a combination of changing service providers, eliminating certain services and shifting the timing of projects.

**Impairment of Goodwill**

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Impairment of goodwill	\$14,740	\$2,797	\$11,943	427%
Percent of revenues, net	26	% 4	%	

We recorded a goodwill impairment charge of \$14.7 million in the third quarter of 2018, and a goodwill impairment charge of \$2.8 million in the second quarter of 2017. Refer to Note 2 and Note 6 of the accompanying consolidated financial statements for additional information on these goodwill impairment charges.

**Other Income (Expenses), Net**

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			

Other income (expenses), net    1,593    (214)    1,807    n/m%

n/m: not meaningful

Other income or expenses, net, primarily consists of sublease income recorded under agreements for portions of our San Francisco and Portland office spaces, with terms through July 2022 and May 2020, respectively, as well as foreign currency transaction gains and losses and interest income and expense. In 2018, we generated sublease income of \$1.5 million, as compared to \$1.1 million in 2017. Foreign currency transaction gains were \$0.2 million in 2018, partially offset by interest expense of \$0.1 million. This compared to foreign currency transaction losses of \$1.0 million and interest expense of \$0.2 million in 2017.

### ***Provision for Income Taxes***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Provision for income taxes	\$ (586)	\$ (1,007)	\$ 421	(42)%

The provision for income taxes in 2018 totaled \$0.6 million, primarily due to profits earned by our wholly owned foreign subsidiaries.

### **Comparison of the Years Ended December 31, 2017 and 2016**

#### ***Revenues, Net***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Revenues, net	\$ 74,991	\$ 99,878	\$ (24,887)	(25)%

Revenues in 2017 decreased by \$24.9 million, or 25%, as compared to 2016. During 2017, we experienced an increase in customer turnover, combined with a decrease in new customer bookings. In addition, we continued to encounter significant competition and related price pressure within our marketplace, further driving down our revenues, net. Revenues, net in 2017 are also inclusive of the out-of-period adjustment described in Note 2 to the consolidated

financial statements, which resulted in a decrease in revenues, net, of \$0.4 million due to corrections from prior periods.

Revenues in 2017 and 2016 from our customers located in the United States represented 66% and 69%, respectively, of total revenues, net. There were no customers that accounted for greater than 10% of our revenues in either 2017 or 2016.

***Cost of Revenues and Gross Margin***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Cost of revenues	\$32,520	\$35,203	\$(2,683 )	(8 )%
Gross profit	42,471	64,675	(22,204)	(34)
Gross margin	57 %	65 %		

Cost of revenues in 2017 decreased by \$2.7 million, or 8%, as compared to 2016. This was primarily driven by a reduction in the number of global services and cloud infrastructure personnel, which led to decreases of \$1.5 million in compensation and benefits expense, including stock-based compensation expense, and \$0.3 million in allocated facilities and information technology costs as compared to 2016. We also experienced decreases of \$0.4 million in both hosting costs, due to a decline in usage of our hosted platform, and in depreciation and amortization of internally developed software, due primarily to the nature and timing of internal projects as compared to 2016.

Our gross margin decreased to 57% during 2017, as compared to 65% during 2016. This was primarily due to our revenue declining during the year at a faster rate than the corresponding decrease in costs. Specifically, expenses for compensation and benefits, hosting, facilities and information technology and depreciation and amortization of internally developed software all declined in absolute dollars, but increased as a percentage of revenues in 2017, as compared to 2016.

***Sales and Marketing***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Sales and marketing	\$26,936	\$32,889	\$(5,953)	(18)%
Percent of revenues, net	36 %	33 %		

Sales and marketing expenses in 2017 decreased by \$6.0 million, or 18%, as compared to 2016. This decrease was primarily due to a reduction in the global sales support and marketing headcount, contributing to net decreases of \$5.9 million in personnel-related costs, and \$0.7 million in allocated facilities and information technology costs as compared to 2016. Additionally, sales and marketing expenses in 2016 are inclusive of \$0.4 million in costs associated with the 2016 Restructuring Plan, as described in Note 4 to the consolidated financial statements. These decreases were partially offset by increases of \$0.4 million in marketing costs, due primarily to increased events and trade shows, and \$0.5 million in professional fees, due largely to increased usage of consultants and contractors, as compared to 2016.

**Research and Development**

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Research and development	\$26,564	\$27,841	\$(1,277)	(5)%
Percent of revenues, net	35	% 28		%

Research and development expenses in 2017 decreased by \$1.3 million, or 5%, as compared to 2016. This primarily reflects a \$3.0 million decrease in stock-based compensation expense driven by employee turnover and the decline in our stock price, partially offset by a \$2.0 million increase in compensation and benefits expense, excluding stock-based compensation expense, due to an overall increase in the number of full-time research and development personnel. There was also a corresponding reduction in the number of contractors and consultants utilized during 2017, resulting in a \$0.2 million decrease in professional fees.

**General and Administrative**

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
General and administrative	\$16,444	\$19,890	\$(3,446)	(17)%
Percent of revenues, net	22	% 20		%

General and administrative expenses in 2017 decreased by \$3.4 million, or 17%, as compared to 2016. Compensation, benefits and other employee-related expenses decreased by \$2.6 million during 2017, primarily due to reductions in headcount and stock-based compensation expense, driven by employee turnover and the decline in our stock price. Additionally, bad debt expense decreased \$0.8 million as we improved efforts to collect on long outstanding balances, and facilities expense decreased \$0.7 million as we consolidated office space in certain locations in the prior year, including New York. These decreases were partially offset by a \$0.8 million increase in professional fees, largely driven by the retention of outside firms and consultants to assist with ongoing accounting matters, including the implementation of revenue recognition guidance, as described in Note 3 to the consolidated financial statements, and the remediation of a material weakness over internal control identified in 2016.

***Impairment of Goodwill***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Impairment of goodwill	\$2,797	\$ —	\$2,797	100 %
Percent of revenues, net	4	%	<del>%</del>	

We recorded a goodwill impairment charge of \$2.8 million in 2017. No goodwill impairment triggering events were identified in 2016. Refer to Note 2 and Note 6 of the accompanying consolidated financial statements for additional information on this goodwill impairment.

***Other (Expenses) Income, Net***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Other (expenses) income, net	(214)	869	(1,083)	(125)%

Other expenses or income, net, primarily consists of sublease income recorded under agreements for portions of our San Francisco and Portland office spaces, as well as foreign currency transaction gains and losses. During 2017, we earned sublease income of \$1.1 million, which was offset by foreign currency transaction losses of \$1.0 million, interest expense of \$0.1 million and miscellaneous expenses of \$0.1 million. This compared to 2016, when we earned sublease income of \$0.8 million, with foreign currency transaction losses of less than \$0.1 million.

***Provision for Income Taxes***

	<b>Years Ended December 31,</b>		<b>Change</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
	<i>(dollars in thousands)</i>			
Provision for income taxes	\$(1,007)	\$(1,404)	\$397	(28)%

The provision for income taxes for 2017 totaled \$1.0 million, primarily due to profits earned by our wholly owned foreign subsidiaries.

### *Quarterly Results of Operations*

The following table sets forth our unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended December 31, 2018. We have prepared the quarterly data on a basis consistent with our audited annual financial statements, including, in the opinion of management, all normal recurring adjustments necessary for the fair statement of the financial information contained in these statements. The historical results are not necessarily indicative of future results and should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

	<b>Three Months Ended</b>							
	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>
	<i>(in thousands)</i>							
Revenues, net	\$15,825	\$13,153	\$14,251	\$15,402	\$17,692	\$18,224	\$18,742	\$20,333
Cost of revenues (1) (2) (3)	6,160	6,459	6,963	7,572	7,733	8,256	8,207	8,324
<b>Gross profit</b>	9,665	6,694	7,288	7,830	9,959	9,968	10,535	12,009
Operating expenses								
Sales and marketing (1) (2) (3)	4,594	5,296	6,154	7,381	6,920	6,630	6,710	6,676
Research and development (1) (2) (3)	5,007	5,471	5,817	6,155	6,108	6,672	6,646	7,138
General and administrative (1) (2) (3)	3,049	2,921	3,766	3,377	4,402	3,920	3,945	4,177
Impairment of goodwill	—	14,740	—	—	—	—	2,797	—
Total operating expenses	12,650	28,428	15,737	16,913	17,430	17,222	20,098	17,991
<b>Loss from operations</b>	(2,985 )	(21,734 )	(8,449 )	(9,083 )	(7,471 )	(7,254 )	(9,563 )	(5,982 )
Other income (expenses), net	585	336	377	295	231	(144 )	(563 )	262
<b>Loss before provision for income taxes</b>	(2,400 )	(21,398 )	(8,072 )	(8,788 )	(7,240 )	(7,398 )	(10,126 )	(5,720 )
Benefit from (provision for) income taxes	38	(96 )	(204 )	(324 )	(31 )	(151 )	(419 )	(406 )
<b>Net loss</b>	\$(2,362 )	\$(21,494 )	\$(8,276 )	\$(9,112 )	\$(7,271 )	\$(7,549 )	\$(10,545 )	\$(6,126 )
Net loss per share available to common stockholders, basic and diluted (4)	\$(0.40 )	\$(3.71 )	\$(1.44 )	\$(1.59 )	\$(1.28 )	\$(1.34 )	\$(1.87 )	\$(1.10 )

- (1) Stock-based compensation expense included in the consolidated statements of operations data above was as follows:

	<b>Three Months Ended</b>							
	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>
	<i>(in thousands)</i>							
Cost of revenues	\$203	\$ 160	\$172	\$204	\$ 193	\$ 166	\$152	\$311
Sales and marketing	265	181	271	240	218	197	200	212
Research and development	406	339	314	339	356	326	318	996
General and administrative	164	195	273	245	254	234	248	323
Total stock-based compensation expense	\$1,038	\$ 875	\$1,030	\$1,028	\$ 1,021	\$ 923	\$918	\$1,842

- (2) Amortization of intangible assets included in the consolidated statements of operations data above was as follows:

	<b>Three Months Ended</b>							
	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>
	<i>(in thousands)</i>							
Cost of revenues	\$234	\$ 234	\$233	\$ 237	\$ 239	\$ 240	\$245	\$ 247
Sales and marketing	131	130	184	213	216	216	222	223
Research and development	233	234	234	237	239	239	244	247
General and administrative	—	—	—	3	5	5	10	13
Total amortization of intangible assets	\$598	\$ 598	\$651	\$ 690	\$ 699	\$ 700	\$721	\$ 730

- (3) Restructuring related expenses included in the consolidated statements of operations data above was as follows:

	<b>Three Months Ended</b>							
	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>
	<i>(in thousands)</i>							
Cost of revenues	\$—	\$ 37	\$—	\$ 139	\$—	\$—	\$—	\$—
Sales and marketing	169	113	48	497	—	—	—	—
Research and development	—	—	—	115	—	—	—	—
General and administrative	—	11	36	111	—	—	—	—
Total restructuring related expenses	\$169	\$ 161	\$ 84	\$ 862	\$—	\$—	\$—	\$—

- All share and per share amounts of our common stock for all periods presented have been adjusted to reflect the (4) one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on October 5, 2017. See Note 2 of the consolidated financial statements for further information on this reverse stock split



The following table sets forth our consolidated results of operations for the specified periods as a percentage of our revenues for those periods. Percentage of revenue figures are rounded and therefore may not subtotal exactly.

	<b>Three Months Ended</b>							
	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>
	<i>(as a % of revenues, net)</i>							
Revenues, net	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenues	39	49	49	49	44	45	44	41
<b>Gross profit</b>	61	51	51	51	56	55	56	59
Operating expenses								
Sales and marketing	29	40	43	48	39	36	36	33
Research and development	32	42	41	40	35	37	35	35
General and administrative	19	22	26	22	25	22	21	21
Impairment of goodwill	—	112	—	—	—	—	15	—
Total operating expenses	80	216	110	110	99	95	107	88
<b>Loss from operations</b>	(19 )	(165 )	(59 )	(59 )	(42 )	(40 )	(51 )	(29 )
Other income (expenses), net	4	3	3	2	1	(1 )	(3 )	1
<b>Loss before provision for income taxes</b>	(15 )	(163 )	(57 )	(57 )	(41 )	(41 )	(54 )	(28 )
Benefit from (provision for) income taxes	—	(1 )	(1 )	(2 )	—	(1 )	(2 )	(2 )
<b>Net loss</b>	(15 )%	(163 )%	(58 )%	(59 )%	(41 )%	(41 )%	(56 )%	(30 )%

## Liquidity and Capital Resources

Since our incorporation in March 2006, we have relied primarily on sales of our capital stock to fund our operating activities. From incorporation until our initial public offering, or IPO, we raised \$105.7 million, net of related issuance costs, in funding through private placements of our preferred stock. In March and April 2013, we raised net proceeds of \$109.3 million in our IPO. From time to time, we have also utilized equipment lines and entered into capital lease arrangements to fund capital purchases. As of December 31, 2018, our principal sources of liquidity were our unrestricted cash and cash equivalents of \$10.2 million and our capital lease arrangements. The approximate weighted average interest rate on our outstanding borrowings as of December 31, 2018 was 6.0%. Our primary operating cash requirements include the payment of compensation and related costs, as well as costs for our facilities and information technology infrastructure.

In December 2016, we terminated our existing revolving credit facility, which provided access to borrowings at the lesser of \$20.0 million or 80% of eligible accounts receivable. No amounts were outstanding under this revolving credit facility at the date of termination, and we determined that it was no longer necessary. We maintain a \$1.3 million irrevocable letter of credit to secure the non-cancelable lease for our corporate headquarters in San Francisco, which was previously collateralized by the revolving credit facility. Following the termination of that facility, we were required to restrict \$1.3 million of our cash and cash equivalents from use to secure this letter of credit. This balance is reflected as restricted cash on the consolidated balance sheets of the accompanying consolidated financial statements.

We also maintain cash balances in our foreign subsidiaries. As of December 31, 2018, we had \$10.2 million of unrestricted cash and cash equivalents in aggregate, of which \$7.3 million was held by our foreign subsidiaries. On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act, or the TCJA, which instituted fundamental changes to the taxation of multinational corporations. Among these changes is a mandatory one-time transition tax on the deemed repatriation of the accumulated earnings of certain of our foreign subsidiaries, and a tax on earnings of foreign subsidiaries in excess of a specified return on the subsidiaries' tangible assets, known as the Global Intangible Low-Taxed Income, or GILTI. We completed our analysis of the accounting for the transition tax and GILTI in the fourth quarter of 2018 and determined that no such taxes will be due, as our foreign subsidiaries have accumulated significant losses. If funds held by our foreign subsidiaries were needed for our U.S. operations, we would be required to accrue U.S. tax liabilities associated with the repatriation of these funds. However, given the amount of our net operating loss carryovers in the United States, such repatriation will most likely not result in material U.S. cash tax payments within the next year. Additionally, we do not believe that foreign withholding taxes associated with repatriating these funds would be material.

Based on our current and anticipated level of operations, including our internal forecasts and projections, we believe that our existing cash and cash equivalents will be sufficient to fund our operations for at least the next 12 months. Our future capital requirements will depend on many factors, including our efforts to improve revenue performance, the timing and extent of spending to support product development efforts and the timing of introductions of new features and enhancements to our platform. To the extent that existing cash and cash equivalents are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Further actions to reduce costs may also be necessary, including additional restructurings such as the ones initiated in 2016 and 2018 (see Note 4 of the accompanying consolidated financial statements).

**Summary of Cash Flows**

The following table sets forth a summary of our cash flows for the periods indicated:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(in thousands)</i>		
Net cash (used in) provided by operating activities	\$(12,980)	\$(4,870)	\$6,081
Net cash used in investing activities	(2,707 )	(2,518)	(5,914)
Net cash used in financing activities	(1,287 )	(1,452)	(745 )
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	(360 )	1,964	(1,035)
Net decrease in cash and cash equivalents and restricted cash	\$(17,334)	\$(6,876)	\$(1,613)

**Operating Activities**

Cash used in or provided by operating activities is primarily influenced by the amount of cash we invest in personnel and infrastructure to support the operation of our business and the fluctuations in the number of advertisers using our platform. Cash used in or provided by operating activities has typically been affected by net losses and further increased by changes in our operating assets and liabilities, particularly in the areas of accounts receivable, prepaid expenses and other assets, accounts payable and accrued expenses and other current liabilities, adjusted for non-cash expense items such as impairment of goodwill, depreciation, amortization, stock-based compensation expense, unrealized foreign currency gains or losses, provision for bad debts and deferred income tax expenses or benefits.

Cash used in operating activities in 2018 of \$13.0 million was primarily the result of a net loss of \$41.2 million, adjusted for non-cash expenses of \$29.3 million, which primarily included impairment of goodwill, depreciation, amortization, unrealized foreign currency gains, stock-based compensation expense, provision for bad debts and deferred income tax benefits. This was further offset by a \$1.0 million net change in working capital items, most notably (1) an increase in accounts receivable of \$0.7 million due to the timing of related collections; (2) an increase in prepaid expenses and other assets (both current and non-current) of \$0.6 million related to the timing of related disbursements; and (3) an increase in accounts payable and accrued expenses and other liabilities (both current and non-current) of \$0.3 million due to the timing of related disbursements and customer advances.

Cash used in operating activities in 2017 of \$4.9 million was primarily the result of a net loss of \$31.5 million, adjusted for non-cash expenses of \$20.9 million, which primarily included impairment of goodwill, depreciation, amortization, unrealized foreign currency losses, stock-based compensation expense, provision for bad debts and deferred income tax benefits. This was further increased by a \$5.7 million net change in working capital items, most notably (1) a decrease in accounts receivable of \$4.8 million due to the timing of related collections; (2) an increase in prepaid expenses and other assets (both current and non-current) of \$0.3 million related to the timing of related

disbursements; and (3) an increase in accounts payable and accrued expenses and other liabilities (both current and non-current) of \$1.3 million due to the timing of related disbursements and customer advances.

Cash provided by operating activities in 2016 of \$6.1 million was primarily the result of a net loss of \$16.5 million, adjusted for non-cash expenses of \$24.0 million, which primarily included depreciation, amortization, unrealized foreign currency gains, stock-based compensation expense and deferred income tax benefits. This was further offset by \$0.1 million in contingent consideration paid for the SocialMoov acquisition from 2015, and a \$1.4 million net change in working capital items, most notably (1) a decrease in accounts receivable of \$0.8 million due to the timing of related collections; (2) a decrease in prepaid expenses and other assets (both current and non-current) of \$0.2 million related to the timing of related disbursements; and (3) a net decrease in accounts payable and accrued expenses and other current and non-current liabilities of \$2.4 million due to the timing of related disbursements and customer advances.

### ***Investing Activities***

During 2018, 2017 and 2016, investing activities primarily consisted of purchases of property and equipment, including leasehold improvements, technology hardware and software to support our business, as well as capitalized internally developed software costs. Purchases of property and equipment may vary from period-to-period due to the timing of our operational requirements and the development cycles of our internally-developed hosted software platform. We expect to continue to invest in property and equipment and developing our software platform for the foreseeable future.

### ***Financing Activities***

During 2018, 2017 and 2016, financing activities primarily consisted of net repayments under our capital lease arrangements and employee taxes paid for withheld shares upon the settlement of equity awards, offset by proceeds from contributions to our 2013 Employee Stock Purchase Plan. In 2016, financing activities also included \$0.3 million in proceeds from the exercise of stock options.

### **Contractual Obligations and Commitments**

Our principal commitments consist of obligations under operating leases for office space, net of sublease income, and our capital leases for computer equipment. As of December 31, 2018, the future minimum payments under these commitments, were as follows:

<b>Payments Due By Period</b>				
<b>Total</b>	<b>Within</b>	<b>1 - 3</b>	<b>3 - 5</b>	<b>More</b>
	<b>1 Year</b>	<b>Years</b>	<b>Years</b>	<b>Than</b>
				<b>5</b>

	<b>Years</b>				
	<i>(in thousands)</i>				
Capital lease obligations	\$1,798	\$1,249	\$549	\$—	\$ —
Interest expense payments	89	75	14	—	—
Operating leases obligations, net	18,003	8,239	7,118	2,556	90
Total	\$19,890	\$9,563	\$7,681	\$2,556	\$ 90

The amounts in the table above are associated with agreements that are enforceable and legally binding, which specify significant terms including payment terms, related services and the approximate timing of the transaction. Purchase obligations under contracts that we can cancel without a significant penalty are not included in the table.

During the ordinary course of business, we include indemnification provisions within certain of our contracts. Pursuant to these arrangements, we may be obligated to indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally parties with which we have commercial relations, in connection with certain intellectual property infringement claims by any third party with respect to our software. To date, there have not been any costs incurred in connection with such indemnification arrangements and therefore, there is no accrual for such amounts as of December 31, 2018.

In addition to the obligations in the table above, we have approximately \$1.2 million of uncertain tax positions that have been recorded as liabilities as of December 31, 2018. It is uncertain as to if or when such amounts may be settled.

### **Off-Balance Sheet Arrangements**

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

We have no obligations that meet the definition of an off-balance sheet arrangement as of December 31, 2018, other than operating leases and related subleases, as described in the Notes to the consolidated financial statements, and the irrevocable letter of credit described above.

### **Critical Accounting Policies and Significant Judgments and Estimates**

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates, assumptions and judgments that can have significant impact on the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future.

We believe the estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected. See “Risk Factors” for certain matters that may affect these estimates or our future financial condition or results of operations. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if the changes in estimate that are reasonably likely to occur could materially impact the financial statements.

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K, and we believe that the accounting policies discussed below involve the greatest degree of complexity and exercise of judgment by our management. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results of operations and, accordingly, we believe the policies described below are the most critical for understanding and evaluating our financial condition and results of operations.

### ***Revenue Recognition***

We generate revenues principally from subscriptions either directly with advertisers or with advertising agencies to our platform for the management of search, social, eCommerce and display advertising. Revenue is recognized when control of these advertising management services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. We determine revenue recognition through the following steps:

Identification of the contract, or contracts, with a customer;

Identification of the performance obligations in the contract;

Determination of the transaction price;

Allocation of the transaction price to the performance obligations in the contract; and

Recognition of revenue when, or as, we satisfy a performance obligation.

Our subscription contracts provide advertisers with access to the Company's advertising management platform. Advertisers do not have the right to take possession of the software supporting the services at any time. These contracts are generally one year or less in length. The subscription fee under most contracts consists of the greater of a



minimum monthly platform fee or variable consideration based on the volume of advertising spend managed through our platform at the contractual percentage of spend. The variable portion generally includes tiered pricing, whereby the percentage of spend charged decreases as the value of advertising spend increases. The tiered pricing resets monthly and is consistent throughout the contract term. We have concluded that this volume-based pricing approach does not constitute a future material right since the pricing tiers are consistent throughout the contract term and similar pricing is typically offered to similar classes of customers within the same geographical areas and markets. Certain subscription contracts consist of only a flat monthly platform fee. Subscription fees are generally invoiced on a monthly basis in arrears based on the actual amount of advertising spend managed on the platform. In certain limited circumstances we will invoice an advertiser in advance for the contractual minimum monthly platform fee for a defined future period, which is typically three to six months.

Our subscription services comprise a single stand-ready performance obligation satisfied over time, as the advertiser simultaneously receives and consumes the benefit from our performance. This performance obligation constitutes a series of services that are substantially the same and provided over time using the same measure of progress. Revenues derived from these arrangements are recognized over time using an output method based upon the passage of time as this provides a faithful depiction of the pattern of transfer of control. Fixed minimum monthly platform fees are recognized ratably over the contract term as the single performance obligation is satisfied. Variable fees are allocated to the distinct month of the series in which they are earned because the terms of the variable payments relate specifically to the outcome from transferring the distinct time increment (month) of service and because such amounts reflect the fees to which we expect to be entitled for providing access to the advertising management platform for that period, consistent with the allocation objective of authoritative revenue recognition guidance.

We have also entered into long-term strategic agreements with certain leading search publishers. Under these strategic agreements, we receive consideration based on a percentage of the search advertising spend that our customers manage on our platform. These strategic agreements are generally billed on a quarterly basis. The majority of the strategic agreement revenue is concentrated to one revenue share agreement, executed with Google in December 2018, but with an effective date of October 1, 2018. Under this agreement, which constitutes a single performance obligation, we receive both fixed and variable revenue share payments based on a percentage of the search advertising spend that is managed through our platform. The agreement requires us to reinvest a specified percentage of these revenue share payments to drive our search technology platform innovation. The performance obligation is satisfied over time ratably over the contractual term of two years, since Google simultaneously receives and consumes the benefit from our performance, using an output method based upon the passage of time. We believe this provides a faithful depiction of the pattern of transfer of control. The agreement carries a three-year term; however, the term after two years is cancellable by Google with no penalty if we do not meet certain financial metrics, and we evaluated the agreement as a two-year agreement with one optional renewal year.

We evaluate the total amount of variable revenue share payments expected to be earned from this agreement by using the expected value method, as we believe this method represents the most appropriate estimate for this consideration, based on historical service trends, the individual contract considerations and our best judgment at the time. We include estimates of variable consideration in revenues only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Our other long-term strategic agreements are generally variable in nature, based on a percentage of relevant search advertising spend that runs through our technology platform. Consideration received under these agreements is allocated to the period in which we have the contractual right to bill. We expect that in the future, revenues from these strategic agreements will continue to grow as a percentage of our total revenues, net.

We capitalize certain contract acquisition and fulfillment costs and amortize those costs based on the expected period of benefit, which we have determined to be three years. This period of benefit was determined by taking into consideration the duration of our customer contracts, historical contract renewal rates, the underlying platform technology and other factors.

At the inception of a customer contract, we make an assessment as to that customer's ability to pay for the services provided in order to determine whether collectability is probable and a contract exists for revenue recognition purposes. We assess collectability based on a number of factors, including credit worthiness of the customer along with past transaction history. In addition, we perform periodic evaluations of our customers' financial condition. Certain contracts with advertising agencies contain sequential liability provisions, where the agency does not have an obligation to pay until payment is received from the agency's customers. In these circumstances, we evaluate the credit worthiness of the agency's customers, in addition to the agency itself.

### ***Income Taxes***

As a result of our current net operating loss position in the United States, income tax expense consists primarily of corporate income taxes resulting from profits generated in foreign jurisdictions by wholly owned subsidiaries, along with state income taxes payable in the United States. As we have incurred operating losses in all periods to date and recorded a full valuation allowance against our deferred tax assets (except for deferred tax assets associated with certain of our foreign subsidiaries), we have not historically recorded a provision for U.S. federal income taxes. Realization of any of our deferred tax assets depends upon future earnings, the timing and amount of which are uncertain. We consider all available evidence, both positive and negative, in assessing the extent to which a valuation allowance should be applied against our deferred tax assets.

Utilization of our net operating losses may be subject to substantial annual limitation due to the ownership change limitations provided by the Code and similar state provisions. We last assessed the application of Internal Revenue Code Section 382 during the fourth quarter of 2017, and concluded no limitation currently applies, and we will continue to monitor activities in the future. In the event we have subsequent changes in ownership or profitability is delayed, net operating losses and research and development credit carryovers could be further limited and may expire unutilized.

On December 22, 2017, the United States enacted the TCJA, which institutes significant changes to U.S. tax laws. Changes include, but are not limited to: (1) a corporate tax rate decrease from 35% to 21% effective for years beginning after December 31, 2017, (2) the creation of new minimum taxes such as the base erosion anti-abuse tax, or BEAT, and Global Intangible Low Taxed Income, or GILTI, tax and (3) the transition of international taxation from a worldwide tax system to a modified territorial system, which will result in a one-time U.S. tax liability on those earnings which have not previously been repatriated to the United States. Additionally, the SEC issued Staff Accounting Bulletin No. 118, or SAB 118, to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. The measurement period provided under SAB 118 ended on December 22, 2018. We have completed our analysis of the TCJA as of December 31, 2018 and determined that it did not have a material impact on our provision for income taxes for the year ended December 31, 2018, or on the provisional tax impacts assessed as of December 31, 2017. Refer to Note 12 of the accompanying consolidated financial statements for further details on the TCJA.

### ***Accounts Receivable and Related Reserves***

We record accounts receivable at the invoiced amounts, and these receivables do not bear interest. We record reserves as a reduction of our accounts receivable balance for doubtful accounts and revenue credits. Estimates are required to determine both of these reserves.

Our allowance for doubtful accounts reflects our best estimate of probable losses inherent in our receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. The allowance for doubtful accounts charges are included as a component of general and administrative expenses. Our reserve for revenue credits relates to service credits that are expected to be issued to customers during the ordinary course of business. These credits typically relate to customer disputes and billing adjustments and are recorded as reductions to revenues, net. Reserves for revenue credits are accounted for as variable consideration under authoritative revenue recognition guidance and are estimated using the expected value method based on an analysis of credits issued in previous periods. These estimates could change significantly for various reasons, including changes in our customers' financial condition, interruptions to our platform or deterioration in the economy.

***Goodwill, Intangible Assets and Other Long-Lived Assets -- Impairment Assessments***

We review goodwill for impairment annually during the fourth quarter, and whenever events or changes in circumstances indicate its carrying value may not be recoverable, in accordance with authoritative accounting guidance. For the purposes of impairment testing, we have determined that we have one reporting unit. We perform the simplified goodwill impairment test, whereby we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then goodwill is considered impaired and a loss equal to that difference is recorded.

For the nine months ended September 30, 2018, the market capitalization of our common stock sustained a significant decline such that it fell below the book value of our net assets, triggering the need to conduct an interim goodwill impairment test. The outcome of this goodwill impairment test resulted in an impairment of goodwill of \$14.7 million, recorded in the third quarter of 2018. Similarly, we recorded an impairment of goodwill of \$2.8 million in the second quarter of 2017. Refer to Note 2 and Note 6 of the accompanying consolidated financial statements for further details on the related goodwill impairment tests. No goodwill impairment was identified in the period subsequent to the third quarter of 2018, including from the results of our annual impairment test in the fourth quarter.

We periodically review the carrying amounts of intangible assets and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. We measure the recoverability of these assets by comparing the carrying amount of such assets (or asset group) to the future undiscounted cash flow we expect the assets (or asset group) to generate. If we consider any of these assets to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds its fair value. We make judgments about the recoverability of purchased intangible assets whenever events or changes in circumstances indicate that an impairment may exist.

Each period we evaluate the estimated remaining useful lives of intangible assets and other long-lived assets to assess whether a revision to the remaining periods of amortization is required. Assumptions and estimates about remaining useful lives of our intangible and other long-lived assets are subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends and internal factors such as changes in our business strategy. Although we believe the historical assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. We did not recognize any long-lived asset impairment charges to date.

***Recent Accounting Pronouncements***

See “Note 2 – Summary of Significant Accounting Policies” to the consolidated financial statements included in this Annual Report on Form 10-K, regarding the impact of certain recent accounting pronouncements on our consolidated financial statements.

**ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk**

We have operations both within the United States and internationally and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To manage certain of these risks, we monitor the financial condition of our large customers and limit credit exposure by setting credit limits as we deem appropriate. In addition, our investment strategy has been to invest in financial instruments that are highly liquid and readily convertible into cash, with maturity dates within three months from the date of purchase. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes.

### ***Interest Rate Risk***

We are exposed to market risk related to changes in interest rates. Our investments are considered cash equivalents and primarily consist of money market funds. As of December 31, 2018, we had unrestricted cash and cash equivalents of \$10.2 million. The carrying amount of our cash and cash equivalents reasonably approximates fair value, due to the short maturities of these investments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to fluctuations in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, we believe only dramatic fluctuations in interest rates would have a material effect on our investments. As such we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

As of December 31, 2018 we had an aggregate of \$1.8 million in borrowings outstanding, which consisted entirely of capital lease obligations with fixed interest rates. The interest rates of our capital leases range from 5% to 8%. A hypothetical 10% increase or decrease in interest rates relative to our current interest rates as of December 31, 2018 would not have a material impact on the fair values of all of our outstanding capital lease obligations, and would result in an insignificant impact to interest expense for 2018.

### ***Foreign Currency Exchange Risk***

We have foreign currency risks related to our revenues and operating expenses denominated in currencies other than the United States Dollar, primarily the Euro, British Pound Sterling, Singapore Dollar, Japanese Yen, Chinese Yuan, and Australian Dollar. Revenues outside of the United States as a percentage of consolidated revenues were 30%, 34% and 31% during 2018, 2017 and 2016, respectively. Changes in exchange rates may negatively affect our revenues and other operating results as expressed in U.S. Dollars. Aggregate foreign currency gains (losses) included in determining net loss were \$0.2 million, \$(1.0) million and less than \$(0.1) million in 2018, 2017 and 2016, respectively. Transaction gains and losses are included in other income (expenses), net.

If our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. Dollar can increase the costs of any potential international expansion, while a strengthening U.S. Dollar can negatively impact our international revenues. To date, we have not entered into any foreign currency hedging contracts, since exchange rate fluctuations have not had a material impact on our operating results and cash flows. Based on our current international structure, we do not plan on engaging in hedging activities in the near future, and we also do not expect that the effects of a 10% shift in foreign currency exchange rates would have a material impact on any financial instruments we currently hold.

***Inflation Risk***

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information in response to this item is included in our consolidated financial statements, together with the report thereon of Grant Thornton LLP, in Item 15 under the heading “Exhibits, Financial Statement Schedules,” and in Item 7 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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

None

**ITEM 9A. CONTROLS AND PROCEDURES**

***Evaluation of Disclosure Controls and Procedures***

Regulations under the Securities Exchange Act of 1934, as amended, or the Exchange Act, require public companies, including us, to maintain “disclosure controls and procedures,” which are defined in Rule 13a-15(e) and Rule 15d-15(e) to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed 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 SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required or necessary disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Further, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management, with the participation of our Principal Executive Officer and Principal Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as of the end of the period. Based on such evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that, as of December 31, 2018, our disclosure controls and procedures were effective at a reasonable assurance level.



***Management's Annual Report on Internal Control over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared 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 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.

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2018.

Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this annual report.

***Changes in Internal Control Over Financial Reporting***

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B.OTHER INFORMATION**

None.

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**PART III****ITEM 10.DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Directors**

Our directors and their ages, occupations and length of Board service as of February 15, 2019 are provided in the tables below.

***Our Class I Directors (term to expire in 2020)***

<b>Name of Director</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>
L. Gordon Crovitz	60	Founder, Journalism Online	2012
Daina Middleton	53	CEO, Ansira	2014

*L. Gordon Crovitz.* Mr. Crovitz has served as a member of our Board since May 2012. In February 2018, Mr. Crovitz co-founded and currently serves as the co-CEO of NewsGuard Technologies, a provider of information about the news brands consumers access online. Between September 2016 and April 2017, Mr. Crovitz served as the Interim CEO of Houghton Mifflin Harcourt Company, a global learning company. In 2009, Mr. Crovitz became a partner at NextNews Ventures, which invests in early-stage news and information companies. Mr. Crovitz also co-founded Journalism Online, LLC, a provider of e-commerce solutions for publishers, in April 2009. From 2008 until April 2009, Mr. Crovitz was an active angel investor in, and advisor to, privately held media and technology companies. Prior to that, Mr. Crovitz worked at Dow Jones & Company, Inc. from 1980 until 2007 in a variety of positions, most recently as a publisher of The Wall Street Journal and executive vice president. Mr. Crovitz is a member of the boards of directors of Dun & Bradstreet, Inc., which he joined in 2014, and Houghton Mifflin Harcourt Company, which he joined in 2012. He is also a member of the boards of directors of Association of American Rhodes Scholars, Blurb, Inc., and Business Insider, Inc., each of which is a privately held entity. Mr. Crovitz holds an A.B. in Politics, Economics, Rhetoric and Law from the University of Chicago, a B.A. in Jurisprudence from the University of Oxford and a J.D. from Yale Law School. Mr. Crovitz brings to our Board a diversity of distinguished experiences and seasoned business acumen, particularly extensive experience in the media and publishing industries. His service on a number of boards of directors provides an important perspective on corporate governance matters, including best practices established at other companies.

*Daina Middleton.* Ms. Middleton has served on our Board since October 2014. Since January 2016, Ms. Middleton has been an organization effectiveness coach with the Larcen Consulting Group. Prior to this role, Ms. Middleton was the Head of Business Marketing at Twitter, Inc., a social media and communications platform, from May 2014 until

January 2016. Before joining Twitter, she was Chief Executive Officer of Performics, Inc., a performance marketing agency, from January 2010 to May 2014. Prior to that, Ms. Middleton served as Senior Vice President at Moxie Interactive, an interactive marketing agency, from 2008 to 2010, and earlier in her career, she worked at Hewlett-Packard for 16 years in advertising and marketing roles of increasing responsibility. Ms. Middleton received a B.S. in Technical Journalism from Oregon State University. Ms. Middleton brings to our Board her expertise in the digital marketing space built over more than 20 years in the industry as well as her experience in general management and executive leadership.

***Our Class II Directors (term to expire in 2021)***

Name of Director	Age	Principal Occupation	Director Since
Donald Hutchison	62	Investor	2006

*Donald P. Hutchison.* Mr. Hutchison has served on our Board since April 2006. Since 2002, Mr. Hutchison's principal employment has been as an angel investor in start-up technology companies. From 2006 to 2008, Mr. Hutchison was the Co-Founder and Chairman of the Board of Directors of Recurrent Energy LLC, a solar energy provider. Prior to that, Mr. Hutchison served as the Chief Executive Officer and Chairman of the Board of work.com, a joint venture established by Dow Jones and Excite@Home. Mr. Hutchison previously served in senior positions at Excite@Home (At Home Corporate), a former Internet broadband provider acquired by Ask Jeeves, and NETCOM On-Line Communications Services, Inc., a former Internet services provider acquired by ICG Communications. Mr. Hutchison previously served as a member of the board of directors of many privately-held companies, including W&W Communications, Inc., a fabless semiconductor company, which was acquired by Cavium, Inc. Mr. Hutchison holds a B.A. in Economics from the University of California, Santa Barbara, and an M.B.A. in Finance and Organizational Development from Loyola Marymount University. Mr. Hutchison brings to our Board significant experience analyzing and investing in other technology companies, as well as management and leadership experience as a former founder and executive of technology companies.

***Our Class III Directors (term to expire in 2019)***

Name of Director	Age	Principal Occupation	Director Since
Brian Kinion	52	CFO, Upwork	2017
Christopher Lien	51	Founder, CEO, Marin Software Incorporated	2006

*Brian Kinion.* Mr. Kinion has served as a member of our Board since June, 2017. Mr. Kinion is currently the Chief Financial Officer at Upwork, since November 2017. From March 2016 to April 2017, Mr. Kinion was the chief financial officer at Marketo, a marketing software automation platform. Prior to that role, Mr. Kinion served as a Vice-President and Group Vice President of Finance at Marketo from June 2013 to March 2016. From June 2002 to June 2013, Brian held a variety of finance leadership roles at SuccessFactors, a SaaS human resources management platform acquired by SAP; CoTherix, Inc., a biopharmaceutical company acquired by Actelion Pharmaceuticals, ClearSwift, an information security company; and DigitalThink, an elearning enterprise solutions company acquired by Convergys Corporation. He began his career as an auditor at KPMG LLP. Mr. Kinion holds a B.S. in accounting

and an M.B.A. from St. Mary's College of California. Mr. Kinion brings to our Board his 25 years of experience in leading finance organizations in public and private companies during periods of rapid growth and cash constraints, and expertise in SaaS and cloud business models, reporting and planning at high growth subscription businesses.

*Christopher Lien.* Mr. Lien is our founder, Chief Executive Officer, and chairman of our Board. From May 2014 until September 2015, Mr. Lien served as executive chairman, and from the founding of the Company in 2006 to May 2014, he served as our Chief Executive Officer. Mr. Lien returned to serve as our Chief Executive Officer in August 2016. Mr. Lien has been a member of our Board since 2006. Previously, Mr. Lien served as Chief Operating Officer of Adteractive, Inc., an online performance marketing company, from 2004 to 2005. In 2001, Mr. Lien co-founded and served as Chairman and Chief Financial Officer of Sugar Media, Inc., a broadband services platform, until its acquisition in 2003 by 2Wire, Inc., a leading supplier of DSL equipment and services, which was subsequently acquired by Pace plc in 2010. Prior to that, Mr. Lien served in various capacities at BlueLight.com, LLC, Kmart Corporation's e-commerce and Internet service provider subsidiary from 2000 to 2001, including as Chief Financial Officer and acting Chief Executive Officer. Prior to BlueLight.com, Mr. Lien spent 10 years at various investment banks, including Morgan Stanley and Evercore Partners, with his last role as Managing Director. Mr. Lien holds an A.B. from Dartmouth College, where he was elected as a member of Phi Beta Kappa, and an M.B.A. from the Stanford Graduate School of Business. Mr. Lien's presence as a director brings his thorough knowledge of our company into our Board's strategic and policy-making discussions. He brings his extensive experience in finance, digital marketing and executive roles in the information technology industry into deliberations regarding our strategy and operations.

## Executive Officers

The names of our executive officers, their ages as of February 15, 2019, and their positions are shown below.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Christopher Lien	52	Chief Executive Officer
Bradley Kinnish	44	Chief Financial Officer
Wister Walcott	52	EVP, Product and Technology

Our Board chooses executive officers, who then serve at the Board's discretion. There is no familial relationship between any of the directors or executive officers and any other director or executive officer of the Company.

For information regarding Mr. Lien, please refer to the section “—Our Class III Directors (term to expire in 2019)” above.

*Bradley Kinnish.* Prior to joining the Company and since 2010, Mr. Kinnish served in various roles in the Technology Investment Banking division of Deutsche Bank, a global banking and financial services company, most recently as its Managing Director, Co-Head of Americas Software Investment Banking. From 2006 to 2010, Mr. Kinnish served in various roles at Thomas Weisel Partners, an investment banking firm, including as a Director from 2009 to 2010. From 2003 to 2006, he served in various roles in the Technology Investment Banking division of Delafield Hambrecht, an investment banking firm, including as Vice President from 2004 to 2006. From 2000 to 2003, he served in various roles in the Technology Investment Banking division of Credit Suisse, a multinational financial services company, including as an Associate from 2001 to 2003. From 1997 to 2000, he held various roles in Audit

and Assurance Services at Ernst & Young LLP. Mr. Kinnish is a licensed Certified Public Accountant (inactive) and holds a B.A. in Business Administration from the University of Washington.

*Wister Walcott.* Mr. Walcott has served as our Executive Vice President, Product and Technology since September 2016. From February 2015 to July 2016, Mr. Walcott was a principal at Proxita, advising technology companies on product and marketing strategy. From 2006 to March 2012, Mr. Walcott served as our Vice President of Products and Platform, and from March 2012 to January 2015, he served as our Executive Vice President of Products and Platform. From 2004 to 2005, Mr. Walcott was the Vice President of Marketing at Composite Software, an enterprise data integration software provider. Prior to that, Mr. Walcott served as Senior Director of Product Management at Siebel Systems, a CRM software provider, from 1999 to 2004, when it was acquired by Oracle Corporation, an enterprise software company. Prior to Siebel, from 1996 to 1999, Mr. Walcott was the Vice President of Marketing at Pilot Network Services, Inc., an Internet security provider. From 1993 to 1995, and from 1988 to 1991, Mr. Walcott worked at Oracle Corporation, where he held a variety of technical and management positions. Mr. Walcott holds a B.S. in Computer Science (with honors) from Harvard University and an M.B.A. from Harvard Business School.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, executive officers and any persons who own more than 10% of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulation to furnish us with copies of all Section 16(a) forms that they file. Based solely on its review of the copies of such forms furnished to us and written representations from the directors and executive officers, we believe that all Section 16(a) filing requirements were timely met in 2018, except for (1) a late Form 4 filed for Wister Walcott on February 20, 2018 to report the acquisition of 2,000 shares of common stock on January 25, 2018 and the acquisition of 2,000 shares of common stock on February 15, 2018, (2) a late Form 4 filed for Mr. Walcott on August 21, 2018 to report the acquisition of 2,000 shares of common stock on August 15, 2018, (3) a Form 4 transaction that was reported late on a Form 5 filed for Mr. Walcott on February 14, 2019 to report the acquisition of 2,000 shares of common stock on April 16, 2018, (4) a late initial report of ownership on Form 3 filed for Brian Kinion on April 26, 2018 following Mr. Kinion's appointment to our Board of Directors on June 26, 2017, and (5) a late Form 4 filed for Mr. Kinion on April 26, 2018 to report the acquisition of (i) a stock option to purchase 7,444 shares of common stock on August 15, 2017 and (ii) a stock option to purchase 8,572 shares of common stock on April 12, 2018.

### **Code of Ethics**

We have adopted a code of ethics, our Code of Business Conduct and Ethics for Employees, which applies to all employees, including our principal executive officer, our principal financial officer, and all other executive officers, and our Code of Business Conduct and Ethics for Directors, which applies to our board of directors. Our Code of Business Conduct and Ethics for Employees and our Code of Business Conduct and Ethics for Directors are available on our website at [investor.marinsoftware.com](http://investor.marinsoftware.com) under "Corporate Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics for Employees or our Code of Business Conduct and Ethics for Directors by posting

such information on our website at the address and location specified above.

### **Audit Committee**

We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Messrs. Crovitz and Kinion and Ms. Middleton are the members of the Audit Committee. Each member of the Audit Committee meets the independence and other requirements to serve on our Audit Committee under applicable SEC rules and Nasdaq listing standards. The Board has determined that Messrs. Crovitz and Kinion are each an “audit committee financial expert” as defined by the rules of the SEC. The report of the Audit Committee is provided below under “Audit and Audit-related Matters.”



**ITEM 11.EXECUTIVE COMPENSATION****Director Compensation**

The following table provides information for the fiscal year ended December 31, 2018 regarding all compensation awarded to, earned by or paid to each person who served as a non-employee director for some portion or all of fiscal 2018. Christopher Lien, our Chief Executive Officer, is not included in the table below as he is an employee and thus received no compensation for his services as a director for the fiscal year ended December 31, 2018. The compensation received by Mr. Lien as an employee is shown in the “—Summary Compensation Table” below.

Pursuant to our director compensation policy, on the date of the annual stockholder’s meeting, non-employee directors are eligible to receive an option to purchase our common stock having an aggregate full grant date fair value of \$150,000, with such option vesting in full on the first anniversary of the date of grant. For fiscal 2018, to reduce the number of shares of our common stock issuable to directors given the trading price range of our common stock at that time, our compensation committee reduced the size of the grant to an option to purchase 8,572 shares of our common stock, which option had a grant date fair value of \$25,578 as indicated in the table below.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Option Awards (\$)<sup>(1)</sup></b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
James J. Barrese	—	25,578	—	25,578
L. Gordon Crovitz	—	25,578	—	25,578
Donald P. Hutchison	—	25,578	—	25,578
Brian Kinion	—	25,578	—	25,578
Allan Leinwand	—	25,578	—	25,578
Daina Middleton	—	25,578	—	25,578

Amounts shown in this column reflect the aggregate full grant date fair value calculated in accordance with ASC 718 for stock option awards granted during the fiscal year. The assumptions used in calculating the grant date fair value of the stock options reported in this column are set forth in Note 10 to the accompanying consolidated (1) financial statements. Note that the amounts reported in this column reflect the accounting cost for these stock options, and do not correspond to the actual economic value that may be received by the non-employee directors from the options. For information regarding the number of stock options held by each non-employee director as of December 31, 2018, see the table below.

Our non-employee directors held the following number of outstanding stock options as of December 31, 2018.

Name	Grant Date	Option Awards <sup>(1)</sup>
James J. Barrese*	—	—
L. Gordon Crovitz	4/12/18 <sup>(2)</sup>	8,572
	5/8/17 <sup>(2)</sup>	8,572
	5/10/16 <sup>(2)</sup>	8,572
	4/22/15 <sup>(2)</sup>	6,943
	5/12/14 <sup>(2)</sup>	4,177
Donald P. Hutchison	4/12/18 <sup>(2)</sup>	8,572
	5/8/17 <sup>(2)</sup>	8,572
	5/10/16 <sup>(2)</sup>	8,572
	4/22/15 <sup>(2)</sup>	6,986
	5/12/14 <sup>(2)</sup>	4,220
	9/14/12 <sup>(3)</sup>	2,858
	1/31/13 <sup>(4)</sup>	4,286
	1/31/13 <sup>(5)</sup>	100
Brian Kinion	4/12/18 <sup>(2)</sup>	8,572
	8/15/17 <sup>(2)</sup>	7,444
Allan Leinwand*	—	—
Daina Middleton	4/12/18 <sup>(2)</sup>	8,572
	5/8/17 <sup>(2)</sup>	8,572
	5/10/16 <sup>(2)</sup>	8,572
	4/22/15 <sup>(2)</sup>	6,886
	10/13/14 <sup>(6)</sup>	4,286

James J. Barrese and Allan Leinwand each resigned from our Board in July 2018. Pursuant to the 2013 Equity \*Incentive Plan (the “2013 Plan”), each of Mr. Barrese’s and Mr. Leinwand’s unexercised option grants expired in October 2018.

All stock options expire 10 years after the date of grant. These stock options also provide that, in the event of a “change of control,” all of the shares of our common stock subject to such stock option will immediately vest, and the (1) right of repurchase with respect to any unvested shares shall lapse, in full as of the effectiveness of the change of control. All historic stock option awards listed in this table have been adjusted to reflect our 1-for-7 reverse stock split effectuated on October 5, 2017.

(2) The stock option was granted pursuant to the 2013 Plan and vested or will vest in its entirety on the first anniversary of the vesting commencement date.

(3) The stock option was granted pursuant to the 2006 Equity Incentive Plan (the “2006 Plan”) and was immediately exercisable in full upon grant. In the event the grantee exercised unvested shares subject to the option, the unvested shares would be subject to a right of repurchase in our favor at the option exercise price. The stock option vests ratably each month over a 48-month period from the vesting commencement date.

(4) The stock option was granted pursuant to the 2006 Plan and was immediately exercisable in full upon grant. In the event the grantee exercised unvested shares subject to the option, the unvested shares would be subject to a right of repurchase in our favor at the option exercise price. The stock option vested over a three-year period with one-third vesting on each anniversary of the vesting commencement date and is fully vested.

(5) The stock option was granted pursuant to the 2006 Plan and was immediately exercisable in full upon grant. In the event the grantee exercised unvested shares subject to the option, the unvested shares would be subject to a right of repurchase in our favor at the option exercise price. The stock option vested in its entirety on the first anniversary of the vesting commencement date.

(6) The stock option was granted pursuant to the 2013 Plan and vests over a three-year period with one-third vesting on each anniversary of the vesting commencement date.

*Cash Compensation.* We do not provide cash retainer fees to our non-employee directors for their services as a member of our Board or any committee thereof or any cash meeting fees for attendance at any meetings of our Board or committees thereof.

*Other Compensation.* Non-employee directors receive no other form of remuneration, perquisites or benefits, but are reimbursed for their expenses in attending meetings, including travel and other expenses.

## **Executive Compensation**

This section provides an overview of the material components of our executive compensation program for each person who served as our principal executive officer and our two executive officers (other than our principal executive officer) who were our most highly-compensated executive officers during fiscal 2018 and who we refer to as our “named executive officers.”

Our named executive officers for fiscal 2018 were:

Christopher Lien, our founder and Chief Executive Officer;

Bradley Kinnish, our Chief Financial Officer; and

Wister Walcott, our Executive Vice President, Product and Technology.

The compensation earned or paid to our named executive officers for fiscal 2017 and fiscal 2018 is set forth in detail in the Summary Compensation Table and other tables that follow this section, as well as the accompanying footnotes and narratives relating to those tables.

### *Summary Compensation Table*

The following table provides information regarding all plan and non-plan compensation awarded to, earned by or paid to each of our named executive officers for all services rendered in all capacities during fiscal 2017 and fiscal 2018:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	All Other Compensation (\$)	Total (\$)
Christopher Lien <i>Founder, Chief Executive Officer</i>	2018	400,000	—	—	—	288,000	32,617	(4) 720,617
	2017	400,000	—	—	—	200,000	33,603	(5) 633,603
Bradley Kinnish <i>Chief Financial Officer</i>	2018	275,000	—	—	238,651	99,000	9,016	(6) 621,667
	2017	186,461	—	190,004	182,778	41,806	7,139	(7) 608,188
Wister Walcott <i>EVP, Product &amp; Technology</i>	2018	300,000	—	297,000	—	108,000	2,837	(8) 707,837
	2017	300,000	—	—	—	112,500	3,862	(9) 416,362

The amount shown in this column represents the grant date fair value of restricted stock units (“RSUs”) granted, as computed in accordance with ASC 718. For fiscal 2017, the assumptions used in calculating the grant date fair value are set forth in Note 11 to the audited consolidated financial statements included in our Annual Report on (1) Form 10-K for the year ended December 31, 2017 (the “2017 Form 10-K”). For fiscal 2018, the assumptions used in calculating the grant date fair value are set forth in Note 10 to the accompanying audited consolidated financial statements. Note that the amount reported in this column reflects the accounting cost for these RSUs and do not correspond to the actual economic value that may be received.

(2) The amounts shown in this column represent the grant date fair value of the stock options granted to the named executive officers during 2017 and 2018, as computed in accordance with ASC 718. For fiscal 2017, the assumptions used in calculating the grant date fair value are set forth in Note 11 to the audited consolidated financial statements included in the 2017 Form 10-K. For fiscal 2018 amounts, the assumptions used in calculating the grant date fair value are set forth in Note 10 to the accompanying audited consolidated financial statements. Note that the amounts reported in this column reflect the accounting cost for these stock options, and do not

correspond to the actual economic value that may be received by the named executive officers from the options.

(3) The amounts in this column represent total performance-based bonuses earned for services rendered in fiscal 2017 and fiscal 2018 pursuant to the terms of our Executive Bonus Plan. For fiscal 2017, our Executive Bonus Plan funded at 0% attainment based on our revenue and adjusted EBITDA performance. To assist with retention, the compensation committee funded the bonus plan on a discretionary basis at (i) 75% of the target level of funding for Messrs. Kinnish and Walcott and (ii) 50% of the target level of funding for Mr. Lien. As a result, Mr. Walcott received a cash bonus amount equal to 75% of his target level of annual bonus; Mr. Kinnish received a cash bonus amount equal to 75% of his target level of annual bonus, prorated based on the partial year of service during fiscal 2017; and Mr. Lien received a cash bonus amount equal to 50% of his target level of annual bonus. Each of these bonuses was paid in fiscal 2018. For fiscal 2018, our Executive Bonus Plan funded at 72% attainment based on our revenue and end of year cash balance performance. As a result, Messrs. Lien, Kinnish, and Walcott received cash bonus amounts equal to 72% of their respective target level of annual bonus. Each of these bonuses was paid in fiscal 2019.

- (4) Includes \$27,777 in medical insurance premiums coverage that we paid on Mr. Lien's behalf, \$2,460 in parking reimbursement, and \$2,381 in premiums paid by us for long-term disability benefits.
- (5) Includes \$28,762 in medical insurance premiums coverage that we paid on Mr. Lien's behalf, \$2,460 in parking reimbursement, and \$2,381 in premiums paid by us for long-term disability benefits.
- (6) Includes \$7,753 in medical insurance premiums coverage that we paid on Mr. Kinnish's behalf, \$540 in premiums paid by us for life insurance, and \$723 in premiums paid by us for long-term disability benefits.
- (7) Includes \$6,188 in medical insurance premiums coverage that we paid on Mr. Kinnish's behalf, \$408 in premiums paid by us for life insurance, and \$542 in premiums paid by us for long-term disability benefits.
- (8) Includes \$456 in reimbursement for travel expenses incurred by Mr. Walcott and \$2,381 in premiums paid by us for long-term disability benefits.
- (9) Includes \$1,481 in reimbursement for travel expenses incurred by Mr. Walcott and \$2,381 in premiums paid by us for long-term disability benefits.

The following table provides information regarding each unexercised stock option and outstanding restricted stock units held by our named executive officers as of December 31, 2018.

***Outstanding Equity Awards as of December 31, 2018***

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options <sup>(#)</sup> <sup>(1)</sup>		Option Exercise Price (\$)	Option Expiration Date	Number of restricted stock units that have not vested <sup>(#)</sup>	Market Value of restricted stock units that have not vested <sup>(\$)</sup> <sup>(2)</sup>
Christopher Lien	7,143	—	68.18	5/11/24	—	—
	10,211	217	(3) 45.36	3/8/25	—	—
	8,572	—	15.05	5/9/26	—	—
	36,776	—	49.35	5/7/22	—	—
Bradley Kinnish	13,096	15,476	(4) 13.30	4/6/27	10,714(5)	56,891

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	19,229	51,771	(6)	7.40	3/6/28	—	—
Wister Walcott	19,852	13,006	(7)	17.15	9/6/26	45,000(8)	238,950

Outstanding equity awards granted prior to March 21, 2013 were granted under our 2006 Plan. Outstanding equity awards granted after March 21, 2013 were granted under our 2013 Plan. All stock options expire 10 years after the (1) date of grant. In general, the unvested shares subject to a stock option will expire prior to the stock option's stated expiration date in the event of the optionee's termination of employment. See "Potential Payments upon Employment Termination and Change in Control Events" for additional information.

(2) The market value of the unvested shares subject to the RSU awards were computed using \$5.31, which was the closing price of our common stock on The Nasdaq Global Market on December 31, 2018.

(3) The stock option award was granted in March 2015. 25% of the shares of our common stock subject to the stock option vested on March 9, 2016, with the remaining shares subject to the stock option vesting each month thereafter over the following three years, such that the shares subject to the stock option will be fully vested on March 9, 2019.

(4) The stock option award was granted in April 2017 with a vesting commencement date of April 7, 2017. 25% of the shares of our common stock subject to the stock option vested on April 7, 2018, with the remaining shares subject to the stock option vesting monthly over the following three years, such that the shares subject to the stock option will be fully vested on April 7, 2020.

(5) The shares of our common stock subject to the RSU award vested as to 25% of the shares subject to the RSU award on April 7, 2018 and the remaining shares subject to the RSU award vest each year thereafter over the next three years, such that the RSU award will be fully vested on April 7, 2021.

(6) The stock option award was granted in March 2018 with a vesting commencement date of March 7, 2018. 25% of the shares of our common stock subject to the stock option will vest on March 7, 2019 with the remaining shares subject to the stock option vesting monthly over the following three years, such that the shares subject to the stock option will be fully vested on April 7, 2020.

(7) The stock option award was granted in September 2016 with a vesting commencement date of September 7, 2016. 25% of the shares of our common stock subject to the stock option vested on April 7, 2017 with the remaining shares subject to the stock option vesting monthly over the following three years, such that the shares subject to the stock option will be fully vested on September 7, 2019.

(8) The shares of our common stock subject to the RSU award will vest as to 25% of the shares subject to the RSU award on April 12, 2019 and the remaining shares subject to the RSU award vest each quarter thereafter over the next three years, such that the RSU award will be fully vested on April 12, 2022.

***Offer Letters and Arrangements***

We have entered into employment offer letters with each of our named executive officers.

*Christopher Lien.* We entered into an offer letter agreement with Mr. Lien, our Chief Executive Officer, in August 2016. Pursuant to the offer letter, Mr. Lien's initial base salary was established at \$400,000 per year. He was eligible to receive a bonus targeted at 100% of his base salary, prorated for the portion of fiscal 2016 that he was employed at the Company. Mr. Lien's employment is at will and may be terminated at any time, with or without cause.



*Bradley Kinnish.* We entered into an offer letter agreement with Mr. Kinnish, our Chief Financial Officer, in March 2017. Pursuant to the Offer Letter, Mr. Kinnish was to serve as the Vice President of Finance and Acting Chief Financial Officer with an initial base salary established at \$240,000 per year. In addition, Mr. Kinnish was eligible to receive a bonus targeted at 30% of his annual base salary, prorated for the portion of fiscal 2017 that he was employed at the Company. On April 7, 2017, in accordance with the terms of his offer letter, Mr. Kinnish was granted a stock option to purchase 28,572 shares of our common stock at an exercise price of \$13.30 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our board of directors. This option is subject to vesting, with 25% of the shares of our common stock vesting on the first anniversary of the vesting commencement date and the remainder vesting monthly over the remaining three years, such that the shares subject to the option would be fully vested in August 2021. In addition, on April 7, 2017, Mr. Kinnish was granted 14,286 RSUs, which are subject to vesting, with 25% of the RSUs vesting on each anniversary of the vesting commencement date, such that the RSUs would be fully vested on April 7, 2021. In June 2017, our Board appointed Mr. Kinnish to serve as our Chief Financial Officer. In December 2017, the compensation committee resolved to increase Mr. Kinnish's base salary to \$275,000 per year with eligibility to receive a bonus targeted at 50% of his base salary. Mr. Kinnish's employment is at will and may be terminated at any time, with or without cause.

*Wister Walcott.* We entered into an offer letter agreement with Mr. Walcott, our Executive Vice President, Product and Technology, in August 2016. Pursuant to the offer letter, Mr. Walcott's initial base salary was established at \$300,000 per year. He was eligible to receive a bonus targeted at 50% of his base salary, prorated for the portion of fiscal 2016 that he was employed at the Company. On September 7, 2016, in accordance with the terms of his offer letter, Mr. Walcott was granted a stock option to purchase 32,858 shares of our common stock at an exercise price of \$17.15 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our board of directors. This option is subject to vesting, with 25% of the shares vesting on the first anniversary of the vesting commencement date and the remainder vesting monthly over the remaining three years, such that the shares subject to the option would be fully vested in October 2020. Mr. Walcott's employment is at will and may be terminated at any time, with or without cause, subject to the severance obligations described below.

#### ***Potential Payments upon Employment Termination and Change in Control Events***

Messrs. Lien, Kinnish, and Walcott are each party to Severance and Change in Control Agreements with the Company that provide for potential payments and benefits in the event of employment termination.

Mr. Lien's Severance and Change in Control Agreement provides as follows:

Term: Pursuant to its terms, such agreement became effective on April 12, 2018 and terminates upon the earlier of April 12, 2021 or the date Mr. Lien's employment is terminated for a reason other than a "qualifying termination." A "qualifying termination" is defined as (1) a "change in control qualifying termination", or a separation occurring within three months preceding or 12 months following a change in control resulting from termination of Mr. Lien's

employment for any reason other than cause or Mr. Lien voluntarily resigning his employment for good reason; or (2) a separation that is not a “change in control qualifying termination” resulting from termination of Mr. Lien’s employment for any reason other than cause or Mr. Lien voluntarily resigning his employment for good reason.

Termination other than in connection with a change in control. In the event of a termination without cause other than in connection with a change in control, Mr. Lien would be entitled to receive severance benefits equal to nine months of his then current annual base salary, 75% of his annual target bonus at the then-current rate, and the monthly benefits premium under COBRA for nine months.

Termination in connection with a change in control. In the event of a qualifying termination, following a change in control (as defined in the severance agreement) of our Company, Mr. Lien would be entitled to receive severance benefits equal to 18 months of his then-current annual base salary, 150% of his annual target bonus at the then-current rate, and the monthly benefits premium under COBRA for 18 months. In addition, the shares underlying all unvested equity awards held by him or her immediately prior to such termination will become vested and exercisable in full.

Messrs. Kinnish’s and Walcott’s Severance and Change in Control Agreements provide as follows:

Term: Pursuant to its terms, each such agreement was effective on April 12, 2018 and terminates upon the earlier of April 12, 2021 or the date employment is terminated for a reason other than a “qualifying termination.” A “qualifying termination” is defined as (1) a “change in control qualifying termination”, or a separation occurring within three months preceding or 12 months following a change in control resulting from termination of the individual’s employment for any reason other than cause or the individual voluntarily resigning his employment for good reason; or (2) a separation that is not a “change in control qualifying termination” resulting from termination of the individual’s employment for any reason other than cause or the individual voluntarily resigning his employment for good reason.

Termination other than in connection with a change in control. In the event of a termination without cause other than in connection with a change in control, the executive would be entitled to receive severance benefits equal to six months of his then current annual base salary, 50% of the executive’s annual target bonus at the then-current rate, and the monthly benefits premium under COBRA for six months.

Termination in connection with a change in control. In the event of a qualifying termination, following a change in control (as defined in the severance agreement) of our Company, the executive would be entitled to receive severance benefits equal to 12 months of his then-current annual base salary, 100% of the executive’s annual target bonus at the then-current rate, and the monthly benefits premium under COBRA for 12 months. In addition, the shares underlying all unvested equity awards held by him immediately prior to such termination will become vested and exercisable in full.

We believe that these protections assisted us in attracting these individuals to join our Company. We also believe that these protections serve our executive retention objectives by helping the named executive officers maintain continued focus and dedication to his responsibilities to maximize stockholder value, including in the event that there is a potential transaction that could involve a change in control of our Company. The terms of these agreements were

determined after review by our Board or the compensation committee, as applicable, of our retention goals for each executive officer.

The table below presents estimated payments and benefits that would have been provided to Messrs. Lien, Kinnish, and Walcott, assuming their respective qualifying terminations as of December 31, 2018. As a condition of receiving any severance benefits in connection with the change in control agreements, each named executive officer must execute a full waiver and release of all claims in our favor. In addition to the benefits described in the tables below, upon termination of employment each executive officer may be eligible for other benefits that are generally available to all salaried employees, such as life insurance, long-term disability, and 401(k) benefits.

	Chris Lien	Brad Kinnish	Wister Walcott
<b>Termination after Change of Control:</b>			
Cash Severance <sup>(1)</sup>	\$1,200,000	\$412,000	\$450,000
Post-termination COBRA Reimbursement <sup>(2)</sup>	45,783	8,560	—
Acceleration of Stock Options and RSUs <sup>(3)</sup>	—	56,891	238,950
<b>Total</b>	<b>\$1,245,783</b>	<b>\$477,451</b>	<b>\$638,950</b>
<b>Termination not in connection with Change of Control:</b>			
Cash Severance <sup>(4)</sup>	\$600,000	\$206,000	\$225,000
Post-termination COBRA reimbursement <sup>(5)</sup>	22,892	4,280	—
<b>Total</b>	<b>\$622,892</b>	<b>\$210,530</b>	<b>\$225,000</b>

(1) Mr. Lien would receive 18 months of base salary and 150% of his annual target bonus; Messrs. Kinnish and Walcott would receive 12 months of base salary and 100% of their respective target bonuses.

(2) Mr. Lien would receive 18 months of COBRA benefits reimbursement and Mr. Kinnish would receive 12 months of COBRA benefits reimbursement. Mr. Walcott elected not to receive benefits from the Company that would be eligible for continuation under COBRA. As a result, Mr. Walcott would not be eligible for post-termination COBRA benefits reimbursement.

(3) As of December 31, 2018, Mr. Kinnish held a stock option with 15,476 unvested shares subject to such option with an exercise price of \$13.30 per share; Mr. Kinnish held a stock option with 51,771 unvested shares subject to such option with an exercise price of \$7.40 per share; Mr. Walcott held a stock option with 13,006 unvested shares subject to such option with an exercise price of \$17.15 per share. The exercise price of each of these stock options is greater than \$5.31, the closing price of our common stock on The Nasdaq Global Market as of December 31, 2018. As of December 31, 2018, Mr. Kinnish had 10,714 unvested RSUs and Mr. Walcott had 45,000 unvested RSUs.

(4) Mr. Lien would receive nine months of base salary and 75% of his annual target bonus; Messrs. Kinnish and Walcott would receive six months of base salary and 50% of their respective target bonuses.

(5) Mr. Lien would receive nine months of COBRA benefits reimbursement and Mr. Kinnish would receive six months of COBRA benefits reimbursement. Mr. Walcott elected not to receive benefits from the Company that would be eligible for continuation under COBRA. As a result, Mr. Walcott would not be eligible for post-termination COBRA benefits reimbursement.

In addition to the arrangements described above, upon a termination of employment Mr. Walcott is eligible to receive any benefits accrued under our broad-based benefit plans in accordance with those plans and policies.

#### ***Other Compensation Policies***

##### *Stock Ownership Guidelines*

Currently, we have not implemented a policy regarding minimum stock ownership requirements for our executive officers, including the named executive officers.

##### *Compensation Recovery Policy*

Currently, we have not implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement. We intend to adopt a general compensation recovery (clawback) policy covering our annual and long-term incentive award plans and arrangements after the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Act.

##### *Derivatives Trading and Hedging Policy*

Our insider trading policy prohibits the use of puts, calls or shorts related to our shares by our directors, officers and employees.

##### *Share Pledging Policy*

Our insider trading policy provides that no employee, officer or director may purchase Company securities on margin, borrow against any account in which Company securities are held, or pledge Company securities as collateral for a loan. Notwithstanding the foregoing, an employee who is not an officer or director may pledge Company securities as collateral for a loan (not including margin debt) if such employee can clearly demonstrate the financial capacity to repay the loan without resort to the pledged securities. An employee who is not an officer or director wishing to pledge Company securities as collateral for a loan must: (i) submit a request for pre-clearance to our compliance

officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge and (ii) provide evidence of the financial capacity to repay the loan without resort to the pledged securities. Our compliance officer, in his or her sole discretion, shall make the determination as to whether the necessary financial capacity has been demonstrated.

**Compensation Committee Interlocks and Insider Participation**

The members of our compensation committee during 2018 were Mr. Hutchison and Mr. Leinwand through July 26, 2018, and Mr. Hutchison and Ms. Middleton thereafter. None of the members of our compensation committee in 2018 were at any time during 2018 or at any other time an officer or employee of the Company or any of its subsidiaries, and none had or has any relationships with the Company that are required to be disclosed under Item 404 of Regulation S-K, except as provided under the Related Party Transactions section below. None of our executive officers has served as a member of the board of directors, or as a member of the compensation or similar committee, of any entity that has one or more executive officers who served on our Board or compensation committee during 2018.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS****Equity Compensation Plan Information**

The following table presents information as of December 31, 2018 with respect to compensation plans under which shares of our common stock may be issued. The category “Equity compensation plans approved by security holders” in the table below consists of the 2006 Equity Incentive Plan (the “2006 Plan”), 2013 Equity Incentive Plan (the “2013 Plan”) and 2013 Employee Stock Purchase Plan (the “2013 ESPP”).

Plan category	Number of securities to be issued upon exercise of outstanding options and restricted stock units(#)		Weighted-average exercise price of outstanding options (\$)		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))(#)	
	(a)	(1)	(b)	(2)	(3)	(3)
Equity compensation plans approved by security holders	1,270,169	(1)	29.58	(2)	1,049,220	(3)
Equity compensation plans not approved by security holders	—		—		—	
Total	1,270,169		29.58		1,049,220	

- (1) Excludes purchase rights accruing under the 2013 ESPP.
- (2) The weighted average exercise price relates solely to shares subject to outstanding stock options, as shares subject to restricted stock units have no exercise price.

- Consists of 153,499 shares that remain available for purchase under the 2013 ESPP and 895,721 shares of common stock that remain available for grant under the 2013 Plan. Any such shares of common stock that are subject to outstanding awards under the 2006 Plan that are issuable upon the exercise of options that expire or become unexercisable for any reason without having been exercised in full will be forfeited and will be available for future grant and issuance under the 2013 Plan. In addition, the number of shares reserved for issuance under our 2013
- (3) Plan will increase automatically on the first day of January of each of 2020 through 2023 by the number of shares equal to the lesser of 5% of the total outstanding shares of our common stock as of the immediately preceding December 31<sup>st</sup> and a number of shares approved by our Board. Similarly, the number of shares reserved for issuance under our 2013 ESPP will increase will increase automatically on the first day of January of each of 2020 through 2023 by the number of shares equal to the lesser of 1% of the total outstanding shares of our common stock as of the immediately preceding December 31<sup>st</sup> (rounded down to the nearest whole share) and a number of shares approved by our Board or our compensation committee.

### **Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of February 15, 2019, by:

each stockholder known by us to be the beneficial owner of more than 5% of our common stock;

each of our current directors or director nominees;

each of our named executive officers during fiscal 2018; and

all of our directors, director nominees and executive officers as a group.

Percentage ownership of our common stock is based on 5,940,342 shares of our common stock outstanding on February 15, 2019. We have determined beneficial ownership in accordance with the rules of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable. We have deemed shares of our common stock subject to options and restricted stock units that are currently exercisable or subject to settlement or that will become exercisable or subject to settlement within 60 days of February 15, 2019 to be



outstanding and to be beneficially owned by the person or entity for the purpose of computing the percentage ownership of that person. We did not deem these as outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each of the individuals and entities named below that owns 5% or more of our common stock is c/o Marin Software Incorporated, 123 Mission Street, 27<sup>th</sup> Floor, San Francisco, California 94105.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent Owned
<b>Directors and Named Executive Officers</b>		
L. Gordon Crovitz <sup>(1)</sup>	53,819	*
Donald P. Hutchison <sup>(2)</sup>	88,205	1.5
Brian Kinion <sup>(3)</sup>	16,016	*
Bradley Kinnish <sup>(4)</sup>	43,988	*
Christopher Lien <sup>(5)</sup>	326,584	5.4
Daina Middleton <sup>(6)</sup>	36,888	*
Wister Walcott <sup>(7)</sup>	102,504	1.7
All officers and directors as a group (7 persons) <sup>(8)</sup>	666,004	10.8
<b>5% or Greater Stockholders</b>		
Benchmark Capital Partners VI, L.P. <sup>(9)</sup>	553,502	9.3
Entities affiliated with DAG Ventures <sup>(10)</sup>	543,024	9.1
ESW Capital, LLC <sup>(11)</sup>	579,000	9.7

\*Represents beneficial ownership of less than 1% of our outstanding shares of common stock.

(1) Consists of (a) 16,982 shares of our common stock and (b) 36,837 shares of our common stock issuable upon exercise of stock options exercisable within 60 days of February 15, 2019.

(2) Consists of (a) 37,011 shares of our common stock held directly by the Hutchison Family Trust, of which Mr. Hutchison is a co-trustee, (b) 7,028 shares of our common stock held by Glasgow Investments, LLC and (c) 44,166 shares of our common stock issuable to Mr. Hutchison upon exercise of stock options exercisable within 60 days of February 15, 2019. Mr. Hutchison is a managing member of Glasgow Investments, LLC and possesses the power to direct the voting and disposition of the shares held by Glasgow Investments, LLC and as such may be deemed to beneficially own the shares of our common stock held by Glasgow Investments, LLC.

(3) Consists of 16,016 shares of our common stock issuable upon exercise of stock options exercisable within 60 days of February 15, 2019.

(4) Consists of (a) 1,936 shares of our common stock purchased through our 2013 ESPP, (b) 7,143 restricted stock units subject to vesting within 60 days of February 15, 2019, and (c) 36,473 shares of our common stock issuable upon exercise of stock options exercisable within 60 days of February 15, 2019.

(5)

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Consists of (a) 235,643 shares of our common stock held directly by the Lien Revocable Trust dated 7/8/2003, of which Mr. Lien is a co-trustee, (b) 3,658 shares of our common stock held individually by Mr. Lien, (c) 62,919 shares of our common stock issuable to Mr. Lien upon exercise of stock options exercisable within 60 days of February 15, 2019, (d) 12,182 shares of our common stock held by the Chris Lien 2013 Annuity Trust, and (e) 12,182 shares of our common stock held by the Rebecca Lien 2013 Annuity Trust.

- (6) Consists of 36,888 shares of our common stock issuable upon exercise of stock options exercisable within 60 days of February 15, 2019.

- (7) Consists of (a) 70,033 shares of our common stock, (b) 21,221 shares of our common stock issuable upon exercise of stock options exercisable within 60 days of February 15, 2019, and (c) 11,250 restricted stock units subject to vesting within 60 days of February 15, 2019.

- (8) Includes (a) 40,022 shares issuable upon exercise of stock options exercisable within 60 days of February 15, 2019, (b) 3,571 shares of our common stock subject to vesting of restricted stock unit awards within 60 days of February 15, 2019, and (c) 1,936 shares of our common stock purchased through our 2013 ESPP.

- (9) Based on information contained in a Schedule 13G/A filed with the SEC by Benchmark Capital on February 11, 2019. Consists of (a) 456,916 shares of our common stock held by Benchmark Capital Partners VI, L.P. ("BCP VI") and (b) 28,576 shares of our common stock held by Benchmark Founders' Fund VI, L.P. ("BFF VI"), (c) 18,754 shares held by Benchmark Founders' Fund VI-B L.P. ("BFF VI-B") and (d) 49,256 shares of our common stock held in nominee form for the benefit of persons associated with Benchmark Capital Management Co. VI, L.L.C. ("BCMC VI"). BCMC VI is the general partner of BCP VI, BFF VI and BFF VI-B and has sole voting and investment power over the shares. Certain individual members of BCMC VI, including Bruce W. Dunlevie, a member of our Board until February 2017, may be deemed to have shared voting and investment power over the shares held by BCP VI, BFF VI and BFF VI-B. The address for each Benchmark reporting entity is 2965 Woodside Road, Woodside, California 94062.

- (10) Based on information contained in a Schedule 13G filed with the SEC by DAG Ventures IV-QP, L.P. and its affiliates on February 11, 2014 and adjusted here for the 1-for-7 reverse stock split effectuated on October 5, 2017. Consists of 444,674 shares of our common stock held by DAG Ventures IV-QP, L.P. ("DAVG IV-QP"), (b) 51,356 shares of our common stock held by DAG Ventures IV-A, LLC ("DAG IV-A") and (c) 46,994 shares of our common stock held by DAG Ventures IV, L.P. ("DAG IV"). DAG Ventures Management IV, LLC ("DAG IV LLC") serves as the general partner of DAG IV-QP and DAG IV. As such, DAG IV LLC possesses power to direct the voting and disposition of the shares of our common stock owned by DAG IV-QP and DAG IV and may be deemed to have indirect beneficial ownership of the shares of our common stock held by DAG IV-QP and DAG IV. DAG IV LLC does not own any of our securities directly. R. Thomas Goodrich, John J. Caddo, Greg Williams, Young J. Chung and Nick Pianism are managing directors of DAG IV LLC and DAG IV-A and possess power to direct the voting and disposition of the shares owned by DAG IV-QP, DAG IV and DAG IV-A and may be deemed to have indirect beneficial ownership of the shares held by DAG IV-QP, DAG IV and DAG IV-A. The address for DAG IV-QP, DAG IV, DAG IV-A and DAG IV LLC is 251 Lytton Avenue, Suite 200, Palo Alto, CA 94301.

- (11) Based on information contained in a Schedule 13G filed with the SEC by ESW Capital, LLC ("ESW") on December 28, 2018. ESW owns 579,000 shares. Joseph A. Liemandt is the sole voting member of ESW and may

be deemed to have indirect beneficial ownership of the shares held by ESW. The address for ESW and Mr. Liemandt is 401 Congress Avenue, Suite 2650, Austin, TX 78701.

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

**Related Party Transactions**

Other than compensation arrangements, including employment, termination of employment and severance and change in control arrangements, since January 1, 2018, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeds \$120,000 and in which any director, executive officer, holder of more than 5% of our common stock, or any member of their immediate family had or will have a direct or indirect material interest.

**Review, Approval or Ratification of Transactions with Related Parties**

Our Board has adopted a written related person transactions policy. Under this policy, the audit committee reviews transactions that may be “related-person transactions,” which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed \$120,000 and in which a related person has or will have a direct or indirect material interest. For purposes of the policy, a related person is a director, executive officer, nominee for director, or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed fiscal year, and their immediate family members. The audit committee has adopted a related party transactions policy to set forth the procedures for the identification, review, consideration and approval or ratification of these transactions.

**Director Independence**

Our Board has determined that all of the members of our Board during fiscal 2018, other than Mr. Lien, are independent as determined under applicable rules, regulations and listing standards of Nasdaq. All members of our audit committee, compensation committee and nominating and corporate governance committee must be independent directors under the applicable rules, regulations and listing standards of Nasdaq. Members of the audit committee must also satisfy a separate SEC independence requirement, which provides that they may not (i) accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than their directors’ compensation (including in connection with such member’s service as a partner, member or principal of a law firm, accounting firm or investment banking firm that accepts consulting or advisory fees from the Company or any of its subsidiaries) or (ii) be an affiliated person of the Company or any of its subsidiaries. Members of the compensation committee also must satisfy a separate SEC independence requirement and a related Nasdaq listing standard relating to their affiliation with the Company and what advisory, consulting or other fees they may have received from us. Our Board has determined that all members of our audit committee, compensation committee and nominating and corporate governance committee are independent and all members of our audit committee satisfy the relevant SEC additional independence requirements for the members of such committee.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES****Principal Accountant Fees and Services**

We regularly review the services and fees from our independent registered public accounting firm. These services and fees are also reviewed with our audit committee annually. On July 5, 2018, we appointed Grant Thornton LLP as our independent registered public accounting firm and thereby dismissed PricewaterhouseCoopers LLP as of that same date.

PricewaterhouseCoopers LLP audited our financial statements and provided various other services during fiscal 2017 and a portion of fiscal 2018. Grant Thornton audited our financial statements and provided various other services during fiscal 2018. Our audit committee has determined that Grant Thornton LLP's provision of these services, which are described below, does not impair Grant Thornton's independence from the Company. During fiscal 2017 and fiscal 2018, fees for services provided by PricewaterhouseCoopers LLP and Grant Thornton were as follows:

<b>Fees Billed to Marin</b>	<b>Fiscal 2017</b>	<b>Fiscal 2018</b>
Audit fees <sup>(1)</sup>	\$1,032,339	\$982,500
Audit-related fees <sup>(2)</sup>	145,000	—
Tax fees <sup>(3)</sup>	73,500	75,200
Other fees <sup>(4)</sup>	3,900	3,900
Total fees	\$1,231,200	\$1,061,600

"Audit fees" include fees for audit services primarily related to the audit of our annual consolidated financial statements; the review of our quarterly consolidated financial statements; comfort letters, consents, and assistance (1) with and review of documents filed with the SEC; and other accounting and financial reporting consultation and research work billed as audit fees or necessary to comply with the standards of the Public Company Accounting Oversight Board (United States).

In fiscal 2017, "audit-related fees" included consulting services associated with Accounting Standards Update (2) (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) compliance scoping. We did not have any "audit-related fees" during fiscal 2018.

"Tax fees" include fees for tax compliance and advice, and encompass a variety of permissible tax services, (3) including technical tax advice related to federal and state income tax matters, assistance with sales tax, and assistance with tax audits. In fiscal 2017, "tax fees" included Section 382 analysis related to the Company's net operating losses. In fiscal 2018, "tax fees" included analysis related to the Company's corporate tax structure.

(4) In fiscal 2017 and 2018, “*other fees*” included licensing fees for accounting research and disclosure software.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm**

Our audit committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm, the scope of services provided by our independent registered public accounting firm and the fees for the services performed. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Our independent registered public accounting firm and management are required to periodically report to the audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

All of the services relating to the fees described in the table above were approved by our audit committee.



## **PART IV**

### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

#### **(1) Financial Statements**

The following financial statements are presented in response to Part II, Item 8, under the heading "Financial Statements and Supplementary Data":

Report of Grant Thornton LLP, Independent Registered Public Accounting Firm

Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Comprehensive Loss

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

The supplementary financial information required by Item 8 is included in Part II, Item 7 under the heading "Quarterly Results of Operations Data," which is incorporated herein by reference.

#### **(2) Financial Statement Schedules**

All schedules are omitted because they are not applicable, not required or the information is included in the accompanying consolidated financial statements or notes thereto.

#### **(3) Exhibits**

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Exhibit Number	Description of Document	Incorporated by Reference			Filing Date	Filed Herewith
		Form	File No.	Exhibit		
3.1	<u>Restated Certificate of Incorporation.</u>	10-Q	001-35838	3.1	5/9/2013	
3.2	<u>Restated Bylaws.</u>	10-Q	001-35838	3.2	5/9/2013	
3.3	<u>Certificate of Amendment to Certificate of Incorporation.</u>	8-K	001-35838	3.1	10/5/2017	
4.1	<u>Form of Common Stock Certificate.</u>	S-1/A	333-186669	4.1	3/15/2013	
10.1	<u>Form of Indemnification Agreement.</u>	10-K	001-35838	10.1	3/1/2018	
10.2#	<u>2006 Equity Incentive Plan and forms of stock option agreement and stock option exercise agreement.</u>	S-1	333-186669	10.2	2/13/2013	
10.3#	<u>2013 Equity Incentive Plan and forms of stock option agreement, stock option exercise agreement, restricted stock agreement, and RSU award agreement.</u>	S-1/A	333-186669	10.3	3/4/2013	
10.4#	<u>2013 Employee Stock Purchase Plan and form of subscription agreement.</u>	S-1/A	333-186669	10.4	3/4/2013	
10.5	<u>Master Services Agreement, dated as of August 3, 2009, by and between the Registrant and Switch Communications Group L.L.C.</u>	S-1	333-186669	10.7	2/13/2013	
10.6#	<u>Form of Severance and Change in Control Agreement between the Registrant and each of the executive officers.</u>	S-1/A	333-186669	10.9	3/11/2013	
10.7#	<u>Executive Bonus Compensation Plan.</u>	10-K	001-35838	10.11	2/20/2015	
10.9#	<u>Description of Director Compensation Program.</u>	10-K	001-35838	10.14	2/20/2015	
10.11#	<u>Transition and Separation Agreement, dated as of September 14, 2015, by and between the Registrant and Christopher A. Lien.</u>	10-Q	001-35838	10.4	11/5/2015	
10.12	<u>Office Lease, dated as of January 7, 2011, by and between the Registrant and 123 Mission, LLC, as amended.</u>	10-K	001-35838	10.16	2/23/2016	
10.13#	<u>Offer Letter, dated as of August 23, 2016, by and between the Registrant and Christopher A. Lien.</u>	10-Q	001-35838	10.1	11/9/2016	
10.14#		8-K	001-35838	99.1	3/22/2017	

Offer Letter, dated March 17, 2017, by and  
between the Registrant and Bradley W. Kinnish.

10.15#	<u>Letter Amendment to Offer Letter, dated June 26, 2017, by and between the Registrant and Bradley W. Kinnish.</u>	10-Q	001-35838	10.1	8/10/2017
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10.16†	<u>Revenue Share Agreement, dated December 11, 2018, by and between the Registrant and Google LLC.</u>					X
10.17#	<u>Offer Letter, dated August 23, 2016, by and between the Registrant and Wister Walcott.</u>					X
16.1	<u>Letter from PricewaterhouseCoopers LLP to the Securities and Exchange Commission dated July 9, 2018.</u>	8-K	001-35838	16.01	7/10/2018	
21.1	<u>Subsidiaries of the Registrant.</u>					X
23.1	<u>Consent of Grant Thornton LLP, independent registered public accounting firm.</u>					X
23.2	<u>Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.</u>					X
31.1	<u>Certification of Principal Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>					X
31.2	<u>Certification of Principal Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>					X
32.1*	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>					X
32.2*	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Labels Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X

\* As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of the Registrant under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after

the date hereof and irrespective of any general incorporation language in such filings.

#Represents a management contract or compensatory plan.

Confidential treatment has been requested for portions of this exhibit pursuant to Rule 24b-2 promulgated under the Exchange Act. These portions have been omitted and submitted separately to the Securities and Exchange Commission.

**ITEM 16. FORM 10-K SUMMARY**

None.

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**Report of Grant Thornton LLP, Independent Registered Public Accounting Firm**

Board of Directors and Stockholders

Marin Software Incorporated

**Opinion on the financial statements**

We have audited the accompanying consolidated balance sheet of Marin Software Incorporated (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2018, the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for the year ended December 31, 2018 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

**Basis for opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2018.

San Jose, CA

March 14, 2019

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***Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm***

To the Board of Directors and Stockholders of Marin Software Incorporated

***Opinion on the Financial Statements***

We have audited the consolidated balance sheet of Marin Software Incorporated and its subsidiaries (the "Company") as of December 31, 2017, and the related consolidated statements of comprehensive loss, of stockholders' equity and cash flows for each of the two years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.



/s/ PricewaterhouseCoopers LLP

San Francisco, California

February 28, 2018

We served as the Company's auditor from 2010 to 2018.

**Marin Software Incorporated****Consolidated Balance Sheets***(in thousands, except per share data)*

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 10,210	\$ 27,544
Restricted cash	1,293	1,293
Accounts receivable, net	12,906	12,237
Prepaid expenses and other current assets	4,642	3,989
Total current assets	29,051	45,063
Property and equipment, net	11,815	15,559
Goodwill	1,943	16,768
Intangible assets, net	1,938	4,475
Other non-current assets	2,045	1,504
Total assets	\$ 46,792	\$ 83,369
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 2,699	\$ 2,826
Accrued expenses and other current liabilities	9,383	10,474
Capital lease obligations	1,249	1,416
Total current liabilities	13,331	14,716
Capital lease obligations, non-current	549	1,687
Other long-term liabilities	3,541	4,183
Total liabilities	17,421	20,586
Commitments and contingencies (Note 15)		
Stockholders' equity		
Convertible preferred stock, \$0.001 par value - 10,000 shares authorized, no shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	—	—
Common stock, \$0.001 par value - 142,857 shares authorized, 5,938 and 5,729 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	6	6
Additional paid-in capital	295,116	291,163
Accumulated deficit	(264,713)	(227,704)
Accumulated other comprehensive loss	(1,038 )	(682 )
Total stockholders' equity	29,371	62,783
Total liabilities and stockholders' equity	\$ 46,792	\$ 83,369

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



**Marin Software Incorporated****Consolidated Statements of Comprehensive Loss***(in thousands, except per share data)*

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Revenues, net	\$58,631	\$74,991	\$99,878
Cost of revenues	27,154	32,520	35,203
Gross profit	31,477	42,471	64,675
<b>Operating expenses</b>			
Sales and marketing	23,425	26,936	32,889
Research and development	22,450	26,564	27,841
General and administrative	13,113	16,444	19,890
Impairment of goodwill	14,740	2,797	—
Total operating expenses	73,728	72,741	80,620
Loss from operations	(42,251)	(30,270)	(15,945)
Other income (expenses), net	1,593	(214 )	869
Loss before provision for income taxes	(40,658)	(30,484)	(15,076)
Provision for income taxes	(586 )	(1,007 )	(1,404 )
Net loss	(41,244)	(31,491)	(16,480)
Foreign currency translation adjustments	(356 )	2,205	(1,110 )
Comprehensive loss	\$(41,600)	\$(29,286)	\$(17,590)
Net loss per share available to common stockholders, basic and diluted	\$(7.13 )	\$(5.59 )	\$(3.01 )
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted	5,783	5,638	5,474
Stock-based compensation is allocated as follows (Note 11):			
Cost of revenues	\$739	\$822	\$1,314
Sales and marketing	957	827	1,281
Research and development	1,398	1,996	4,989
General and administrative	877	1,059	2,711
Amortization of intangible assets is allocated as follows (Note 6):			
Cost of revenues	\$938	\$971	\$1,027
Sales and marketing	658	877	934
Research and development	938	969	1,027
General and administrative	3	33	92
Restructuring related expenses are allocated as follows (Note 4):			
Cost of revenues	\$176	\$—	\$184
Sales and marketing	827	—	348
Research and development	115	—	44
General and administrative	158	—	20

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



**Marin Software Incorporated****Consolidated Statements of Stockholders' Equity***(in thousands)*

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total Stockholders' Equity</b>
<b>Shares</b>	<b>Amount</b>					
<b>Balances at December 31, 2015</b>	5,346	\$ 5	\$ 275,636	\$ (179,733 )	\$ (1,777 )	\$ 94,131
Issuance of common stock from exercise of vested stock options, vesting of restricted stock units and vesting of options and shares subject to repurchase (Note 10)	87	1	569	—	—	570
Tax withholding related to vesting of restricted stock units	—	—	(362 )	—	—	(362 )
Issuance of common stock under employee stock purchase plan	42	—	548	—	—	548
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	66	—	—	—	—	—
Stock-based compensation expense	—	—	10,295	—	—	10,295
Net loss	—	—	—	(16,480 )	—	(16,480 )
Foreign currency translation adjustments and other, net	—	—	6	—	(1,110 )	(1,104 )
<b>Balances at December 31, 2016</b>	5,541	6	286,692	(196,213 )	(2,887 )	87,598
Issuance of common stock from vesting of restricted stock units and vesting of options and shares subject to repurchase (Note 10)	79	—	11	—	—	11
Tax withholding related to vesting of restricted stock units	—	—	(604 )	—	—	(604 )
Issuance of common stock under employee stock purchase plan	43	—	362	—	—	362
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	66	—	—	—	—	—
Stock-based compensation expense	—	—	4,704	—	—	4,704
Net loss	—	—	—	(31,491 )	—	(31,491 )
Foreign currency translation adjustments and other, net	—	—	(2 )	—	2,205	2,203
<b>Balances at December 31, 2017</b>	5,729	6	291,163	(227,704 )	(682 )	62,783
	—	—	—	4,235	—	4,235

Impact of adoption of ASC 606 on January 1, 2018 (Note 3)

Issuance of common stock from vesting of restricted stock units (Note 10)	123	—	—	—	—	—
Tax withholding related to vesting of restricted stock units	—	—	(327 )	—	—	(327 )
Issuance of common stock under employee stock purchase plan	86	—	305	—	—	305
Stock-based compensation expense	—	—	3,971	—	—	3,971
Net loss	—	—	—	(41,244 )	—	(41,244 )
Foreign currency translation adjustments and other, net	—	—	4	—	(356 )	(352 )
<b>Balances at December 31, 2018</b>	<b>5,938</b>	<b>\$ 6</b>	<b>\$ 295,116</b>	<b>\$ (264,713 )</b>	<b>\$ (1,038 )</b>	<b>\$ 29,371</b>

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

**Marin Software Incorporated****Consolidated Statements of Cash Flows***(in thousands)*

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>			
Net loss	\$(41,244)	\$(31,491)	\$(16,480)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities			
Impairment of goodwill	14,740	2,797	—
Depreciation	2,658	4,758	6,035
Amortization of internally developed software	3,774	3,669	2,988
Amortization of intangible assets	2,537	2,850	3,080
Amortization of deferred costs to obtain and fulfill contracts	2,045	—	—
Gain on disposal of property and equipment	(1 )	(11 )	(3 )
Unrealized foreign currency (gains) losses	(118 )	986	(419 )
Non-cash interest expense related to debt agreements	—	15	27
Stock-based compensation related to equity awards and restricted stock	3,971	4,704	10,295
Provision for bad debts	48	1,507	2,328
Deferred income tax benefits	(398 )	(358 )	(305 )
Payment of contingent consideration for prior acquisition	—	—	(93 )
Changes in operating assets and liabilities			
Accounts receivable	(668 )	4,754	795
Prepaid expenses and other assets	(609 )	(310 )	200
Accounts payable	(97 )	306	741
Accrued expenses and other liabilities	382	954	(3,108 )
Net cash (used in) provided by operating activities	(12,980)	(4,870 )	6,081
<b>Investing activities</b>			
Purchases of property and equipment	(586 )	(461 )	(1,207 )
Proceeds from disposal of property and equipment	8	11	5
Capitalization of internally developed software	(2,129 )	(2,068 )	(4,712 )
Net cash used in investing activities	(2,707 )	(2,518 )	(5,914 )
<b>Financing activities</b>			
Repayments of capital lease obligations and other debt agreements	(1,304 )	(1,160 )	(1,436 )
Employee taxes paid for withheld shares upon equity award settlement	(265 )	(604 )	(362 )
Proceeds from exercises of common stock options	—	—	390
Proceeds from employee stock purchase plan, net	282	312	663
Net cash used in financing activities	(1,287 )	(1,452 )	(745 )
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	(360 )	1,964	(1,035 )
Net decrease in cash and cash equivalents and restricted cash	(17,334)	(6,876 )	(1,613 )
<b>Cash and cash equivalents and restricted cash</b>			
Beginning of year	28,837	35,713	37,326
End of year	\$11,503	\$28,837	\$35,713



**Supplemental disclosures of other cash flow information**

Cash paid for interest	\$153	\$210	\$189
Cash paid for income taxes	730	1,491	728

**Supplemental disclosure of non-cash investing and financing activities**

Issuance of common stock under employee stock purchase plan	\$305	\$362	\$548
Purchases of property and equipment recorded in accounts payable and accrued expenses	10	30	5
Acquisition of equipment through capital leases	—	852	1,864

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

## **Marin Software Incorporated**

### **Notes to Consolidated Financial Statements**

*(dollars and share numbers in thousands, except per share data)*

#### **1. Background**

Marin Software Incorporated (the "Company") was incorporated in Delaware in March 2006. The Company provides enterprise marketing software for advertisers and agencies to integrate, align and amplify their digital advertising spend across the web and mobile devices. Offered as a unified software-as-a-service, or SaaS, advertising management platform for search, social, eCommerce and display advertising, the Company's goal is to help digital marketers convert precise audiences, improve financial performance make better decisions. The Company's corporate headquarters are located in San Francisco, California, and the Company has additional offices in the following locations: Austin, Chicago, Dublin, London, New York, Paris, Portland, Shanghai and Tokyo.

References to "2018," "2017" and "2016" shall mean the year ended December 31, 2018, the year ended December 31, 2017 and the year ended December 31, 2016, respectively. All amounts presented in these notes to the consolidated financial statements are in thousands, except where noted.

#### **2. Summary of Significant Accounting Policies**

##### ***Liquidity***

The Company has incurred significant losses in each fiscal year since its incorporation in 2006 and management expects such losses to continue over the next several years. The Company experienced net losses of \$41,244, \$31,491 and \$16,480 during 2018, 2017 and 2016, respectively. As of December 31, 2018, the Company had an accumulated deficit of \$264,713. The Company had cash, cash equivalents and restricted cash of \$11,503 as of December 31, 2018. Management expects to incur additional losses and experience negative cash flows in the future. To continue to fund operations, including research and development, the Company will need to increase revenues, lower costs and/or raise additional capital. In January 2018, the Company initiated an organizational restructuring (see Note 4), which resulted in significant cost savings in 2018 and was designed to continue to result in significant cost savings in 2019. The Company believes that its cash, cash equivalents and restricted cash will provide sufficient funds for the Company to continue as a going concern for at least 12 months from the date of issuance of these consolidated financial

statements. This determination is based on projections that are predicated on the Company achieving certain minimum levels of customers renewals and sales from its search, social, eCommerce and display advertising channels, as well as achieving a planned level of personnel costs as a result of natural headcount reductions.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

### ***Reclassifications***

When necessary, reclassifications have been made to prior period financial information to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or accumulated deficit.

### ***Reverse Stock Split and Reduction in Authorized Shares***

On October 5, 2017, the Company effected a reverse stock split of its outstanding common stock. As a result of the reverse stock split, each seven outstanding shares of the Company's common stock was combined into one outstanding share of common stock, without any change in par value. In addition, the number of authorized shares of common stock was reduced from 500,000 shares to 142,857 shares. All share and per share amounts of the Company's common stock, as well as stock options and restricted stock units ("RSUs") included in the accompanying consolidated financial statements have been presented to give effect to the reverse stock split for all periods presented.

### ***Accounting Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company is subject to uncertainties such as the impact of future events, economic and political factors and changes in the Company's business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Company's financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations and if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements. Significant estimates and assumptions by management affect the allowances for doubtful accounts and

customer revenue credits, the carrying value of long-lived assets (including goodwill and intangible assets), the useful lives of long-lived assets, the accounting for income taxes and stock-based compensation.

### ***Certain Significant Risks and Uncertainties***

The Company operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control that could have a material adverse effect on the Company's business, operating results and financial condition. These risks include, among others, the Company's history of losses and negative cash flows; the highly competitive environment in which the Company operates; the ability to maintain and increase usage rates of the Company's platform and the ability for the Company to increase demand for its solutions.

### ***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents and accounts receivable. The Company's cash and cash equivalents are placed with high-credit-quality financial institutions and issuers, and at times exceed federally insured limits. The Company has not experienced any loss relating to cash and cash equivalents in these accounts. The Company performs periodic credit evaluations of its customers and generally does not require collateral.

As of December 31, 2018, accounts receivable from one long-term strategic agreement (see Note 3) accounted for 30% of the Company's total accounts receivable, net. As of December 31, 2017, no single customer accounted for 10% or more of accounts receivable, net. No single customer accounted for 10% or more of consolidated revenues, net during the years ended December 31, 2018, 2017 and 2016.

### ***Cash and Cash Equivalents and Restricted Cash***

The Company considers all highly liquid investments with an original or remaining maturity from the Company's date of purchase of 90 days or less to be cash equivalents. Deposits held with financial institutions are likely to exceed the amount of insurance on these deposits. Cash equivalents consist of money market funds which are readily convertible into cash and have original maturity dates of less than three months from the date of their respective purchases. Cash equivalents were \$2,806 and \$8,831 as of December 31, 2018 and 2017, respectively.

Restricted cash consists of deposits held with a financial institution to secure the Company's non-cancelable lease for its corporate headquarters in San Francisco (see Note 8).

### ***Fair Value of Financial Instruments***

The Company's financial instruments, including accounts receivable, accounts payable and accrued expenses are carried at cost, which approximates fair value because of the short-term nature of those instruments. Based on borrowing rates available to the Company for loans with similar terms and maturities, and in consideration of the Company's credit risk profile, the carrying value of outstanding capital lease obligations (Note 8) approximates fair value (level 2 within the fair value hierarchy).

The Company measures and reports certain financial assets at fair value on a recurring basis, including its investments in money market funds. The fair value hierarchy prioritizes the inputs into three broad levels:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 Inputs are unobservable inputs based on the Company's assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

### *Allowances for Doubtful Accounts and Revenue Credits*

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. The Company performs a regular review of its customers' payment histories and associated credit risks and it does not require collateral from its customers. Certain contracts with advertising agencies contain sequential liability provisions, whereby the agency does not have an obligation to pay the Company until payment is received from the agency's customers. In these circumstances, the Company evaluates the credit worthiness of the agency's customers, in addition to the agency itself. The following are changes in the allowance for doubtful accounts during 2018, 2017 and 2016, respectively.

	<b>Years Ended December</b>		
	<b>31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Balances at beginning of year	\$4,028	\$3,510	\$2,188
Additions to expense	48	1,507	2,328
Write-offs and other deductions	(1,425)	(989 )	(1,006)
Balances at end of year	\$2,651	\$4,028	\$3,510

From time to time, the Company provides revenue credits to customers. These typically relate to customer disputes and billing adjustments and are recorded as a reduction of revenues, net. Reserves for these revenues credits are accounted for as variable consideration under authoritative revenue recognition guidance (see Note 3) and are estimated based on historical credit activity. As of December 31, 2018 and 2017, the Company recorded an allowance for potential customer revenue credits in the amount of \$353 and \$799, respectively.

### *Property and Equipment*

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets.

Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in operations. Major additions and improvements are capitalized while repairs and maintenance that do not extend the life of the asset are charged to operations as incurred. Depreciation and amortization expense is allocated to both cost of revenues and operating expenses.

***Internally Developed Software***

Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life, which is three years. The Company expenses all costs incurred that relate to planning and post implementation phases of development. Capitalized costs related to internally developed software under development are treated as construction in progress until the program, feature or functionality is ready for its intended use, at which time amortization commences. For 2018, 2017 and 2016, the Company capitalized \$2,129, \$2,068, and \$4,712 of costs related to internally developed software, respectively. Amortization of capitalized costs related to internally developed software was \$3,774, \$3,669, and \$2,988 for 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, unamortized internally developed software costs, including construction in progress, totaled \$6,972 and \$8,617, respectively. Amortization of internally developed software is reflected in cost of revenues. Costs associated with minor enhancements and maintenance are expensed as incurred.

### ***Goodwill, Intangible Assets and Impairment Assessments***

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Intangible assets that are not considered to have an indefinite useful life are amortized over their useful lives, which range from two to six years. Estimated remaining useful lives of purchased intangible assets are evaluated to assess whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

The Company evaluates goodwill for impairment in the fourth quarter of its fiscal year annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. For the purposes of impairment testing, the Company has determined that it has one reporting unit. The Company performs its goodwill impairment test using the simplified method, whereby the fair value of this reporting unit is compared to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then goodwill is considered impaired by an amount equal to that difference.

Due to a sustained decline in the market capitalization of the Company's common stock during the nine months ended September 30, 2018, the Company performed an interim goodwill impairment test. The outcome of this goodwill impairment test resulted in a charge for the impairment of goodwill of \$14,740, which was recorded in the consolidated financial statements for the nine months ended September 30, 2018. Similarly, the Company performed an interim goodwill impairment test in the first half of 2017 due to a decline in the market capitalization of the Company's common stock, which resulted in a charge for the impairment of \$2,797 for the year ended December 31, 2017. Refer to Note 6 for details of the Company's goodwill impairment tests.

In the fourth quarter of 2018, the market capitalization of the Company's common stock rose above the book value of the Company's net assets. Management considered that, along with other possible factors affecting the assessment of the Company's reporting unit for the purposes of performing a goodwill impairment assessment, including management assumptions about expected future revenue forecasts and discount rates, changes in the overall economy, trends in the stock price, estimated control premium and other operating conditions. Ultimately, no goodwill impairment was identified subsequent to September 30, 2018, including from the results of the Company's annual goodwill impairment test in the fourth quarter of 2018.

### ***Impairment of Long-Lived Assets***

The Company evaluates long-lived assets, excluding goodwill, for potential impairment whenever adverse events or changes in circumstances or business climate indicate that expected undiscounted future cash flows related to such long-lived assets may not be sufficient to support the net book value of such assets. An impairment loss is recognized only if the carrying value of a long-lived asset or asset group is not recoverable and exceeds its fair value. The



carrying value of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. There were no such impairment losses during 2018, 2017 or 2016.

### ***Operating Leases***

The Company's operating lease agreements include provisions for tenant improvement allowances, certain rent holidays and escalations in the base price of the rent payment. The Company defers tenant improvement allowances and amortizes the balance as a reduction to rent expense over the lease term. The Company records rent holidays and rent escalations on a straight-line basis over the lease term. Deferred rent is included in accrued expenses and other current liabilities, as well as other long-term liabilities in the accompanying consolidated balance sheets.

### ***Revenue Recognition***

The Company generates revenues principally from subscriptions either directly with advertisers or with advertising agencies to its platform for the management of search, social, eCommerce and display advertising. The Company also generates revenues from strategic agreements with certain leading publishers. Under these strategic agreements, the Company receives consideration based on a percentage of the search advertising spend that customers manage on its platform. Revenues are recognized when control of these services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

See Note 3 for further discussion on the Company's revenues.

### ***Cost of Revenues***

Cost of revenues primarily consists of costs related to hosting the Company's cloud-based platform, providing implementation and ongoing customer support, data communications expenses, salaries and benefits of operations and support personnel, software license fees, costs associated with website development activities, indirect overhead, amortization expense associated with capitalized internally developed software and intangible assets and property and equipment depreciation.

### ***Stock-Based Compensation Expense***

Stock-based compensation expense is measured at grant date based on the fair value of the award and is expensed on a straight-line basis over the requisite service period. RSUs are measured based on the fair market values of the underlying common stock on the dates of grant. Shares of common stock are issued on the vesting dates. Fair values of stock option awards are determined on the date of grant using the Black-Scholes option-pricing model. In applying this option-pricing model, the Company's determination of the fair value of the stock option award on the date of grant is affected by the Company's fair value of its common stock, as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility, actual and projected stock option exercise behaviors and risk-free interest rate.

For stock option and RSU awards with time-based vesting, the Company recognizes stock-based compensation expense over the requisite service period using the straight-line method, based on awards ultimately expected to vest. The Company estimates future forfeitures at the date of grant and revises the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

See Note 10 and Note 11 for further information.

### ***Research and Development***

Research and development costs are expensed as incurred, except for certain internal software development costs, which may be capitalized as noted above. Research and development costs consist of personnel costs, including salaries, stock-based compensation expense, benefits and bonuses, as well as non-personnel costs such as professional fees payable to third-party development resources, amortization of intangible assets and allocated overhead costs.

### ***Advertising and Promotion***

Advertising and promotional costs are expensed as incurred and included in sales and marketing expense in the accompanying consolidated statements of comprehensive loss. Advertising and promotion expense totaled \$494, \$758, and \$876 for 2018, 2017 and 2016, respectively.

### ***Sales Taxes***

Sales and other taxes collected from customers and remitted to governmental authorities are presented on a net basis and thus excluded from revenues.

### ***Foreign Currency***

For international subsidiaries whose functional currency is not the U.S. Dollar, we re-measure the monetary assets and liabilities of these subsidiaries to U.S. Dollars using rates of exchange in effect at the balance sheet date. Nonmonetary assets and liabilities are re-measured to U.S. Dollars using historical exchange rates, and other accounts are re-measured using average exchange rates in effect during each period presented. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive loss on the accompanying consolidated balance sheets, and related periodic movements are summarized as a line item in the consolidated statements of comprehensive loss.

The Company records net gains and losses resulting from foreign exchange transactions as a component of other income (expenses), net. Aggregate foreign currency gains (losses) included in determining net loss were \$205, \$(1,029) and \$(3) during 2018, 2017 and 2016, respectively.

### ***Income Taxes***

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement and tax basis of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company accounts for uncertain tax positions using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company establishes a liability for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. The Company records an income tax liability, if any, for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on the Company's tax returns. To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The liability is adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes changes to the liabilities that are considered appropriate. The Company would recognize interest and penalties related to uncertain tax positions as income tax expense, though such amounts were not material in 2018, 2017 or 2016. The Company does not expect that changes in the liability for uncertain tax positions for the next twelve months will have a material impact on the Company's consolidated financial position or results of operations.

See Note 12 for information related to the enactment of the Tax Cuts and Jobs act in December 2017.

### ***Recently Accounting Pronouncements Adopted***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), or Accounting Standards Codification 606 ("ASC 606"), which amended the existing accounting standards for revenue recognition. ASC 606 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Company adopted ASC 606 on January 1, 2018 using the modified retrospective approach, which resulted in an adjustment to accumulated deficit for the cumulative effect of applying this standard to contracts in process as of the adoption date. The only material impact of the adoption of ASC 606 on the Company's consolidated financial statements relates to the deferral of costs to both obtain and fulfill contracts, and the recognition of breakage revenues from customer advances. See Note 3 for further information on the adoption of ASC 606.

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation* (Topic 718), which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes.

The Company adopted ASU 2017-09 on January 1, 2018, and it had no impact on the Company's consolidated financial statements for the year ended December 31, 2018.

***Recent Accounting Pronouncements Not Yet Effective***

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will supersede the current lease guidance under ASC 840 and makes several changes such as requiring an entity to recognize a right-of-use asset and corresponding lease obligation on the balance sheet. ASU 2016-02 also requires enhanced disclosures of key information about leasing arrangements. This new standard is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to clarify certain guidance in ASU 2016-02 and provide entities with an optional transition method to adopt the standard by recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of the adoption date. The Company intends to adopt the new standard using the optional cumulative-effect adjustment method under ASU 2018-11 on January 1, 2019. While the evaluation of the effect of adopting this guidance on the Company's consolidated financial statements and related disclosures is ongoing, the Company expects all of its leases, including the operating leases disclosed in Note 15, will be subject to the new standard. The primary impact of this guidance is expected to be the inclusion of lease assets and lease liabilities on the consolidated balance sheet. The Company's preliminary calculation of the lease assets to be recognized upon initial adoption total between \$15,500 and \$16,500, and the preliminary calculation of the lease liabilities total between \$17,500 and \$18,500.

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (Topic 220), which allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (see Note 12). ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. The Company does not believe that this ASU will have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820), which is designed to improve the effectiveness of disclosures related to fair value measurements. ASU 2018-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. The Company is currently assessing the impact this ASU will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software* (Subtopic 35-40), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. The Company is currently assessing the impact this ASU will have on its consolidated financial statements.

### **3. Revenues**

#### ***Adoption of ASC 606***

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method applied to all contracts as of that date. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with prior revenue recognition accounting guidance.

The Company recorded a net reduction to opening accumulated deficit of \$4,235, net of tax, as of January 1, 2018 due to the cumulative impact of adopting ASC 606, with the impact primarily related to (1) the recognition of breakage revenues and (2) the deferral of incremental costs to both obtain and fulfill contracts. Refer to "ASC 606 Adoption Impact on Reported Results," below, for the impact of the adoption of ASC 606 on the Company's consolidated financial statements.

### ***Revenue Recognition***

The Company generates its revenues principally from subscriptions either directly with advertisers or with advertising agencies to its platform for the management of search, social, eCommerce and display advertising. It also generates a portion of its revenues from long-term strategic agreements with certain leading publishers. Revenues are recognized when control of these services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. The Company determines revenue recognition through the following steps:

Identification of the contract, or contracts, with a customer;

Identification of the performance obligations in the contract;

Determination of the transaction price;

Allocation of the transaction price to the performance obligations in the contract; and

Recognition of revenue when, or as, the Company satisfies a performance obligation.

### ***Subscriptions***

The Company's subscription contracts provide advertisers with access to the Company's advertising management platform. Advertisers do not have the right to take possession of the software supporting the services at any time. These contracts are generally one year or less in length. The subscription fee under most contracts consists of the greater of a minimum monthly platform fee or variable consideration based on the volume of advertising spend managed through the Company's platform at the contractual percentage of spend. The variable portion generally includes tiered pricing, whereby the percentage of spend charged decreases as the value of advertising spend increases. The tiered pricing resets monthly and is consistent throughout the contract term. The Company has concluded that this volume-based pricing approach does not constitute a future material right since the pricing tiers are consistent throughout the contract term and similar pricing is typically offered to similar classes of customers within the same geographical areas and markets. Certain subscription contracts consist of only a flat monthly platform fee. Subscription fees are generally invoiced on a monthly basis in arrears based on the actual amount of advertising spend managed on the platform. In certain limited circumstances the Company will invoice an advertiser in advance for the contractual minimum monthly platform fee for a defined future period, which is typically three to six months.

The Company's subscription services comprise a single stand-ready performance obligation satisfied over time as the advertiser simultaneously receives and consumes the benefit from the Company's performance. This performance obligation constitutes a series of services that are substantially the same and provided over time using the same

measure of progress. Revenues derived from these arrangements are recognized over time using an output method based upon the passage of time as this provides a faithful depiction of the pattern of transfer of control. Fixed minimum monthly platform fees are recognized ratably over the contract term as the single performance obligation is satisfied. Variable fees are allocated to the distinct month of the series in which they are earned because the terms of the variable payments relate specifically to the outcome from transferring the distinct time increment (month) of service and because such amounts reflect the fees to which the Company expects to be entitled for providing access to the advertising management platform for that period, consistent with the allocation objective of ASC 606.

#### *Strategic Agreements*

The Company has entered into long-term strategic agreements with certain leading search publishers. Under these strategic agreements, the Company receives consideration based on a percentage of the search advertising spend that its customers manage on its platform. These strategic agreements are generally billed on a quarterly basis.



The majority of the Company's strategic agreement revenue is concentrated to one revenue share agreement, executed with Google in December 2018, but with an effective date of October 1, 2018. Under this agreement, which constitutes a single performance obligation, the Company receives both fixed and variable revenue share payments based on a percentage of the search advertising spend that is managed through the Company's platform. The agreement requires the Company to reinvest a specified percentage of these revenue share payments to drive its search technology platform innovation. The performance obligation is satisfied over time ratably over the contractual term of two years, since Google simultaneously receives and consumes the benefit from the Company's performance, using an output method method based upon the passage of time, as this provides a faithful depiction of the pattern of transfer of control. The agreement carries a three-year term; however, the term after two years is cancellable by Google with no penalty if the Company does not meet certain financial metrics, and the Company evaluated the agreement as a two-year agreement with one optional renewal year.

The Company evaluates the total amount of variable revenue share payments expected to be earned from this agreement by using the expected value method, as it believes this method represents the most appropriate estimate for this consideration, based on historical service trends, the individual contract considerations and the Company's best judgment at the time. The Company includes estimates of variable consideration in revenues only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. For the year ended December 31, 2018, the Company recognized \$2,933 as revenues from this one revenue share agreement. As of December 31, 2018, the Company expects to recognize revenues totaling approximately \$11,709 and \$8,781 for the years ending December 31, 2019 and 2020, respectively, related to remaining performance obligations under the agreement.

### *Disaggregation of Revenues*

Revenues by geographic area, based on the billing location of the customer, were as follows for the periods presented:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017<sup>(1)</sup></b>	<b>2016<sup>(1)</sup></b>
United States of America	\$40,907	\$49,637	\$69,220
United Kingdom	7,664	9,556	11,083
Other <sup>(2)</sup>	10,060	15,798	19,575
Total revenues, net	\$58,631	\$74,991	\$99,878

(1) Revenues, net for the years ended December 31, 2017 and 2016 were not adjusted, as the Company adopted ASC 606 using the modified retrospective method.

(2) No individual country within the "Other" category accounted for 10% or more of revenues, net for any period presented.

Revenues by nature of services performed were as follows for the periods presented:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017<sup>(1)</sup></b>	<b>2016<sup>(1)</sup></b>
Subscriptions	\$54,532	\$73,453	\$97,486
Strategic agreements	4,099	1,538	2,392
Total revenues, net	\$58,631	\$74,991	\$99,878

(1) Revenues, net for the years ended December 31, 2017 and 2016 were not adjusted, as the Company adopted ASC 606 using the modified retrospective method.

### ***Contract Balances***

#### *Accounts receivable, net*

The timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable are recorded at the invoice amount, net of any necessary allowances for doubtful accounts and revenue credits. A receivable is recognized in the period the Company provides the underlying services or when the right to consideration is unconditional. The balance of accounts receivable, net of the allowances for doubtful accounts and revenue credits, as of December 31, 2018 and 2017 is presented in the accompanying consolidated balance sheets. Included in the balance of accounts receivable, net as of December 31, 2018 was \$3,867 related to the revenue share agreement executed with Google in December 2018.

#### *Customer advances*

The Company records advances from customers for cash payments that are received in advance of its performance of the underlying services. These services are contracted on a weekly basis and cash payments are generally received on a weekly basis at amounts that are at the discretion of the customers, based on established advertising budgets. The unused portion of these advances from customers is included within accruals and other current liabilities on the accompanying consolidated balance sheets.

Under the Company's terms of service, individual customer advances that are not used by, requested for or refunded to the customer for a period of 180 days become the property of the Company. The Company recognizes these advances from customers that have remained outstanding for this period of time as breakage revenues, as at that point the

Company has received full consideration and has no remaining obligations to the customer. The Company recorded historical breakage revenues up to January 1, 2018 of \$1,445 as an adjustment to opening accumulated deficit, resulting in a customer advances balance of \$558 as of January 1, 2018. That entire balance was recognized as revenue for the year ended December 31, 2018, and customer advances totaled \$432 as of December 31, 2018. The Company recognized \$213 of breakage revenues for the year ended December 31, 2018.

*Deferred Strategic Agreement Revenues*

Due to the timing of revenue recognition on the Company's long-term strategic agreement with Google, the contractual billings exceed revenue recognized to date, resulting in a contract liability. As of December 31, 2018, the Company recorded deferred strategic agreement revenues of \$934 within accrued expenses and other current liabilities on the accompanying consolidated balance sheet.

***Costs to Obtain and Fulfill Contracts***

The Company capitalizes certain contract acquisition costs, consisting primarily of commissions paid and the related payroll taxes that are incremental to obtaining customer contracts, when customer contracts are signed ("deferred costs to obtain contracts").

The Company also capitalizes certain contract fulfillment costs, consisting primarily of on-boarding and integration services for new and existing customers performed by the Company's professional services team. The professional services payroll and the related fringe benefits that are directly related to fulfilling customer contracts are capitalized ("deferred costs to fulfill contracts").

The deferred costs to obtain and fulfill contracts are amortized based on the expected period of benefit, which the Company determined to be three years. This period of benefit was determined by taking into consideration the duration of the Company's customer contracts, historical contract renewal rates, the underlying technology and other factors. Amortization expense for deferred sales commissions and deferred contract fulfillment costs is included in sales and marketing expense and cost of sales, respectively, on the accompanying consolidated statements of operations.

The Company classifies deferred costs to obtain and fulfill contracts as current or non-current based on the timing of when the related amortization expense is expected to be recognized. The current portion of these deferred costs is included in prepaid expenses and other current assets, while the non-current portion is included in other non-current assets on the accompanying consolidated balance sheets. Changes in the balances of deferred costs to obtain and fulfill contracts during the year ended December 31, 2018 were as follows:

	<b>Deferred Costs to Obtain Contracts</b>	<b>Deferred Costs to Fulfill Contracts</b>
Balances at January 1, 2018, as adjusted for adoption of ASC 606	\$ 1,760	\$ 880
Costs deferred	1,094	330
Amortization	(1,441 )	(604 )
Balances at December 31, 2018	\$ 1,413	\$ 606

***ASC 606 Adoption Impact on Reported Results***

The following table reflects the accounts impacted by the adoption of ASC 606 on the Company's consolidated balance sheet at December 31, 2018:

	<b>December 31, 2018</b>		
	<b>As Reported</b>	<b>Balances Without Adoption of ASC 606</b>	<b>Effect of Change Higher/(Lower)</b>
<b>Assets</b>			
Prepaid expenses and other current assets	\$4,642	\$3,482	\$ 1,160
Other non-current assets	2,045	1,186	859
<b>Liabilities</b>			
Accrued expenses and other current liabilities	\$9,383	\$12,125	\$ (2,742 )
<b>Stockholders' equity</b>			
Accumulated deficit	\$(264,713)	\$(267,456)	\$ 2,743

The following tables reflects the impact of the adoption of ASC 606 on the Company's consolidated statement of operations for the year ended December 31, 2018:

	<b>Year Ended December 31, 2018</b>		
	<b>As Reported</b>	<b>Balances Without Adoption of ASC 606</b>	<b>Effect of Change Higher/(Lower)</b>
Revenues, net	\$58,631	\$59,352	\$ (721 )
Cost of revenues	27,154	26,880	274
Gross profit	31,477	32,472	(995 )
<b>Operating expenses</b>			
Sales and marketing	23,425	23,078	347
Research and development	22,450	22,450	—
General and administrative	13,113	13,113	—
Impairment of goodwill	14,740	14,740	—
Total operating expenses	73,728	73,381	347
Loss from operations	(42,251)	(40,909 )	(1,342 )
Other income, net	1,593	1,593	—
Loss before provision for income taxes	(40,658)	(39,316 )	(1,342 )
Provision for income taxes	(586 )	(586 )	—
Net loss	\$(41,244)	\$(39,902 )	\$ (1,342 )
Net loss per share available to common stockholders, basic and diluted	\$(7.13 )	\$(6.90 )	\$ (0.23 )

### ***Practical Expedients and Exemptions***

The Company does not disclose the value of unsatisfied performance obligations on its subscription contracts and its long-term strategic agreements, other than the revenue share agreement with Google, since its contracts generally have

an original expected term of one year or less.

#### 4. Restructuring Activities

##### *2018 Restructuring Plan*

On January 24, 2018, the Company initiated an organizational restructuring plan (the "2018 Restructuring Plan") designed to reduce operating expenses in response to declines in revenues and to better align the Company's efforts to return to growth. The 2018 Restructuring Plan included a headcount reduction of approximately 13% of the Company's workforce, the closure of certain leased facilities and the consolidation of space in the Company's San Francisco headquarters. Actions pursuant to the 2018 Restructuring Plan were substantially completed as of December 31, 2018, and further associated costs are not expected to be material in future periods. The Company initiated certain other organizational restructuring plans during 2018 which also aimed to reduce operating expenses and primarily consisted of headcount reductions. For the year ended December 31, 2018, the Company recorded \$1,276 of restructuring related expenses in connection with the 2018 Restructuring Plan, as well as other organizational restructuring plans, in the accompanying consolidated statements of operations. No associated costs remained unpaid as of December 31, 2018.

##### *2016 Restructuring Plan*

During 2016, the Company executed an organizational restructuring (the "2016 Restructuring Plan") primarily to improve cost efficiencies and effectiveness in sales. The Company recorded \$596 of restructuring related expenses in connection with the 2016 Restructuring Plan for the year ended December 31, 2016. Actions pursuant to the 2016 Restructuring Plan were complete as of December 31, 2016, and there were no associated costs during the years ended December 31, 2018 and 2017.

#### 5. Balance Sheet Components

The following table shows the components of property and equipment as of the dates presented:

	December 31,	
Estimated Useful Life	2018	2017

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Computer equipment	3 to 4 years	\$27,781	\$29,938
Software, including internally developed software	3 years	25,518	23,389
Leasehold improvements	Shorter of useful life or lease term	4,778	4,617
Office equipment, furniture and fixtures	3 to 5 years	2,140	2,127
Total property and equipment		60,217	60,071
Less: Accumulated depreciation and amortization		(48,402)	(44,512)
Property and equipment, net		\$11,815	\$15,559

Depreciation and amortization of internally developed software for 2018, 2017 and 2016 was \$6,432, \$8,427, and \$9,023, respectively.

The following table shows the components of accrued expenses and other current liabilities as of the dates presented:

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
Accrued salary and payroll-related expenses	\$3,695	\$4,372
Deferred strategic agreement revenues (Note 3)	934	—
Income taxes payable	883	142
Accrued liabilities	866	2,161
Advanced billings	859	459
Deferred rent	538	475
Customer advances (Note 3)	432	2,003
Sales and use tax payable	244	341
Other	932	521
Total accrued expenses and other current liabilities	\$9,383	\$10,474

## 6. Goodwill and Intangible Assets

The goodwill balance as of December 31, 2018 of \$1,943 is the result of prior business acquisitions. Due to a continued stock price decline, the Company's market capitalization decreased to a value below the net book value of the Company's net assets during the nine months ended September 30, 2018, triggering the Company to perform an interim goodwill impairment test at that time. The Company measures goodwill impairment as the amount by which the carrying amount of a reporting unit exceeds its fair value.



For the purposes of the goodwill impairment test performed on September 30, 2018, the Company estimated the fair value of its sole reporting unit using the market approach. Under the market approach, the Company utilized an average market capitalization of its fully diluted common stock during the month prior to and subsequent to September 30, 2018, and applied an estimated control premium based on an analysis of control premiums paid in recent acquisitions of companies in the same or similar industries as the Company. Because the significant inputs used in this analysis are readily available from public markets or can be derived from observable market transactions, they have been classified as level 2 within the fair value hierarchy (Note 7). Based on this analysis, the Company determined that the carrying value of its sole reporting unit exceeded its fair value by \$14,740, which has been recorded as an impairment of goodwill in the consolidated financial statements for the year ended December 31, 2018, in the third quarter.

Similarly, there was a sustained decline in the Company's stock price in the six months ended June 30, 2017, triggering the Company to perform an interim goodwill impairment test at that time. Using the market approach, the Company utilized the average market capitalization of its fully diluted common stock during the month prior to and subsequent to June 30, 2017, and applied an estimated control premium based on an analysis of control premiums paid in recent acquisitions of companies in the same or similar industries as the Company. The inputs used in this analysis have also been classified as level 2 within the fair value hierarchy. Based on this analysis, the Company determined that the carrying value of its sole reporting unit exceeded its fair value by \$2,797, which was recorded as an impairment of goodwill in the consolidated financial statements for the year ended December 31, 2017, in the second quarter.

No goodwill impairment was identified during the three months ended December 31, 2018, including as a result of the Company's annual goodwill impairment test in the fourth quarter.

The goodwill activity for the year ended December 31, 2018 consisted of the following:

Balance at December 31, 2017	\$ 16,768
Impairment	(14,740)
Foreign currency translation adjustments	(85 )
Balance at December 31, 2018	\$ 1,943

Intangible assets consisted of the following as of the dates presented:

	<b>Estimated Useful Life</b>	<b>December 31,</b>	
		<b>2018</b>	<b>2017</b>
Developed technology	5 to 6 years	\$9,910	\$9,910
Customer relationships	4 years	2,080	3,370
Tradename	3 years	—	1,390
Total intangible assets		11,990	14,670

Less: accumulated amortization	(10,052)	(10,195)
Intangible assets, net	\$1,938	\$4,475

Amortization expense for 2018, 2017 and 2016 was \$2,537, \$2,850, and \$3,080.

Future estimated amortization of intangible assets as of December 31, 2018 is presented below:

Year ending December 31, 2019	\$1,843
Year ending December 31, 2020	95
Total	\$1,938

## 7. Fair Value Measurements

Account balances measured at fair value on a recurring basis include the following as of the dates presented:

	December 31, 2018			2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Cash equivalents</b>						
Money market funds	\$2,806	\$ —	\$ —	\$8,831	\$ —	\$ —

The Company's cash equivalents as of December 31, 2018 and 2017 consisted of money market funds that are classified as level 1. The fair value of the Company's money market funds approximated amortized cost and, as such, there were no unrealized gains or losses on money market funds as of December 31, 2018 and 2017.

## 8. Capital Lease Obligations

At various dates between August 2015 and September 2017, the Company entered into nine separate capital lease arrangements with an equipment manufacturer to finance the acquisition of additional computer equipment. These leases have effective annual interest rates between 5.7% and 7.9% and are repayable in 36 to 48 consecutive equal

monthly installments of principal and interest. At the end of the lease periods for these capital lease arrangements, the Company has the option to purchase the underlying equipment at the estimated fair market value or for a nominal amount.

In September and October 2016, the Company entered into two capital lease arrangements with a different equipment manufacturer to finance the acquisition of additional computer equipment. These leases have an effective annual interest rate of 5.2% and are repayable in 48 consecutive equal monthly installments of principal and interest. At the end of the lease periods of both leases, the Company has the option to purchase or renew the lease for the underlying equipment at the estimated fair market value.

As of December 31, 2018 and 2017, the net book value of the computer equipment under all capital leases was \$2,003 and \$2,861, respectively, and the remaining principal balance payable was \$1,798 and \$3,103, respectively. The capital leases are collateralized by the underlying computer equipment.

Future minimum capital lease payments as of December 31, 2018 are as follows:

<b>Year Ending</b>	
December 31, 2019	\$1,324
December 31, 2020	552
December 31, 2021	11
Total	1,887
Less: Amount representing interest	(89 )
Present value of capital lease obligations	1,798
Less: Current portion of capital lease obligations	(1,249)
Non-current portion of capital lease obligations	\$549

In connection with its non-cancelable lease for its corporate headquarters in San Francisco, the Company maintains a standby letter of credit agreement for \$1,293 with Silicon Valley Bank. The Company is required to separately restrict from use \$1,293 in cash held at Silicon Valley Bank to secure this letter of credit. This balance has been classified as restricted cash on the consolidated balance sheets.

## 9. Common Stock

As of December 31, 2018 and 2017, the Company's amended certificate of incorporation authorizes the issuance of 142,857 shares of \$0.001 par value common stock, and 10,000 shares of \$0.001 par value convertible preferred stock. Reserved shares of common stock are as follows for the dates presented:

**December 31,**

	2018	2017
Options or RSUs available for future grant under stock option plans	896	999
Options outstanding under stock option plans	436	436
RSUs outstanding under stock option plans	834	568
Shares available for future issuance under employee stock purchase plan	153	182
Total	2,319	2,185

## 10. Equity Award Plans

In April 2006, the Company's Board of Directors (the "Board") adopted and the stockholders approved the 2006 Stock Option Plan ("2006 Plan"), which provided for the grant of incentive and non-statutory stock options. In February 2013, the Board adopted and the stockholders approved the 2013 Equity Incentive Plan ("2013 Plan"), which became effective on March 21, 2013. At that time, the Company ceased to grant equity awards under the 2006 Plan. Under the 2013 Plan, 643 shares of common stock were originally reserved for issuance. Additionally, all reserved and unissued shares under the 2006 Plan are eligible for issuance under the 2013 Plan. The 2013 Plan authorizes the award of incentive and non-statutory stock options, restricted stock awards, stock appreciation rights, RSUs, performance awards and stock bonuses to the Company's employees, directors, consultants, independent contractors and advisors. On January 1 of each of the first 10 calendar years through 2023, the number of shares of common stock reserved under the 2013 Plan will automatically increase by an amount equal to 5% of the total outstanding shares as of immediately preceding December 31, or such lesser number of shares as determined by the Board. Pursuant to terms of the 2013 Plan, the shares available for issuance increased by 297 shares of common stock on January 1, 2019.

### *Stock Options*

Under the 2006 Plan and the 2013 Plan, the term of options granted may not exceed ten years. Unless the terms of an optionee's stock option agreement provide otherwise, if an optionee's service relationship with the Company, or any of its affiliates, ceases for any reason other than disability or death, the optionee may exercise the vested portion of any options for three months after the date of such termination. If an optionee's service relationship with the Company, or any of its affiliates, ceases due to disability or death (or an optionee dies within a certain period following cessation of service), the optionee or a beneficiary may exercise any vested options for a period of 12 months. In no event, however, may an option be exercised beyond the expiration of its term.

A summary of stock option activity under the 2006 Plan and the 2013 Plan is as follows:

	Options Outstanding			Aggregate Intrinsic Value
	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)	
<b>Balance at December 31, 2015</b>	851	\$ 53.06	7.85	\$ 957
Options granted	172	18.62	6.82	
Options exercised	(38 )	10.36	—	
Options forfeited and cancelled	(449)	54.53	—	
<b>Balance at December 31, 2016</b>	536	\$ 43.83	7.48	\$ 194
Options granted	79	11.66	9.35	
Options forfeited and cancelled	(179)	44.82	—	
<b>Balance at December 31, 2017</b>	436	\$ 37.60	7.04	\$ 65
Options granted	122	7.06	7.93	
Options forfeited and cancelled	(122)	37.55	—	
<b>Balance at December 31, 2018</b>	436	\$ 29.01	6.79	\$ —
Options exercisable as of December 31, 2018	289	38.65	5.76	—
Options vested as of December 31, 2018	289	38.64	5.76	—
Options vested and expected to vest as of December 31, 2018	423	29.58	6.73	—

The intrinsic value of options exercised during 2016 was \$328. The total estimated fair value of options vested during 2018, 2017 and 2016 was \$778, \$1,451, and \$5,424, respectively.

### RSUs

A summary of RSU activity under the 2013 Plan is as follows:

	RSUs Outstanding	
	Number of Shares	Weighted Average Grant Date Fair Value Per Unit
<b>Granted and unvested at December 31, 2015</b>	175	\$ 65.52
RSUs granted	446	18.76

RSUs vested	(30 )	50.33
RSUs cancelled	(162)	30.80
<b>Granted and unvested at December 31, 2016</b>	<b>429</b>	<b>\$ 21.48</b>
RSUs granted	405	10.56
RSUs vested	(78 )	21.29
RSUs cancelled and withheld to cover taxes	(188)	19.97
<b>Granted and unvested at December 31, 2017</b>	<b>568</b>	<b>\$ 14.22</b>
RSUs granted	709	6.34
RSUs vested	(123)	14.87
RSUs cancelled and withheld to cover taxes	(320)	12.75
<b>Granted and unvested at December 31, 2018</b>	<b>834</b>	<b>\$ 7.99</b>

### *Employee Stock Purchase Plan*

In February 2013, the Board and stockholders approved the 2013 Employee Stock Purchase Plan ("2013 ESPP"), under which 143 shares of common stock were originally reserved for issuance. The 2013 ESPP became effective on March 22, 2013. The 2013 ESPP provides generally for six-month purchase periods and the purchase price for shares of common stock purchased under the 2013 ESPP is 85% of the lesser of the fair market value of the common stock on (1) the first trading day of the applicable offering period and (2) the last trading day of each purchase period in the applicable offering period. On January 1 of each of the first 10 calendar years following the first offering date, the number of shares reserved under the 2013 ESPP automatically increases by an amount equal to 1% of the total outstanding shares as of the immediately preceding December 31, but not to exceed 100 shares. Pursuant to the terms of the 2013 ESPP, the shares available for issuance increased by approximately 59 shares on January 1, 2019. During 2018 and 2017, 86 and 43 shares, respectively, were issued under the 2013 ESPP.

## **11. Stock-Based Compensation Expense**

The Company recorded stock-based compensation expense of \$3,971, \$4,704 and \$10,295 for 2018, 2017 and 2016, respectively.

**Stock Options**

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options. This model requires the input of highly subjective assumptions including the expected volatility, risk-free interest rate and the expected life of options. The Company used the following assumptions for its Black-Scholes option-pricing model for the periods presented:

	<b>Years Ended December</b>		
	<b>31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Dividend yield	—	—	—
Expected volatility	55.9%	47.3 %	47.5 %
Risk-free interest rate	2.54%	2.03 %	1.38 %
Expected life of options (in years)	4.00	6.25	6.25
Weighted-average grant-date fair value	\$3.20	\$5.61	\$8.82
Weighted-average grant-date exercise price	\$7.06	\$11.66	\$18.62

Starting in 2018, the Company began estimating the expected volatility of its common stock and expected life of its stock options based on its own historical experience. The expected volatility reflects the actual historical volatility of the price of the Company's common stock since it began trading publicly in March 2013. The expected life represents the period of time that stock options are expected to be outstanding, based on historical exercise and employee departure behavior. Prior to 2018, the Company estimated its expected volatility using the historical stock volatilities of similar publicly-traded companies, and estimated the expected life based on the simplified method. The Company has no history or expectation of paying cash dividends on its common stock. The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the options in effect at the time of grant.

The Company recognized stock-based compensation expense only for those shares expected to vest over the requisite service period of the underlying award. The company determines its estimated forfeiture rate based on an analysis of its actual forfeitures and will continue to evaluate the appropriateness of the forfeiture rate based on recent forfeiture activity and expected future employee turnover, if any. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the cumulative effect of adjusting the rate for all expense is recognized in the period the forfeiture estimate is changed. No compensation cost is recorded for stock options that do not vest, and the compensation cost for vested stock options, whether forfeited or not, is not reversed.

There were no exercises of stock options in 2018 and 2017. Cash proceeds from the exercise of stock options were \$390 in 2016. As of December 31, 2018 and 2017, there was \$518 and \$934, respectively, of unrecognized compensation cost, adjusted for estimated forfeitures, related to options, which is expected to be recognized over a weighted-average period of 1.8 and 1.6 years, respectively.



**RSUs**

As of December 31, 2018 and 2017, there was \$4,852 and \$6,428, respectively, of unrecognized compensation cost, adjusted for estimated forfeitures, related to RSUs, which is expected to be recognized over a weighted-average period of 2.5 and 2.1 years, respectively. The Company uses the fair market value of the underlying common stock on the dates of grant to determine the fair value of RSUs.

**Employee Stock Purchase Plan**

The Company estimates the fair value of purchase rights under the 2013 ESPP using the Black-Scholes valuation model. The fair value of each purchase right under the 2013 ESPP was estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach with assumptions substantially similar to those used for the valuation of stock option awards, with the exception of the expected life, which was determined to be six months. This is consistent with the purchase periods under the 2013 ESPP.

**12. Income Taxes**

The components of the Company's loss before provision for income taxes were as follows:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
United States of America	\$(25,375)	\$(15,740)	\$(7,595 )
International	(15,283)	(14,744)	(7,481 )
Loss before provision for income taxes	\$(40,658)	\$(30,484)	\$(15,076)

The components of the provision for income taxes were as follows:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Current income tax provision			
Federal	\$—	\$—	\$—
State	44	64	58
Foreign	940	1,301	1,708
Total current income tax provision	984	1,365	1,766
Deferred income tax benefit			
Federal	—	—	—
State	—	—	—
Foreign	(398)	(358 )	(362 )
Total deferred income tax benefit	(398)	(358 )	(362 )
Provision for income taxes	\$586	\$1,007	\$1,404

The differences in the total provision for income taxes that would result from applying the 21% federal statutory rate in 2018, and the 34% federal statutory rate in 2017 and 2016, to the loss before provision for income taxes and the reported provision for income taxes were as follows:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Tax benefit at U.S. statutory rate	\$(8,538)	\$(10,365)	\$(5,126)
Foreign income and withholding taxes	4,247	5,578	4,317
Other permanent differences	3,807	974	—
State income taxes, net of federal benefit	(1,766)	(2,858 )	(147 )
Change in valuation allowance	1,402	(8,158 )	155
Stock-based compensation	847	1,085	2,231
Research and development credits	(822 )	(382 )	(736 )
Provision to return adjustments	658	153	(484 )
Uncertain tax positions	224	1,995	1,146
Impact of change to U.S. statutory rate from Tax Cuts and Jobs Act	—	14,302	—
Recognition of tax windfalls related to stock-based compensation	—	(1,291 )	—
Other	527	(26 )	48
Provision for income taxes	\$586	\$1,007	\$1,404

Major components of the Company's deferred tax assets (liabilities) as of December 31, 2018 and 2017 are as follows:

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
Net operating loss	\$27,192	\$25,002

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Research and development credits	9,308	8,757
Stock-based compensation	2,519	2,796
Accruals and reserves	513	1,656
Property and equipment and intangible assets	(342 )	(710 )
Other	3,272	3,161
Net deferred tax assets	42,462	40,662
Valuation allowance	(42,626)	(41,224)
Total non-current net deferred tax liabilities, net of valuation allowance	\$(164 )	\$(562 )

The Tax Reform Act of 1986, as amended, imposes restrictions on the utilization of net operating losses and tax credit carryforwards in certain situations where changes occur in the stock ownership of a corporation. Utilization of a domestic net operation loss or tax credit carryforward may be subject to a substantial limitation due to ownership changes that may have occurred or that could occur in the future, as required by Internal Revenue Code Section 382 ("IRC Section 382"), as well as similar state provisions. Accordingly, a company's ability to use net operating losses may be limited as prescribed under IRC Section 382. Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. The Company last assessed the application of IRC Section 382 during the fourth quarter of 2017 and concluded that no such limitation currently applies. These conclusions are monitored in future periods as circumstances dictate, such as significant changes in the Company's stock ownership. In the event the Company experiences any subsequent changes in ownership, the amount of net operating losses and research and development credit carryovers available in any taxable year could be limited and may expire unutilized.

As of December 31, 2018, the Company had federal and state net operating loss carryforwards of approximately \$117,816 and \$98,993, respectively. The federal net operating loss carryforward will begin expiring in 2026 and the state net operating loss carryforward will begin expiring in 2022. As of December 31, 2018, the Company had federal and state research and development credits of approximately \$6,328 and \$7,084, respectively. The federal research and development credits will begin expiring in 2026. The state research and development credits are not currently subject to expiration.

The Company has recorded a full valuation allowance against its otherwise recognizable deferred income tax assets as of December 31, 2018 and 2017 (except for the deferred income tax assets associated with certain of the Company's foreign subsidiaries). The Company has determined, after evaluating all positive and negative historical and prospective evidence, that it is more likely than not that the deferred income tax assets will not be realized (except for those associated with certain of the Company's foreign subsidiaries). The valuation allowance increased by \$1,402 for the year ended December 31, 2018, decreased by \$8,158 for the year ended December 31, 2017 and increased by \$469 for the year ended December 31, 2016.

The Company files federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. These audits include questioning the timing and amount of deduction, the nexus of income among various tax jurisdictions and compliance with state, local and foreign tax laws. The Company is not currently under any examination by any federal, state or foreign tax authorities. Because of net operating loss and credit carryforwards, all of the Company's tax years dating to inception in 2006 remain open to examination.

#### *Uncertain Tax Positions*

As of December 31, 2018 and 2017, the Company had uncertain tax positions of \$1,203 and \$1,610, respectively, that if recognized would impact the annual effective tax rate. During 2018, 2017 and 2016, the Company did not have any material interest or penalties related to uncertain tax positions. The aggregate changes in the balance of gross uncertain tax positions were as follows:

<b>Ending balance as of December 31, 2015</b>	\$7,558
Decrease in balances related to tax positions taken during the current period	(2 )
Increase in balances related to tax positions taken during the prior period	1,240
<b>Ending balance as of December 31, 2016</b>	8,796
Increase in balances related to tax positions taken during the current period	1,738
Decrease in balances related to tax positions taken during the prior period	(9 )
Decrease in balances due to change in United States statutory rate	(2,101)
<b>Ending balance as of December 31, 2017</b>	8,424
Increase in balances related to tax positions taken during the current period	778
Decrease in balances related to tax positions taken during the prior period	(812 )
<b>Ending balance as of December 31, 2018</b>	\$8,390

The Company does not anticipate that the amount of uncertain tax positions relating to tax positions existing at December 31, 2018 will materially increase or decrease within the next twelve months.

#### *The Tax Cuts and Jobs Act*

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act ("TCJA"), which instituted fundamental changes to the taxation of multinational corporations, including, but not limited to: (1) a reduction of the U.S. federal corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017; (2) the creation of new minimum taxes such as the base erosion anti-abuse tax ("BEAT") and Global Intangible Low Taxed Income ("GILTI") tax and (3) the transition of international taxation from a worldwide tax system to a modified territorial system, which will result in a one time U.S. tax liability on those earnings which have not previously been repatriated to the U.S. ("Transition Tax"). As a result of the reduced corporate income tax rate, the Company re-measured its deferred tax assets and liabilities and reduced them by \$18,696 and \$4,394, respectively, with a corresponding net adjustment to the valuation allowance of \$14,302 for the year ended December 31, 2017.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. SAB 118 provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting. The Company completed its analysis of the TCJA's income tax effects during the year ended December 31, 2018. In accordance with SAB 118, the TCJA-related income tax effects that were initially reported as provisional estimates were refined as additional analysis was performed. The impact of completing the analysis of the effects of the TCJA did not have a material impact on the Company's consolidated financial statements for the year ended December 31, 2018.

The BEAT provisions in the TCJA essentially represent a 10% minimum tax (5% for tax years beginning after December 31, 2017, increasing to 10% for years beginning after December 31, 2018) calculated on a base equal to taxpayer's income determined without tax benefits arising from base erosion payments. BEAT does not apply to corporations with annual gross receipts for the three-taxable-year period, ending with the preceding taxable year, of less than \$500,000. As a result, BEAT does not apply to the Company for the year ending December 31, 2018.

In addition, the TCJA imposes a U.S. tax on GILTI that is earned by certain foreign subsidiaries, and requires U.S. corporations to elect an accounting policy to either recognize GILTI as a current period expense when incurred or to record deferred taxes for the temporary basis differences expected to reverse in the future as GILTI. The Company did not incur income tax associated with GILTI for the year ended December 31, 2018, but elected to recognize GILTI tax as a period cost in the future, as applicable.

The Transition Tax is imposed on previously untaxed historical earnings and profits of foreign subsidiaries. Based on an evaluation of the Company's operations, no repatriation tax charge was assessed on its U.S. income tax return for the year ended December 31, 2017 due to negative earnings and profits in the Company's foreign subsidiaries.

### **13. Net Loss Per Share Available to Common Stockholders**

Basic net loss of common stock is calculated by dividing the net loss available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted-average number of shares of common stock excludes those shares subject to repurchase related to stock options or restricted stock that were exercised or issued, respectively, prior to vesting, as those shares are not deemed to be outstanding for accounting purposes until they vest. Diluted net loss per share of common stock is computed by dividing the net loss using the weighted-average number of shares of common stock, excluding common stock subject to repurchase, and, if dilutive, potential shares of common stock outstanding during the period. Basic and diluted net loss per share was the same for all periods presented, as the impact of all potentially dilutive securities outstanding was anti-dilutive.

The following table presents the calculation of basic and diluted net loss per share:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Numerator:</b>			
Net loss available to common stockholders	\$(41,244)	\$(31,491)	\$(16,480)
<b>Denominator:</b>			
Weighted average number of shares, basic and diluted	5,783	5,638	5,474
<b>Net loss per share available to common stockholders:</b>			
Basic and diluted net loss per common share available to common stockholders	\$(7.13 )	\$(5.59 )	\$(3.01 )

The following table presents the potential common shares outstanding that were excluded from the computation of diluted net loss per share of common stock for the periods presented because including them would have been anti-dilutive:

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Options to purchase common stock	436	436	536
RSUs	834	568	429
Common stock subject to repurchase	—	—	1
Total	1,270	1,004	966

#### 14. Segment Reporting

The Company defines the term "chief operating decision maker" to be the Chief Executive Officer. The Chief Executive Officer reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it operates as a single reportable and operating segment.

See Note 3 for the Company's revenues by geographic area, based on the billing location of the customer, and by service for the periods presented. Long-lived assets, excluding goodwill and intangible assets, by geographic area, were as follows for the periods presented:

**December 31,**

	<b>2018</b>	<b>2017</b>
United States of America	\$11,483	\$15,069
International	332	490
Total long-lived assets, net	\$11,815	\$15,559

## 15. Commitments and Contingencies

### *Operating Leases*

Rent expense for 2018, 2017 and 2016 was \$8,420, \$8,519, and \$8,760, respectively.

The Company has leased office space in San Francisco, Austin, Chicago, Dublin, London, New York, Paris, Portland, Shanghai and Tokyo under non-cancelable operating leases, which expire between 2019 and 2024. Additionally, the Company leases the space utilized for data center operations.

The Company also maintains sublease agreements with for portions of its San Francisco and Portland office spaces. In August 2018, the Company entered into agreements to (a) extend its existing sublease for a portion of its San Francisco office space through July 2022, and (b) sublease an additional 14,380 square feet of its San Francisco office space to an unrelated third party through July 2020, with a subtenant option to extend the sublease through July 2022. The Company's sublease for its Portland office space is with an unrelated third party and expires in May 2020. Income from these sublease agreements is included in other income (expenses) on the consolidated statements of comprehensive loss. Sublease income for the years ended December 31, 2018, 2017 and 2016 was \$1,463, \$1,096 and \$753, respectively.

Future minimum lease payments for significant non-cancelable operating leases and the related sublease income as of December 31, 2018 were as follows:

<b>Year Ending</b>	<b>Operating Lease Expense</b>	<b>Operating Sublease Income</b>
December 31, 2019	\$ 8,239	\$ 2,249
December 31, 2020	3,691	1,768
December 31, 2021	3,427	1,105
December 31, 2022	2,194	616
December 31, 2023	362	—
Thereafter	90	—



Total	\$ 18,003	\$ 5,738
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### ***Legal Matters***

From time to time, the Company may be involved in lawsuits, claims, investigations and proceedings, consisting of intellectual property, commercial, employment and other matters, which arise in the ordinary course of business. In accordance with GAAP, the Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, ruling, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable. If any unfavorable ruling were to occur in any specific period or if a loss becomes probable and estimable, there exists the possibility of a material adverse impact on the Company's results of operations, financial position or cash flows.

### ***Indemnification***

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to the agreements, each party may indemnify, defend and hold the other party harmless with respect to such claim, suit or proceeding brought against it by a third party alleging that the indemnifying party's intellectual property infringes upon the intellectual property of the third party, or results from a breach of the indemnifying party's representations and warranties or covenants, or that results from any acts of negligence or willful misconduct. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of December 31, 2018 and 2017.

The Company also indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The maximum amount of potential future indemnification is unlimited; however, the Company has a Directors and Officers insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts paid. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of December 31, 2018 and 2017.

### ***Other Contingencies***

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company's management does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

## **16. Employee Benefit Plans**

The Company sponsors a 401(k) defined contribution plan covering all employees in the United States. The Board determines contributions made by the Company annually. The Company made no contributions under this plan for 2018, 2017 and 2016.

The Company also sponsors a statutorily required defined contribution pension plan covering all employees in the United Kingdom. The Company made contributions to this plan of \$87, \$75 and \$85 during the years ended December 31, 2018, 2017 and 2016, respectively.

## **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 14, 2019.

### **MARIN SOFTWARE INCORPORATED**

By: /s/ Bradley W. Kinnish  
Bradley W. Kinnish

*Chief Financial Officer*

**POWER OF ATTORNEY**

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christopher A. Lien and Bradley W. Kinnish, and each of them, as his or her true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him or her and in his or her name, place or stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the date indicated:

Name	Title	Date
/s/ Christopher A. Lien Christopher A. Lien	Chief Executive Officer and Director (Principal Executive Officer)	March 14, 2019
/s/ Bradley W. Kinnish Bradley W. Kinnish	Chief Financial Officer (Principal Financial and Accounting Officer)	March 14, 2019
/s/ Brian Kinion Brian Kinion	Director	March 14, 2019
/s/ L. Gordon Crovitz L. Gordon Crovitz	Director	March 14, 2019
/s/ Donald Hutchison Donald Hutchison	Director	March 14, 2019
/s/ Daina Middleton Daina Middleton	Director	March 14, 2019