

**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, 2015

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)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

20-4647180  
(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:

Title of each class

Name of each exchange on which registered

Common stock, par value \$0.001 per share

New York Stock Exchange,

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

Indicate by check mark 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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 New York Stock Exchange of \$6.74 on the last business day of the Registrant's most recently completed second fiscal quarter, which was June 30, 2015, the aggregate market value of its shares held by non-affiliates was approximately \$153 million. Shares of the Registrant's Common Stock held by each executive officer and director and by each entity or person that owned 5 percent or more of the Registrant's outstanding Common Stock 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 February 16, 2016, there were approximately 37.9 million shares of the Registrant's Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive proxy statement for its 2016 Annual Meeting of Stockholders ("Proxy Statement"), to be filed within 120 days of the Registrant's fiscal year ended December 31, 2015, are incorporated by reference in Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Annual Report on Form 10-K.

**MARIN SOFTWARE INCORPORATED**  
**FORM 10-K**  
**For the Fiscal Year Ended December 31, 2015**  
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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,” “would,” “project,” “plan,” “predict,” “expect,” “seek,” 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.

## PART I

### ITEM 1. BUSINESS

We provide a leading cross-channel advertising cloud platform that enables digital marketers to improve performance of their online advertising campaigns across devices, realize efficiencies and time savings, and make better business decisions. Our integrated platform is a software-as-a-service, or SaaS, analytics, workflow and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend across search, social and display channels. 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 ad 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 and display interactions. Our platform is integrated with leading publishers such as Baidu, Bing, Facebook, Google, Twitter, Yahoo!, Yahoo! Japan and Yandex. Additionally, we have integrations with more than 50 leading web analytics and ad-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 ad 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.

We completed our acquisitions of SocialMoov S.A.S., or SocialMoov, and NowSpots, Inc., which conducted business as Perfect Audience, or Perfect Audience, in February 2015 and June 2014, respectively, to complement our product offerings. SocialMoov provides a software platform that offers advertisers and agencies novel social advertising tools designed to increase engagement and return on investment, including Facebook video advertising, Twitter application program interface, or API, integration and television synchronization. Perfect Audience offers advertisers a SaaS demand-side platform to purchase display impressions and retarget audiences across the web, Facebook and Twitter. Perfect Audience expanded our cross-channel capabilities by adding new programmatic display and social advertising functionality while expanding our audience retargeting tools. These acquisitions are more fully described in Note 3 to the Consolidated Financial Statements.

Headquartered in San Francisco, we were founded 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. As of December 31, 2015, our customers collectively managed more than \$7.8 billion in annualized ad spend on our platform, which we believe makes us the largest provider of independent advertising cloud solutions.

#### 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 for search, social and display as well as managed services for display and social.

## Search

We offer two editions of our search platform that leverage the same underlying technology.

- *Enterprise Edition* . Targeting large advertisers and agencies, *Marin Enterprise* is designed to provide digital advertisers with the power, scale and flexibility required to manage large-scale advertising campaigns.
- *Professional Edition* . Targeting mid-market advertisers and agencies, *Marin Professional* is designed for rapid deployment and offers customers a complete workflow, analysis and optimization solution for managing digital advertising.

Our search platform is comprised of the following modules:

- *Optimization* . Our *Optimization* module help advertisers manage bids across publishers to meet revenue goals and identify opportunities for campaign improvements, which we believe can improve financial performance and efficiencies.
- *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.
- *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 ad 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.

## Social

Targeting agencies and advertisers of all sizes, *Marin Social* is designed to provide digital marketers with the power, scale and flexibility to execute advertising campaigns across multiple social networks.

## Display

We offer two editions of our display platform that leverage the same underlying technology.

- *Marin Display* . Targeting large advertisers and agencies, *Marin Display* is designed to provide digital advertisers with the power, scale and flexibility required to manage large-scale advertising campaigns across all major networks and across devices.
- *Perfect Audience* . Targeting small businesses, Perfect Audience is designed for rapid deployment and offers customers and 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 ad units across thousands of advertisers, while delivering a responsive browsing and editing experience. As the number of advertisers and resulting computing and storage requirements grow, we can add hardware to our platform to accommodate growing 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 SSAE 16 attestations.

We are in the process of upgrading our software platform, which 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.

## Customers

We market and sell our 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 about half our revenues. There were no customers that accounted for greater than 10% of our revenues, net in 2015, 2014 or 2013.

## 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 and Google Inc. (through its wholly-owned subsidiary DoubleClick), and privately-held companies, such as 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 public companies such as Criteo S.A. and Rocket Fuel Inc., as well as privately held companies such as AdRoll Inc. and MediaMath, Inc., while in the social advertising market we compete with public companies such as Salesforce.com (through its wholly-owned subsidiary Social.com), and privately-held companies such as Nanigans, Inc.

Our ability to remain competitive will largely depend on our ongoing performance in the areas of our solution breadth and depth as well as 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 integrated vertical offerings as part of 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. Total research and development expense was \$33.3 million, \$28.8 million and \$20.7 million and for the years ended December 31, 2015, 2014 and 2013, respectively.

**Employees**

As of December 31, 2015, we had a total of 511 regular full-time employees, including 203 employees located outside the United States. Although we have statutory employee representation obligations in certain countries, our United States employees are not represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

**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, 2015, we had two issued patents and nine patent applications pending in the United States.

We own and use trademarks on or in connection with our products and services, including one trademark registered with the European Union and Australia and unregistered common law marks and pending trademark applications in the United States, China, Japan and Singapore. 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 (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 the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC 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 \$33.3 million and \$33.2 million during 2015 and 2014, respectively. As of December 31, 2015, we had an accumulated deficit of \$179.7 million. The losses and accumulated deficit were due to the substantial investments we made to grow our business and acquire customers. We anticipate that our cost of revenues and operating expenses will increase in the foreseeable future as we continue to invest to grow our business and 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 could prevent us from attaining or increasing profitability. Furthermore, to the extent we are successful in increasing our customer base, we also could incur increased losses because costs associated with entering into customer contracts are generally incurred up front, while customers are billed over the term of the contract generally through our usage-based pricing model. We do not expect to be profitable in 2016 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.

#### ***Our limited operating history makes it difficult to evaluate our current business and future prospects.***

Although we began our operations in March 2006, we did not begin generating substantial revenues until 2009. Our limited operating history may make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing 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. If we fail to implement these changes on a timely basis 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 further growth or profitability. We cannot assure you 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.



***If the market for advertising cloud solutions grows more than in recent years, our business, growth prospects and financial condition would be adversely affected.***

The market for advertising cloud solutions such as ours is not as mature as the market for on-premises enterprise software. Our success will depend to a substantial extent on the continued growth of cloud computing in general and advertising via cloud-based advertising channels in particular. While search and display advertising has been used successfully for several years, marketing via new cloud-based advertising channels such as mobile and social media is not as well established. 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 of 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 there is a reduction in demand for digital advertising caused by weakening economic conditions, decreases in corporate spending, security or private concerns competing technology or otherwise, it could result in reduced usage, which could decrease revenues or otherwise adversely affect our business.

***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 Baidu, Bing, Facebook, Google, Twitter, Yahoo!, Yahoo! Japan and Yandex, as well as advertising exchange platforms and aggregators of advertising inventory, including Google's DoubleClick Ad Exchange, Yahoo!'s Right Media, Facebook's Exchange, Microsoft's Ad Exchange, Twitter's MoPub 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:

- 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;
- companies may enter our market by expanding their platforms or acquiring a competitor;
- some of our competitors, such as Adobe 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., MediaMath, Inc., Nanigans, Inc., Rocket Fuel 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; and
- 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.

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. Due to our limited historical experience, 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, so if a significant number of these customers do not renew their contracts, it could negatively affect our operating results.

***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 revenues are 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 a single third-party data center to deliver our services. Any disruption of service at this facility could harm our business.***

While we utilize two third-party data centers in total, 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. 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. 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 or retain sufficient highly qualified sales personnel.

Our ability to achieve revenue growth in the future will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel. These new employees require significant training and experience before they achieve full productivity. As a result, the cost of hiring and carrying new representatives cannot be offset by the revenues they produce for a significant period of time. Our recent hires and planned hires may not become productive as quickly as we would like, and we may not be able to hire or retain sufficient numbers of qualified individuals in the markets where we do business. Our business will be seriously harmed if these expansion efforts do not work as planned or generate a corresponding significant 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. Over the past year, 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.

***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 cloud 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 performance advertising cloud 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. The success of any enhancement or new solution depends on several factors, including timely completion, adequate quality testing, appropriate introduction and market acceptance. Any new platform or feature that we develop or acquire may not be introduced in a timely or cost-effective manner, may contain defects or may not achieve the broad market acceptance necessary to generate significant

revenues. If we are unable 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.

***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 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' increased 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 continued growth in the number of advertisers, 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 two issued United States 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 United States 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 maintain offices and/or have personnel in Australia, China, England, France, Germany, Ireland and Japan, as well as the United States. As we continue to expand our customer base outside the United States, our business will be increasingly 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, Canadian Dollars, Chinese Yuan, Euros, Japanese Yen and Singapore 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 strengthens relative to foreign currencies as it has during 2015, 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 United States 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.

***If we fail to develop widespread brand awareness cost-effectively, our business may suffer.***

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our solution and attracting new customers. We expect sales and marketing expenses to increase as a result of our marketing and brand promotion activities. We may not generate customer awareness or increase revenues enough to offset the increased expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial marketing and sales expenses, which are not offset by increased revenues, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is essential for broad customer adoption of our solution.

***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.

***Our business depends on retaining and attracting qualified personnel, and turnover 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. In addition, we must successfully integrate any new personnel that we hire 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. Further, our management team has only worked together for a short period of time, including our three executive officers who each joined within the last two years, and any loss of any other member of our management team could adversely affect 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, where most of our employees are based. 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.

***Our business and operations have experienced rapid growth in recent periods, which has placed, and may continue to place, significant demands on our management and infrastructure. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.***

We increased our number of full-time employees from 285 as of December 31, 2011 to 511 as of December 31, 2015. Our growth has placed, and may continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. Creating a global organization and managing a geographically dispersed workforce will require 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 our 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, to accommodate our expected 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 serve digital ads 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 Cookie Directive and the EU Data Privacy 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 United States 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. 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;
- 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;
- 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;
- restructuring of our business and 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.

***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.

***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 SocialMoov S.A.S. (“SocialMoov”) in February 2015, and NowSpots, Inc., doing business as Perfect Audience (“Perfect Audience”) in June 2014 and may seek to acquire additional businesses, products or technologies in the future. However, these are the only two acquisitions in the history of our company and 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, including our acquisitions of SocialMoov and Perfect Audience, involve numerous risks, any of which could harm our business, including:

- regulatory and commercial risks relating to retargeting of online advertising and social advertising, the primary businesses of Perfect Audience and SocialMoov, respectively;
- difficulties in integrating the operations, technologies, services and personnel of acquired businesses, especially if those businesses operate outside of our core competency and/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 such as SocialMoov, 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 SocialMoov or Perfect Audience, or 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 acquisition of Perfect Audience, we issued 1.7 million shares of our common stock, and in connection with our acquisition of SocialMoov, we issued a combined total of 1.1 million shares in February 2015 and February 2016, and are obligated to issue up to an additional 0.5 million shares of our common stock, subject to certain contingencies in February 2017.

***If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on the internal control over financial reporting and a report by our independent registered public accounting firm to the extent we decide not to avail ourselves of the exemption provided to an emerging growth company, as defined by The Jumpstart Our Business Act of 2012. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. In addition, in the future if we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of 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 an emerging growth company, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, the exemption from the requirement of a report on our internal control over financial reporting by our independent registered public accounting firm, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. 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 will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of June 30, (ii) the end of the fiscal year in which we have total annual gross revenues of \$1 billion or more during such fiscal year, (iii) the date on which we issue more than \$1 billion in non-convertible debt in a three-year period or (iv) March 21, 2018.

***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, 2015, 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 2016 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 (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 (“FASB”), 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.

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

***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 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, number of active advertisers, revenue retention rates, annualized advertising spend on our platform, adjusted EBITDA and how these results compare to analyst 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, 2015 through December 31, 2015, the closing sales price of our common stock on the New York Stock Exchange ranged from \$3.11 to \$8.56 per share, and has a low closing price of \$2.70 per share during the period from January 1, 2016 through February 12, 2016. 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. We have currently effective Registration Statements on Form S-3 registering for sale approximately 1.6 million and 1.7 million shares of our common stock issued or to be issued in connection with our acquisitions of SocialMoov and Perfect Audience, respectively. If the holders of these shares seek to sell their holdings, particularly in significant amounts in compressed time frames, the trading price of our common stock could be adversely impacted. A portion of the shares registered in connection with the acquisition of SocialMoov will not be issued, if at all, until the two year anniversary of the closing of the acquisition. After our initial public offering in March 2013, the holders of an aggregate of 18.8 million shares of our common stock had rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. To the extent the holders of such shares have not sold the shares otherwise, such holders may continue to have registration rights. Registration of these shares under the Securities Act would result in the shares becoming

freely tradable without restriction under the Securities Act. 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 of directors are classified into three classes of directors with staggered three-year terms and directors can only be removed from office for cause;
- only our board of directors has the right to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- only our chairman of the board, our lead independent director, our chief executive officer, our president, or a majority of our board of directors 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. In December 2015, we entered into an agreement to sublease approximately 14,300 square feet of this property to an unrelated third party through December 2017.

We also lease office space in Austin, Chicago and New York in the United States, and Australia, England, France, Germany, Ireland, and Japan, which we use principally for sales and marketing, administration, customer support and to deliver professional services locally. We also lease office space in Portland, Oregon and Shanghai, China, which we use principally for engineering. We operate two data centers at third-party facilities located in the United States and Ireland.

We believe our facilities are in good condition and adequate for our current needs and for the foreseeable future. See Note 16 to the 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 has traded on the New York Stock Exchange ("NYSE") since March 22, 2013, under the symbol MRIN. Prior to this date, there was no public market for our common stock. The following tables set forth, for the periods indicated, the high and low sales price of our common shares as reported by the NYSE.

	<u>High</u>	<u>Low</u>
<b><i>Year Ended December 31, 2015</i></b>		
First Quarter	\$ 8.56	\$ 5.94
Second Quarter	\$ 7.58	\$ 5.47
Third Quarter	\$ 6.76	\$ 3.11
Fourth Quarter	\$ 4.04	\$ 3.15

	<u>High</u>	<u>Low</u>
<b><i>Year Ended December 31, 2014</i></b>		
First Quarter	\$ 12.57	\$ 9.17
Second Quarter	\$ 12.65	\$ 8.41
Third Quarter	\$ 12.14	\$ 7.30
Fourth Quarter	\$ 9.68	\$ 7.79

#### Holders of our Common Stock

As of February 16, 2016, there were 93 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. In addition, the terms of our equipment loan agreement with Silicon Valley Bank currently restrict our ability to pay dividends.

#### Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item will be set forth under the heading "Equity Compensation Plan Information" in the definitive Proxy Statement for our 2016 Annual Meeting of Stockholders (the "Proxy Statement" is incorporated into this report by reference).

#### Unregistered Sales of Equity Securities

We made no sales of unregistered securities during the quarter ended December 31, 2015.

#### 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

The table below provides information with respect to recent repurchases of unvested shares of our common stock.

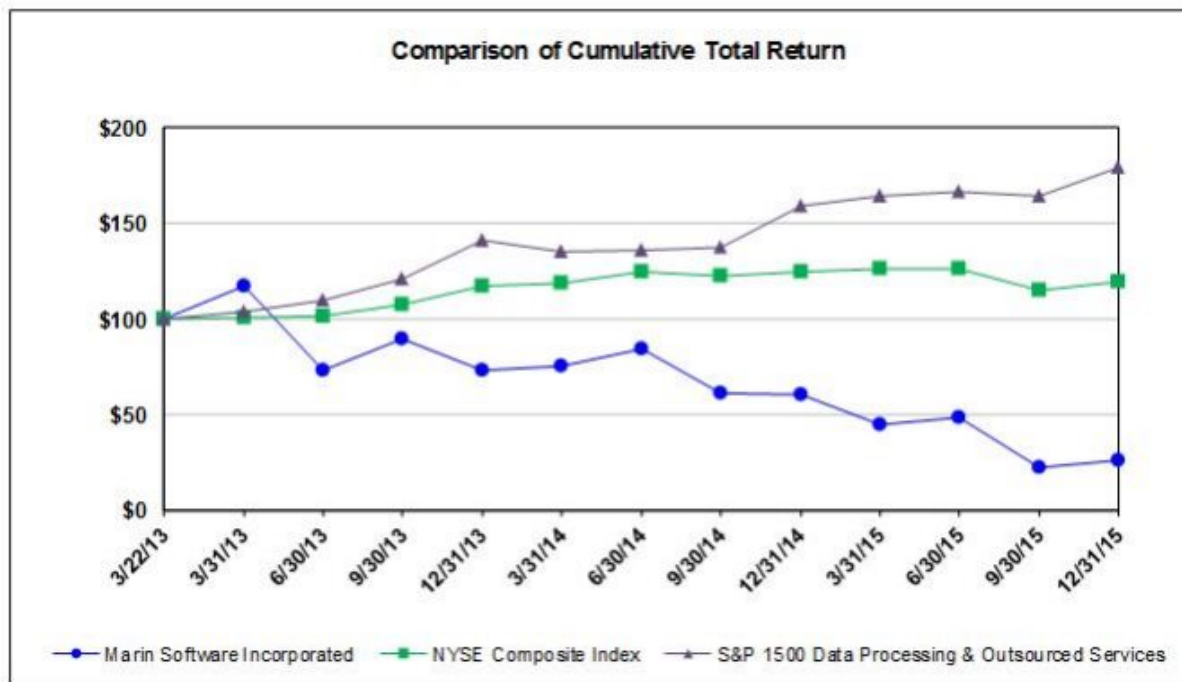
Period	Total Number of Shares Purchased (1)	Weighted Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
October 1 – October 31, 2015	—	N/A	—	—
November 1 – November 30, 2015	40,987	\$ 0.00	—	—
December 1 – December 31, 2015	—	N/A	—	—

- (1) Certain of our shares of our common stock held by employees and service providers are subject to vesting. Unvested shares are subject to a right of repurchase by us in the event the holder of such shares is no longer employed by or providing services for us. All shares in the above table were shares repurchased as a result of our exercising this right and not pursuant to a publicly announced plan or program.

## 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 (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 March 22, 2013 (the date our common stock commenced trading on the NYSE) through December 31, 2015, of the cumulative total return for our common stock, the NYSE Composite Index, and the S&P 1500 Data Processing & Outsourced Services Index. The graph assumes an investment of \$100 on March 22, 2013 and reinvestment of any dividends. The comparisons in the graph below are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of our common shares.



Company / Index	3/22/13	3/31/13	6/30/13	9/30/13	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15
<b>Marin Software Incorporated</b>	<b>\$ 100</b>	\$ 117.36	\$ 73.14	\$ 89.64	\$ 73.14	\$ 75.50	\$ 84.07	\$ 61.43	\$ 60.43	\$ 44.93	\$ 48.14	\$ 22.36	\$ 25.57
<b>NYSE Composite Index</b>	<b>100</b>	100.51	101.83	107.58	116.92	119.07	125.00	122.55	124.81	126.24	125.99	114.98	119.71
<b>S&amp;P 1500 Data Processing &amp; Outsourced Services</b>	<b>100</b>	103.82	109.57	121.07	141.48	135.24	136.28	137.51	159.17	164.51	166.97	164.56	178.98

## 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, 2015, 2014 and 2013, and the consolidated balance sheet data as of December 31, 2015 and 2014 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, 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013, 2012 and 2011 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.

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
Revenues, net	\$ 108,530	\$ 99,354	\$ 77,315	\$ 59,558	\$ 36,121
Cost of revenues (1) (2) (3)	40,137	35,614	31,109	24,764	18,691
Gross profit	68,393	63,740	46,206	34,794	17,430
<b>Operating expenses</b>					
Sales and marketing (1) (2) (3)	45,132	47,716	42,799	32,633	20,357
Research and development (1) (2) (3)	33,318	28,751	20,715	14,014	7,071
General and administrative (1) (2) (3)	22,391	21,257	17,028	13,432	6,679
Total operating expenses	100,841	97,724	80,542	60,079	34,107
Loss from operations	(32,448)	(33,984)	(34,336)	(25,285)	(16,677)
Interest expense, net	(118)	(177)	(453)	(520)	(378)
Other income (expenses), net	222	(466)	(571)	(456)	(229)
Loss before (provision for) benefit from income taxes	(32,344)	(34,627)	(35,360)	(26,261)	(17,284)
(Provision for) benefit from income taxes	(1,005)	1,456	(492)	(221)	(139)
Net loss available to common stockholders	\$ (33,349)	\$ (33,171)	\$ (35,852)	\$ (26,482)	\$ (17,423)
Net loss per share available to common stockholders, basic and diluted (4)	\$ (0.91)	\$ (0.97)	\$ (1.36)	\$ (6.00)	\$ (4.29)
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted (4)	36,580	34,210	26,312	4,417	4,058

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

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Cost of revenues	\$ 1,171	\$ 765	\$ 887	\$ 439	\$ 165
Sales and marketing	2,537	1,895	1,304	1,005	226
Research and development	7,518	3,785	1,346	831	163
General and administrative	4,393	2,797	1,681	2,673	143
	\$ 15,619	\$ 9,242	\$ 5,218	\$ 4,948	\$ 697

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

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Cost of revenues	\$ 1,033	\$ 399	\$ —	\$ —	\$ —
Sales and marketing	921	261	—	—	—
Research and development	1,034	397	—	—	—
General and administrative	146	74	—	—	—
	\$ 3,134	\$ 1,131	\$ —	\$ —	\$ —

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

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Cost of revenues	\$ 173	\$ —	\$ —	\$ —	\$ —
Sales and marketing	718	—	—	—	—
Research and development	53	—	—	—	—
General and administrative	270	—	—	—	—
	<u>\$ 1,214</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(4) See Note 14 of the consolidated financial statements for an explanation of the calculations of basic and diluted net loss per share available to common stockholders.

	As of December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
<b>Consolidated Balance Sheet Data</b>					
Cash and cash equivalents	\$ 37,326	\$ 68,253	\$ 104,407	\$ 31,540	\$ 1,719
Property and equipment, net	21,817	16,274	14,417	9,224	4,909
Total assets	116,192	128,307	137,377	57,224	18,297
Current portion of long-term debt	1,384	2,587	3,253	1,572	4,997
Long-term debt, less current portion	1,557	621	2,962	9,243	1,632
Convertible preferred stock, net of issuance costs	—	—	—	105,710	51,514
Total stockholders' equity (deficit)	94,131	106,117	115,344	(72,706)	(48,408)

## 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, 2015. 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.*

### Overview

We provide a leading cross-channel advertising cloud platform that enables digital marketers to improve performance of their online advertising campaigns across devices, realize efficiencies and time savings, and make better business decisions. Our integrated platform is a software-as-a-service, or "SaaS," analytics, workflow, and optimization solution for marketing professionals, allowing them to effectively manage their digital advertising spend across search, social and display channels. 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 ad 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.

In December 2015, our customers collectively managed more than \$7.8 billion in annualized advertising spend on our platform globally across a wide range of industries. We market and sell our solutions to advertisers directly and through leading advertising agencies. For 2015, 2014 and 2013, our revenues were \$108.5 million, \$99.4 million and \$77.3 million, respectively, representing period-over-period growth of 9%, 29% and 30%, respectively. We incurred net losses of \$33.3 million, \$33.2 million and \$35.9 million in 2015, 2014 and 2013, respectively.

The majority of our revenue is earned from subscription contracts under which we provide advertisers with access to our search, social and display advertising management platform, either directly or through the advertiser's relationship with an agency that has a contract with us. In accordance with the subscription contracts, we charge fees generally based upon the amount of advertising spend that our customers manage through our platform. Our search subscription contracts are generally one year or longer in length, while initial social and display contracts may vary in duration. Under our subscription contracts with most of our direct advertisers and some of our agency customers, customers are contractually committed to a minimum 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 advertising agency customers do not include a committed minimum monthly platform fee. Our contractual arrangement is with the advertising agency and 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. We invoice the advertising agency for the amounts due under the contract. Historically, approximately half of our revenues have been earned from advertising agency customers. Our subscription fee under most contracts is variable based upon the value of advertising spend that our customers manage through our platform. Our deferred revenues consist of the unearned portion of billed subscription fees.

Our subscription contracts indicate the date at which we begin invoicing our customers, which is generally the first day of the month following the execution of the contract. We generally invoice 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; however, we generally have not charged a separate implementation fee under our standard subscription contracts.

Our implementation and customer support personnel, as well as costs associated with our operating infrastructure, are included in our cost of revenues. Our cost of revenues and operating expenses have increased in absolute dollars due to our need to increase our

headcount to grow our business and to increase data center capacity to support customer revenue growth on our platform. We expect that our cost of revenues will continue to increase in absolute dollars as we continue to invest in our growth.

In order to grow revenues, we need to invest in (1) sales activities by adding sales representatives globally to target new advertisers and agencies and (2) research and development to improve and further expand our platform and support for additional publishers. 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.

The majority of our revenues are derived from our advertisers in the United States. We believe the markets outside of the United States offer an opportunity for growth, and we intend to make additional investments in sales and marketing to expand in these markets. Advertisers from outside of the United States represented 33%, 34% and 32% of total revenues for 2015, 2014 and 2013, 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 Enterprise, which targets large advertisers and agencies. We released Marin Professional Edition in March 2011, which targets mid-market advertisers and agencies. We have an iterative development process and we typically release new features every month. Additionally, we have continued to expand internationally in recent years, opening our London office in 2009, our Hamburg, Paris and Sydney offices in 2011, our Dublin and Tokyo offices in 2012 and our Shanghai office in 2013.

We completed our acquisitions of SocialMoov S.A.S., or “SocialMoov,” and NowSpots, Inc., which conducted business as Perfect Audience, or “Perfect Audience,” in February 2015 and June 2014, respectively, to complement our product offerings. These acquisitions are more fully described in Note 3 to our accompanying Consolidated Financial Statements.

## **Components of Results of Operations**

### ***Revenues***

We generate revenues principally from subscription contracts under which we provide advertisers with access to our search, social 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 direct advertisers and some of our agency customers, customers contractually commit to a minimum monthly platform fee, which 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 advertising agency customers do not include a committed minimum monthly platform fee. Additionally, advertisers we serve through our arrangements with our advertising agencies generally do not have a minimum commitment to continue using our services. Our subscription fee under most contracts is variable based upon the value of advertising spend that our customers manage through our platform, although some customers pay a flat monthly rate over the term of their subscription contract. Our deferred revenues consist of the unearned portion of billed subscription fees.

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

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

We intend to continue to invest in our global services and in the capacity of our hosting service infrastructure. As we continue to invest in technology innovation through our research and development organization, we expect to have increased amortization of internally developed software. We expect that this investment in technology should not only expand the breadth and depth of our cross-channel performance advertising cloud platform but also increase the efficiency of how we deliver these solutions, enabling us to improve our gross margin over time. The level and timing of investment in these areas could affect our cost of revenues in the future.

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

Sales and marketing expenses include personnel costs, sales commissions and other costs including travel and entertainment, marketing and promotional events, public relations, marketing activities, professional fees and allocated overhead. All of these costs are expensed as incurred, including sales commissions. Our commission plans provide that payment of commissions to our sales



representatives are paid based on the actual amounts we invoice customers over a period that is generally up to five months following the execution of the applicable customer contract.

We plan to continue investing in sales and marketing by expanding our domestic and international sales and marketing activities, building brand awareness and sponsoring marketing events, which we believe will enable us to add new customers and increase penetration within our existing customer base. We expect that, in the future, sales and marketing expenses will continue to be our largest operating expense category and may increase in absolute dollars.

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

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. In the future, research and development expenses may increase in absolute dollars, partially offset by the capitalization of internally developed software. We believe that these investments are necessary to maintain and improve our competitive position.

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

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 travel-related expenses, audit fees, tax services and legal fees, as well as professional fees, insurance and other corporate expenses, along with amortization of intangible assets and allocated overhead.

We expect to incur incremental costs associated with supporting the growth of our business, both in terms of size and geographic expansion, and to meet the increased compliance requirements associated with our continued operation as a public company. Such costs include increases in our accounting and legal personnel, additional consulting, legal and audit fees, insurance costs, board of directors' compensation and the costs of achieving and maintaining compliance with the Sarbanes-Oxley Act of 2002. As a result, our general and administrative expenses may increase in absolute dollars in future periods.

#### ***Other Income (Expenses), Net and Interest Expenses, Net***

Other income (expenses), net, primarily consists of foreign currency transaction gains and losses. Interest expense, net, consists primarily of interest income earned on our cash equivalents offset by the interest expense for our capital lease payments and borrowings under our equipment advances and revolving line of credit.

#### ***(Provision for) Benefit from Income Taxes***

The (provision for) benefit from income taxes consists of federal, state and foreign income taxes. Due to recent losses, we maintain a valuation allowance against our deferred tax assets as of December 31, 2015. 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. The period-to-period comparisons of results are not necessarily indicative of results for future periods.

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Revenues, net	\$ 108,530	\$ 99,354	\$ 77,315
Cost of revenues (1) (2) (3)	40,137	35,614	31,109
Gross profit	<u>68,393</u>	<u>63,740</u>	<u>46,206</u>
<b>Operating expenses</b>			
Sales and marketing (1) (2) (3)	45,132	47,716	42,799
Research and development (1) (2) (3)	33,318	28,751	20,715
General and administrative (1) (2) (3)	22,391	21,257	17,028
Total operating expenses	<u>100,841</u>	<u>97,724</u>	<u>80,542</u>
Loss from operations	(32,448)	(33,984)	(34,336)
Interest expense, net	(118)	(177)	(453)
Other income (expenses), net	222	(466)	(571)
Loss before (provision for) benefit from income taxes	(32,344)	(34,627)	(35,360)
(Provision for) benefit from income taxes	(1,005)	1,456	(492)
Net loss	<u>\$ (33,349)</u>	<u>\$ (33,171)</u>	<u>\$ (35,852)</u>

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

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cost of revenues	\$ 1,171	\$ 765	\$ 887
Sales and marketing	2,537	1,895	1,304
Research and development	7,518	3,785	1,346
General and administrative	4,393	2,797	1,681
	<u>\$ 15,619</u>	<u>\$ 9,242</u>	<u>\$ 5,218</u>

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

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cost of revenues	\$ 1,033	\$ 399	\$ —
Sales and marketing	921	261	—
Research and development	1,034	397	—
General and administrative	146	74	—
	<u>\$ 3,134</u>	<u>\$ 1,131</u>	<u>\$ —</u>

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

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cost of revenues	\$ 173	\$ —	\$ —
Sales and marketing	718	—	—
Research and development	53	—	—
General and administrative	270	—	—
	<u>\$ 1,214</u>	<u>\$ —</u>	<u>\$ —</u>

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

	Years Ended December 31,		
	2015	2014	2013
Revenues, net	100 %	100 %	100 %
Cost of revenues	37	36	40
Gross profit	63	64	60
<b>Operating expenses</b>			
Sales and marketing	42	48	55
Research and development	31	29	27
General and administrative	21	21	22
Total operating expenses	93	98	104
Loss from operations	(30)	(34)	(44)
Interest expense, net	—	—	(1)
Other income (expenses), net	—	—	(1)
Loss before (provision for) benefit from income taxes	(30)	(35)	(46)
(Provision for) benefit from income taxes	(1)	1	(1)
Net loss	(31)%	(33)%	(46)%

The following tables set forth our consolidated revenues by geographic area:

	Years Ended December 31,		
	2015	2014	2013
Revenues, net by geography	(in thousands)		
United States of America	\$ 72,942	\$ 65,745	\$ 52,725
International	35,588	33,609	24,590
Total revenues, net	\$ 108,530	\$ 99,354	\$ 77,315

	Years Ended December 31,		
	2015	2014	2013
Revenues, net by geography			
United States of America	67 %	66 %	68 %
International	33	34	32
Total revenues, net	100 %	100 %	100 %

### Adjusted EBITDA

Adjusted EBITDA is a financial measure not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”). We define Adjusted EBITDA as net loss, adjusted for stock-based compensation expense, depreciation, the amortization of internally developed software, the amortization of intangible assets, the capitalization of internally developed software, interest expense, net, the benefit from or provision for income taxes, other income or expenses, net, and costs associated with acquisitions and restructurings. Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. 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, interest expense, net, benefit from or provision for income taxes, other income or expenses, net, 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, Adjusted EBITDA 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:

	Years Ended December 31,		
	2015	2014	2013
	<i>(in thousands)</i>		
Net loss	\$ (33,349)	\$ (33,171)	\$ (35,852)
Depreciation	6,993	5,669	4,722
Amortization of internally developed software	2,550	1,905	1,156
Amortization of intangible assets	3,134	1,131	—
Interest expense, net	118	177	453
Provision for (benefit from) income taxes	1,005	(1,456)	492
EBITDA	(19,549)	(25,745)	(29,029)
Stock-based compensation expense	15,619	9,242	5,218
Capitalization of internally developed software	(5,568)	(3,146)	(3,216)
Acquisition related expenses	635	351	—
Restructuring related expenses	1,214	—	—
Other (income) expenses, net	(222)	466	571
Adjusted EBITDA	\$ (7,871)	\$ (18,832)	\$ (26,456)

#### Comparison of the Years Ended December 31, 2015 and 2014

#### Revenues

	Years Ended December 31,		Change	
	2015	2014	\$	%
	<i>(dollars in thousands)</i>			
Revenues, net	\$ 108,530	\$ 99,354	\$ 9,176	9 %

Revenues increased \$9.2 million, or 9%, for 2015 as compared to 2014. This increase was driven by growth in revenues from new advertisers and new product offerings, including those obtained from our acquisitions of SocialMoov and Perfect Audience in 2015 and 2014, respectively. There were no customers that accounted for greater than 10% of our revenues in either 2015 or 2014.

Revenues in 2015 from the United States and all international locations represented 67% and 33%, respectively, of revenues, and in 2014, revenues from the United States and international locations represented 66% and 34%, respectively, of revenues.

### Cost of Revenues and Gross Margin

	Years Ended December 31,		Change	
	2015	2014	\$	%
	<i>(dollars in thousands)</i>			
Cost of revenues	\$ 40,137	\$ 35,614	\$ 4,523	13 %
Gross profit	68,393	63,740	4,653	7
Gross margin	63 %	64 %		

Cost of revenues increased \$4.5 million, or 13%, as compared to 2014. This was largely driven by hosting costs, which increased \$1.7 million to support the increased use of our hosted platform. We also experienced increases of \$1.5 million in depreciation and amortization of internally developed software, and \$0.6 million in amortization of intangible assets acquired as part of our acquisitions of Perfect Audience in June 2014 and SocialMoov in February 2015. In addition, compensation expense and allocated overhead increased \$0.1 million and \$0.4 million, respectively, during 2015 due to an increase in the number of global services and platform infrastructure personnel as compared to 2014.

Our gross margin decreased to 63% during 2015 from 64% during 2014. This decrease was due primarily to our continued investment in display and social advertising initiatives, and rising hosting and associated equipment costs, which were 6% of revenues during 2015, as compared to 4% during 2014.

### Sales and Marketing

	Years Ended December 31,		Change	
	2015	2014	\$	%
	<i>(dollars in thousands)</i>			
Sales and marketing	\$ 45,132	\$ 47,716	\$ (2,584)	(5) %
Percent of revenues, net	42 %	48 %		

Sales and marketing expenses decreased \$2.6 million, or 5%, as compared to 2014. This decrease was due primarily to a reduction in the global sales support and marketing headcount, including those that were part of or restructuring in 2015 (as described in Note 4 to the consolidated financial statements), contributing to a net decrease of \$3.1 million in personnel-related costs, consisting primarily of employee compensation, benefits and travel costs, as well as \$0.7 million in marketing costs. These personnel and marketing cost reductions were partially offset by \$0.7 million in restructuring related expenses during 2015, which primarily consisted of employee severance, as well as an increase in amortization expense of \$0.7 million related to the intangible assets acquired as part of the Perfect Audience and SocialMoov acquisitions.

### Research and Development

	Years Ended December 31,		Change	
	2015	2014	\$	%
	<i>(dollars in thousands)</i>			
Research and development	\$ 33,318	\$ 28,751	\$ 4,567	16 %
Percent of revenues, net	31 %	29 %		

Research and development expenses increased \$4.6 million, or 16%, as compared to 2014. This increase partially reflected increases in the number of research and development personnel, resulting in an increase of \$2.8 million in compensation expense during the year. The remaining \$1.8 million increase during the year is primarily the result of an increase in professional fees of \$0.6 million due to the usage of third-party resources to support the engineering and quality assurance functions; an increase in allocated overhead of \$0.6 million due to the growth in headcount; and an increase in amortization expense of \$0.6 million related to the intangible assets acquired as part of the Perfect Audience and SocialMoov acquisitions.

## General and Administrative

	Years Ended December 31,		Change	
	2015	2014	\$	%
	<i>(dollars in thousands)</i>			
General and administrative	\$ 22,391	\$ 21,257	\$ 1,134	5 %
Percent of revenues, net	21 %	21 %		

General and administrative expenses increased \$1.1 million, or 5%, respectively, as compared to 2014. This was due primarily to an increase in compensation, benefits and other employee-related expenses of \$0.9 million during 2015 due to fluctuations in the number of general and administrative personnel and the granting of additional equity awards to our existing employees. Facilities expenses increased \$1.4 million from the prior year due to our global expansion and rent increases associated with certain of our leases, but were largely offset due to decreases in professional fees of \$1.0 million, primarily as a result of efficiencies realized by our service providers, and recruiting costs of \$0.4 million, due primarily to scaling back growth in headcount.

## Interest Expense, Net and Other Expenses, Net

	Years Ended December 31,		Change	
	2015	2014	\$	%
	<i>(dollars in thousands)</i>			
Interest expense, net and Other income (expenses), net	\$ 104	\$ (643)	\$ (747)	(116) %

Other income (expenses), net, primarily consists of foreign currency transaction gains and losses. During 2015, the decrease of \$0.7 million in interest expense, net and other income (expenses), net, was primarily due to fluctuations in our net foreign currency gains and losses as a result of changes in foreign exchange rates.

## (Provision for) Benefit from Income Taxes

	Years Ended December 31,		Change	
	2015	2014	\$	%
	<i>(dollars in thousands)</i>			
(Provision for) benefit from income taxes	\$ (1,005)	\$ 1,456	\$ (2,461)	(169) %

The provision for income taxes for 2015 of \$1.0 million was primarily the result of increased profits generated from our foreign operations, while the benefit from income taxes for 2014 of \$1.4 million was primarily due to a decrease in our valuation allowances as a result of deferred tax liabilities recorded as part of the acquisition of Perfect Audience.

## Comparison of the Years Ended December 31, 2014 and 2013

### Revenues

	Years Ended December 31,		Change	
	2014	2013	\$	%
	<i>(dollars in thousands)</i>			
Revenues, net	\$ 99,354	\$ 77,315	\$ 22,039	29 %

Revenues increased \$22.0 million, or 29%, for 2014 as compared to 2013. This increase was driven primarily by growth in revenues from both new and existing advertisers in all geographies as our ongoing investment in sales and marketing resources resulted in increased demand for our platform worldwide. During the year, we also began to generate revenues from advertisers who utilized our newly acquired display re-targeting functionalities. During 2014, we generated \$13.4 million of revenue from new advertisers, and \$8.6 million of additional revenue from our existing advertisers. We define a new advertiser as an advertiser from whom we earned revenue during the current fiscal period and from whom we did not earn any revenue during the immediately prior fiscal period. There were no customers that accounted for greater than 10% of our revenues in 2014 or 2013.

Revenues in 2014 from the United States, United Kingdom and other international locations represented 66%, 10% and 24%, respectively, of revenues, and in 2013, revenues from the United States, United Kingdom and other international locations represented 68%, 9% and 23%, respectively, of revenues.

### Cost of Revenues and Gross Margin

	Years Ended December 31,		Change	
	2014	2013	\$	%
	<i>(dollars in thousands)</i>			
Cost of revenues	\$ 35,614	\$ 31,109	\$ 4,505	14 %
Gross profit	63,740	46,206	17,534	38
Gross margin	64 %	60 %		

Cost of revenues increased \$4.5 million, or 14%, as compared to 2013. This primarily results from increases of \$1.5 million in depreciation and amortization expense (related to internally developed software) and \$1.2 million in hosting costs to support the increased use of our hosted platform, as well as an increase of \$0.9 million in compensation and benefits expenses and \$0.4 million of allocated overhead, resulting from an increase in the average number of global services and platform infrastructure personnel during 2014. Amortization of intangible assets acquired as part of the acquisition of Perfect Audience in June 2014 amounted to \$0.4 million for the year ended December 31, 2014.

Our gross margin increased to 64% during 2014 from 60% during 2013. This increase was due to the achievement of greater operational efficiency from personnel dedicated to our cloud infrastructure and global services precipitated by upgraded functionality and capabilities delivered by our engineering team.

### Sales and Marketing

	Years Ended December 31,		Change	
	2014	2013	\$	%
	<i>(dollars in thousands)</i>			
Sales and marketing	\$ 47,716	\$ 42,799	\$ 4,917	11 %
Percent of revenues, net	48 %	55 %		

Sales and marketing expenses increased \$4.9 million, or 11%, as compared to 2013. The increases were primarily due to an increase our average global sales and marketing headcount during 2014, contributing to an increase of \$3.9 million in personnel-related costs, consisting primarily of increased employee compensation, benefits and travel costs associated with our sales force. The remaining \$1.0 million increase during 2014 is primarily the result of an increase in allocated overhead of \$0.6 million due to the growth in headcount relative to the rest of our company, and amortization expense of \$0.3 million related to intangible assets acquired as part of the acquisition of Perfect Audience in June 2014.

### Research and Development

	Years Ended December 31,		Change	
	2014	2013	\$	%
	<i>(dollars in thousands)</i>			
Research and development	\$ 28,751	\$ 20,715	\$ 8,036	39 %
Percent of revenues, net	29 %	27 %		

Research and development expenses increased \$8.0 million, or 39%, as compared to 2013. This primarily reflected an increase in average research and development headcount during 2014, resulting in an increase of \$6.9 million in compensation expense. During 2014, allocated overhead increased \$0.6 million due to the increase in headcount, and amortization of intangible assets acquired as part of the acquisition of Perfect Audience in June 2014 amounted to \$0.4 million.

### General and Administrative

	Years Ended December 31,		Change	
	2014	2013	\$	%
	<i>(dollars in thousands)</i>			
General and administrative	\$ 21,257	\$ 17,028	\$ 4,229	25 %
Percent of revenues, net	21 %	22 %		

General and administrative expenses increased \$4.2 million, or 25%, respectively, as compared to 2013. Compensation, benefits and other employee-related expenses exclusive of stock-based compensation increased by \$2.3 million, as we added employees to support the growth of our business. Professional fees and insurance expenses increased \$1.0 million to support our global expansion

and the acquisition of Perfect Audience in June 2014. Bad debt expense increased \$0.5 million, which was relatively in line with the corresponding increase in sales from 2013 to 2014. We also incurred \$0.3 million in costs directly related to the acquisition of Perfect Audience in June 2014.

***Interest Expense, Net and Other Expenses, Net***

	Years Ended December 31,		Change	
	2014	2013	\$	%
	<i>(dollars in thousands)</i>			
Interest expense, net and Other expenses, net	\$ (643)	\$ (1,024)	\$ (381)	(37) %

Other expenses, net primarily consists of foreign currency transaction gains and losses. The decrease of \$0.4 million, or 37%, in other expenses, net, and interest expense, net, during 2014 was primarily due to a decrease of \$0.3 million in interest expense as we continued to pay down our long-term debt, partially offset by an increase of \$0.2 million in foreign exchange losses due to the growth of our international operations and fluctuations in foreign currency exchange rates. Other expenses, net, during 2014 also excluded \$0.2 million in losses resulting from the change in the fair value of freestanding preferred stock warrants incurred during 2013. Upon the consummation of the Company's initial public offering ("IPO"), those warrants converted into warrants to purchase common stock and were reclassified from liabilities to additional paid-in capital. As a result, changes in their fair value are no longer recorded on the consolidated statement of comprehensive loss.

***Benefit from (Provision for) Income Taxes***

	Years Ended December 31,		Change	
	2014	2013	\$	%
	<i>(dollars in thousands)</i>			
Benefit from (provision for) income taxes	\$ 1,456	\$ (492)	\$ 1,948	(396) %

Benefit from income taxes for 2014 increased \$1.9 million primarily due to a decrease in our valuation allowances of \$2.3 million as a result of deferred tax liabilities recorded as part of our acquisition of Perfect Audience in June 2014. This increased benefit was partially offset by additional provision for income taxes due to increased profits generated in foreign jurisdictions by our wholly-owned 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, 2015. 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.

	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	<i>(in thousands)</i>							
Revenues, net	\$ 29,015	\$ 26,327	\$ 26,775	\$ 26,413	\$ 27,002	\$ 25,684	\$ 23,853	\$ 22,815
Cost of revenues (1) (2) (3)	9,454	10,375	10,599	9,709	9,323	9,145	8,763	8,383
<b>Gross profit</b>	<b>19,561</b>	<b>15,952</b>	<b>16,176</b>	<b>16,704</b>	<b>17,679</b>	<b>16,539</b>	<b>15,090</b>	<b>14,432</b>
Operating expenses								
Sales and marketing (1) (2) (3)	9,076	10,835	13,064	12,157	11,563	12,186	11,978	11,989
Research and development (1) (2) (3)	7,478	8,162	9,194	8,484	8,217	7,824	6,627	6,083
General and administrative (1) (2) (3)	5,134	5,882	5,655	5,720	5,791	5,682	5,368	4,416
Total operating expenses	21,688	24,879	27,913	26,361	25,571	25,692	23,973	22,488
<b>Loss from operations</b>	<b>(2,127)</b>	<b>(8,927)</b>	<b>(11,737)</b>	<b>(9,657)</b>	<b>(7,892)</b>	<b>(9,153)</b>	<b>(8,883)</b>	<b>(8,056)</b>
Interest expense, net	(36)	(63)	(8)	(11)	(16)	(33)	(62)	(66)
Other income (expenses), net	356	(214)	(164)	244	(385)	201	(286)	4
<b>Loss before (provision for) benefit from income taxes</b>	<b>(1,807)</b>	<b>(9,204)</b>	<b>(11,909)</b>	<b>(9,424)</b>	<b>(8,293)</b>	<b>(8,985)</b>	<b>(9,231)</b>	<b>(8,118)</b>
(Provision for) benefit from income taxes	(331)	(300)	(138)	(236)	(537)	(259)	2,440	(188)
<b>Net loss</b>	<b>\$ (2,138)</b>	<b>\$ (9,504)</b>	<b>\$ (12,047)</b>	<b>\$ (9,660)</b>	<b>\$ (8,830)</b>	<b>\$ (9,244)</b>	<b>\$ (6,791)</b>	<b>\$ (8,306)</b>
Net loss per share available to common stockholders, basic and diluted	\$ (0.06)	\$ (0.26)	\$ 0.33	\$ 0.27	\$ (0.25)	\$ (0.27)	\$ (0.20)	\$ (0.25)

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

	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	<i>(in thousands)</i>							
Cost of revenues	\$ 371	\$ 249	\$ 322	\$ 229	\$ 189	\$ 173	\$ 192	\$ 211
Sales and marketing	433	435	954	715	513	530	449	403
Research and development	1,687	1,864	2,340	1,627	1,337	1,362	649	437
General and administrative	1,088	1,058	1,323	924	849	851	651	446
Total stock-based compensation expense	\$ 3,579	\$ 3,606	\$ 4,939	\$ 3,495	\$ 2,888	\$ 2,916	\$ 1,941	\$ 1,497

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

	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	<i>(in thousands)</i>							
Cost of revenues	\$ 271	\$ 271	\$ 276	\$ 215	\$ 171	\$ 171	\$ 57	\$ —
Sales and marketing	247	247	247	180	112	112	37	—
Research and development	271	271	276	216	170	170	57	—
General and administrative	37	37	37	35	32	32	10	—
Total amortization of intangible assets	\$ 826	\$ 826	\$ 836	\$ 646	\$ 485	\$ 485	\$ 161	\$ —

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

	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	<i>(in thousands)</i>							
Cost of revenues	\$ 68	\$ 105	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Sales and marketing	59	659	—	—	—	—	—	—
Research and development	—	53	—	—	—	—	—	—
General and administrative	6	264	—	—	—	—	—	—
<b>Total restructuring related expenses</b>	<b>\$ 133</b>	<b>\$ 1,081</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

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

	Three Months Ended							
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	<i>(as a % of revenues, net)</i>							
Revenues, net	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenues	33	39	40	37	35	36	37	37
<b>Gross profit</b>	<b>67</b>	<b>61</b>	<b>60</b>	<b>63</b>	<b>65</b>	<b>64</b>	<b>63</b>	<b>63</b>
Operating expenses								
Sales and marketing	31	42	49	46	43	48	50	53
Research and development	26	31	34	32	30	30	28	27
General and administrative	18	22	21	22	21	22	23	19
Total operating expenses	75	95	104	100	95	100	101	100
<b>Loss from operations</b>	<b>(7)</b>	<b>(34)</b>	<b>(44)</b>	<b>(37)</b>	<b>(29)</b>	<b>(36)</b>	<b>(38)</b>	<b>(36)</b>
Interest expense, net	—	—	—	—	—	—	—	—
Other income (expenses), net	1	(1)	—	1	(1)	1	(1)	—
<b>Loss before (provision for) benefit from income taxes</b>	<b>(6)</b>	<b>(35)</b>	<b>(44)</b>	<b>(36)</b>	<b>(31)</b>	<b>(35)</b>	<b>(39)</b>	<b>(36)</b>
(Provision for) benefit from income taxes	(1)	(1)	(1)	(1)	(2)	(1)	10	(1)
<b>Net loss</b>	<b>(7) %</b>	<b>(36) %</b>	<b>(45) %</b>	<b>(37) %</b>	<b>(33) %</b>	<b>(36) %</b>	<b>(29) %</b>	<b>(37) %</b>

### 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 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 to fund capital purchases. As of December 31, 2015, our principal sources of liquidity were our cash and cash equivalents of \$37.3 million, access to borrowings under our fully available revolving credit facility (the lesser of \$20.0 million or 80% of our eligible accounts receivable following the amendment to our existing revolving credit facility in July 2015) and our capital lease arrangements. The approximate weighted average interest rate on our outstanding borrowings as of December 31, 2015, was 3%. Our primary operating cash requirements include the payment of compensation and related costs, as well as costs for our facilities and information technology infrastructure. We also have an outstanding irrevocable letter of credit for \$1.3 million related to the non-cancelable lease for our corporate headquarters in San Francisco, California.

We presently maintain cash balances in our foreign subsidiaries. As of December 31, 2015, we had \$37.3 million of cash and cash equivalents, of which only \$7.4 million was held by our foreign subsidiaries. In the future, we plan to increase the cash and cash equivalents held by our foreign subsidiaries through invoicing and cash collections from our international operations. We plan to re-invest the cash earned by our foreign subsidiaries to finance the growth of our foreign operations.

Based on our current level of operations and anticipated growth, 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 rate of revenue growth, the expansion of our sales and marketing activities, and the timing and extent of spending to support product development efforts and expansion into new territories 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.

### Summary of Cash Flows

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

	Years Ended December 31,		
	2015	2014	2013
	<i>(in thousands)</i>		
Net cash used in operating activities	\$ (7,081)	\$ (24,390)	\$ (23,397)
Net cash used in investing activities	(21,890)	(12,614)	(8,239)
Net cash (used in) provided by financing activities	(1,294)	850	104,503
Effect of foreign exchange rate changes on cash and cash equivalents	(662)	—	—
Net (decrease) increase in cash and cash equivalents	<u>\$ (30,927)</u>	<u>\$ (36,154)</u>	<u>\$ 72,867</u>

### Operating Activities

Cash used in operating activities is primarily influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business and the increase in the number of advertisers using our platform. Cash used in 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 current assets, deferred revenue, accounts payable and accrued expenses and other current liabilities, adjusted for non-cash expense items such as depreciation, amortization, stock-based compensation expense and deferred income tax benefits.

Cash used in operating activities in 2015 of \$7.1 million was primarily the result of a net loss of: \$33.3 million, offset by non-cash expenses of \$29.2 million, which primarily included depreciation, amortization, unrealized foreign currency gain or loss, stock-based compensation expense and deferred income tax expenses or benefits. These non-cash expenses increased due to capital expenses and additional equity awards related to continued investment in our business, as well as the acquisition of SocialMoov in February 2015. This was further offset by a \$2.9 million net change in working capital items (exclusive of changes due to net liabilities assumed from the acquisition of SocialMoov in February 2015), most notably (1) an increase in accounts receivable of \$3.0 million due to the increase in sales and the timing of related collections; (2) a decrease in prepaid expenses and other current assets, and other (noncurrent) assets, of \$0.9 million related to the growth of our operations and timing of related disbursements; (3) a decrease in deferred revenues of \$0.6 million related to the timing of the collection of minimum fees at the start of our subscription agreements; and (4) a net decrease in accounts payable and accrued expenses and other current and noncurrent liabilities of \$0.2 million due to the timing of related disbursements and customer advances.

Cash used in operating activities in 2014 of \$24.4 million was primarily the result of a net loss of \$33.2 million; a \$7.7 million net change in working capital items (exclusive of changes due to net liabilities assumed from the acquisition of Perfect Audience in June 2014), most notably (1) an increase in accounts receivable of \$4.6 million due to the increase in sales and the timing of related collections; (2) an increase in prepaid expenses and other current assets, and other (noncurrent) assets, of \$2.5 million related to the growth of our operations and timing of related disbursements; (3) a decrease in deferred revenues of \$0.5 million related to the timing of the collection of minimum fees at the start of our subscription agreements; and (4) a net decrease in accounts payable and accrued expenses and other current and noncurrent liabilities of \$0.1 million due to the timing of related disbursements and customer advances. This was partially offset by non-cash expenses of \$16.5 million, which included depreciation, amortization, stock-based compensation expense and deferred income tax benefits, which increased primarily due to capital expenses and headcount growth, primarily related to continued investment in our business, as well as the acquisition of Perfect Audience.

Cash used in operating activities in 2013 of \$23.4 million was the result of a net loss of \$35.9 million, partially offset by non-cash expenses of \$12.0 million, which included depreciation, amortization and stock-based compensation expense. These non-cash expenses increased due to capital expenses and headcount growth, primarily related to continued investment in our business. These uses of funds were offset by a \$0.5 million net change in working capital items, most notably an increase in deferred revenue of \$1.9 million due to our efforts to invoice the total minimum fees due under the term of our subscription agreements at the start of the agreement, and an increase in accrued liabilities of \$2.2 million, related to the growth of our operations and timing of related

disbursements. These working capital changes were partially offset by a \$0.9 million increase in prepaid expenses and other current assets and a \$2.4 million increase in accounts receivable, also related to the growth of our operations and timing of related disbursements.

### Investing Activities

During 2015, 2014 and 2013, investing activities consisted of purchases of property and equipment, including technology hardware and software to support our growth as well as capitalized internally developed software costs. Purchases of property and equipment may vary from period-to-period due to the timing of the expansion of our operations 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. Investing activities during 2015 and 2014 are also inclusive of cash paid for the acquisitions of SocialMoov (\$8.9 million, net of cash acquired of \$1.2 million) and Perfect Audience (\$5.3 million, net of cash acquired of \$1.1 million), respectively.

### Financing Activities

Cash used in financing activities in 2015 totaled \$1.3 million. This was primarily due to \$3.6 million in net repayments under the loans assumed in the SocialMoov acquisition, our credit facility and our capital lease arrangements, partially offset by \$2.4 million of proceeds from the exercise of stock options and contributions to our employee stock purchase plan.

Cash provided by financing activities in 2014 was \$0.9 million. This was primarily related to \$3.9 million of proceeds from the exercise of stock options and contributions to our employee stock purchase plan, partially offset by \$3.1 million in net repayments under our credit facility and capital lease arrangement.

Cash provided by financing activities in 2013 was \$104.5 million. This consisted of proceeds from our IPO, net of paid offering costs, of \$109.4 million as well as \$3.0 million of proceeds from the exercise of stock options and contributions to our employee stock purchase plan. These amounts were partially offset by \$8.0 million in net repayments under our credit facility and capital lease arrangement.

### Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases for office space, net of sublease income, and our data center and capital leases for computer equipment, as well as debt obligations under our credit facilities with Silicon Valley Bank. As of December 31, 2015, the future minimum payments under these commitments, as well as obligations under our credit facilities, were as follows:

	Payments Due By Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
	<i>(in thousands)</i>				
Debt obligations under equipment loans	\$ 283	\$ 283	\$ —	\$ —	\$ —
Capital lease obligations	2,700	1,101	1,199	400	—
Interest expense payments	237	137	94	6	—
Operating leases obligations, net	32,626	7,080	11,859	7,668	6,019
Total	<u>\$ 35,846</u>	<u>\$ 8,601</u>	<u>\$ 13,152</u>	<u>\$ 8,074</u>	<u>\$ 6,019</u>

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, 2015.

In addition to the obligations in the table above, we have approximately \$7.6 million of unrecognized tax benefits as of December 31, 2015. 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, 2015, other than operating leases and a standby letter of credit, as described in the Notes to the Consolidated Financial Statements.

## 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 and display advertising. Our subscription agreements are generally one year or longer in length. The subscription fee under most contracts is variable based on the value of the advertising spend that our advertisers manage through our platform and is generally invoiced on a monthly basis. Contracts with direct advertisers and certain contracts with advertising agencies also include a minimum monthly fee that is payable over the duration of the contract. Our customers do not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return. We commence revenue recognition for both direct advertisers and advertising agencies when all of the following conditions are met:

- persuasive evidence of an arrangement exists;
- our platform is made available to the customer;
- the fee is fixed or determinable, and;
- collection is reasonably assured.

We recognize the total minimum fee for both direct advertisers and advertising agencies, where applicable, over the duration of the contract, commencing on the date that our platform is made available to the customer, provided revenues recognized do not exceed amounts that are invoiced and due. The variable fee, which is based on a percentage of the value of the advertising spend managed through our platform, is recognized once the amount is fixed or determinable, which is generally on a monthly basis concurrent with the issuance of the customer invoice. Signed contracts are used as evidence of an arrangement. We assess collectability based on a number of factors such as past collection history with the customer and creditworthiness of the customer. Certain agreements with advertising agencies also contain sequential liability provisions, which provide that the agency has no obligation to pay us until the agency receives payment from its customers. In these circumstances, we evaluate the credit worthiness of the agency’s customers, in

addition to the agency itself, to conclude whether or not collectability is reasonably assured. If we determine collectability is not reasonably assured, we defer the revenue recognition until collectability becomes reasonably as sured.

We apply the authoritative accounting guidance regarding revenue recognition for arrangements with multiple deliverables. Professional services and training, when sold with our platform subscription services, are accounted for separately when those services have standalone value. In determining whether professional services and training services can be accounted for separately from subscription services, we consider the following factors: availability of the services from other vendors; the nature of the services; the dependence of the subscription services on the customer’s decision to buy the professional services; and whether we sell our subscription services without professional services. If the deliverables have stand-alone value, we account for each deliverable separately and revenues are recognized for the respective deliverables as they are delivered. If one or more of the deliverables do not have stand-alone value, the deliverables that do not have stand-alone value are combined with the final deliverables within the arrangement and treated as a single unit of accounting. Revenues for arrangements treated as a single unit of accounting are recognized over the period of the contract commencing upon delivery of the final deliverable. As of December 31, 2015, we did not have stand-alone value for the professional services and training services. This is because we include professional services and training services with our subscription services and those services are not available from other vendors.

### **Stock-Based Compensation**

We measure and recognize expense for stock-based compensation based on the grant date fair value of the award and generally recognize the expense, net of estimated forfeitures, on a straight-line basis over the requisite service period.

Prior to our IPO, we estimated the fair value of our common stock for purposes of determining the fair value of our option awards. Subsequent to the IPO, we use the closing stock price on the date of grant. Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option pricing model to determine the fair value of our stock option awards. The determination of the grant date fair value of our stock option awards using an option pricing model is affected by the estimated fair value per share of the common stock underlying those options as well as assumptions regarding a number of other complex and subjective variables. These variables include our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates and expected dividends, which are estimated as follows:

- **Expected Volatility** . As our common stock has been publicly traded for approximately three years, there is a lack of Company-specific historical and implied volatility data. Accordingly, we have estimated the expected stock price volatility for our common stock by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of public companies in the technology industry, primarily in the subscription software business. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- **Risk-Free Interest Rate** . The risk-free interest rate assumption used is based on observed market interest rates appropriate for the expected term of employee options.
- **Expected Term** . We estimated the expected term for a “plain vanilla” option using the simplified method allowed under current guidance, which uses the midpoint between the graded vesting period and the contractual termination date since we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.
- **Dividend Yield** . We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

We used the following assumptions in our application of the Black-Scholes option pricing model for the periods presented in the table below:

	<b>Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Dividend yield	0%	0%	0%
Expected volatility	49%	51%	55%
Risk-free interest rate	1.75%	1.89%	1.27%
Expected term (in years)	6.25	6.25	6.25

In addition, stock-based compensation guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We apply an estimated forfeiture rate based on our historical forfeiture experience.

Future expense amounts for any particular period could be affected by changes in our assumptions or changes in market conditions.

Stock-based compensation expense included in the consolidated financial statement line items is as follows:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cost of revenues	\$ 1,171	\$ 765	\$ 887
Sales and marketing	2,537	1,895	1,304
Research and development	7,518	3,785	1,346
General and administrative	4,393	2,797	1,681
	<u>\$ 15,619</u>	<u>\$ 9,242</u>	<u>\$ 5,218</u>

Costs for equity instruments issued in exchange for the receipt of goods or services from non-employees are measured at the fair market value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of the date on which there first exists a firm commitment for performance by the provider of goods or services or on the date performance is complete, using the Black-Scholes option pricing model.

Prior to our IPO, we were required to estimate the fair value of the common stock underlying our share-based awards when performing the fair value calculations with the Black-Scholes option-pricing model. The fair value of the common stock underlying our share-based awards was determined by our board of directors, with input from management and contemporaneous third-party valuations. Our board of directors determined the fair value of our common stock on the date of grant based on a number of factors, with input from management and third-party valuation analyses.

In valuing our common stock, our board of directors determined the equity value of our business generally using the income approach and market comparable approach valuation methods. The income approach consisted of a discounted cash flow analysis. The methodology we used derived equity values utilizing a probability-weighted expected return method. Under this approach, the value of our common stock was estimated based upon an analysis of values for our common stock assuming the various possible future events for the Company, including, but not limited to, initial public offering, strategic merger or sale or remaining a private company. In the market approach, the valuations and outcomes of comparable peer companies in the public market were reviewed.

#### ***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 our subsidiaries in China, Japan and the United Kingdom), we have not historically recorded a provision for 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. An analysis was conducted through December 31, 2015, to determine whether an ownership change had occurred since inception. The analysis indicated that because an ownership change occurred in a prior year, \$0.2 million of each of our federal and state net operating losses were significantly limited pursuant to IRC Section 382. 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.

#### ***Allowance for Doubtful Accounts***

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. Credit losses historically have not been material, which is directly attributable to our subscription-based services model, enabling us to immediately discontinue the availability of the services in question in the event of non-payment. Through December 31, 2015, we have not experienced any material credit losses.

### ***Business Combinations***

In accordance with authoritative business combination accounting guidance, we allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets acquired and liabilities assumed is recorded as goodwill. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of comprehensive loss.

Accounting for business combinations requires our management to make significant estimates and assumptions, especially at the acquisition date, particularly our estimates for intangible assets, contractual obligations assumed, restructuring liabilities, pre-acquisition contingencies and contingent consideration, where applicable. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired company and are inherently uncertain.

Examples of critical estimates in valuing certain of the intangible assets we have acquired include but are not limited to:

- future expected cash flows from customer relationships and developed technology;
- the acquired company's brand and competitive position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company's product portfolio; and
- discount rates;

Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

For a given acquisition, we may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the fair value estimates of assets acquired and liabilities assumed and, if so, to determine their estimated amounts.

If we cannot reasonably determine the fair value of a pre-acquisition contingency (non-income tax related) by the end of the measurement period, which is generally the case given the nature of such matters, we will recognize an asset or a liability for such pre-acquisition contingency if: (i) it is probable that an asset existed or a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. Subsequent to the measurement period, changes in our estimates of such contingencies will affect earnings and could have a material effect on our results of operations and financial position.

In addition, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date with any adjustments to our preliminary estimates being recorded to goodwill if identified within the measurement period. Subsequent to the measurement period or our final determination of the tax allowance's or contingency's estimated value, whichever comes first, changes to these uncertain tax positions and tax related valuation allowances will affect our provision for income taxes in our consolidated statements of comprehensive loss and could have a material impact on our results of operations and financial position.

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

We review goodwill for impairment annually 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 two-step 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 unit, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the



reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference. No impairment has been noted to date.

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 intangible 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 reduce 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, 2015, we had cash and cash equivalents of \$37.3 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 market risk due to a fluctuation 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, 2015 we had borrowings outstanding in the aggregate of \$2.9 million. Our outstanding long-term borrowings consist of fixed and variable interest rate financial instruments. The interest rates of our borrowings range from 3% to 6%. A hypothetical 10% increase or decrease in interest rates relative to our current interest rates would not have a material impact on the fair values of all of our outstanding borrowings. Changes in interest rates would, however, affect operating results and cash flows, because of the variable rate nature of our borrowings. A hypothetical 10% increase or decrease in interest rates relative to interest rates as of December 31, 2015 would result in an insignificant impact to interest expense for 2016.

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

We have foreign currency risks related to our revenues and operating expenses denominated in currencies other than the U.S. Dollar, primarily the Euro, British Pound Sterling, Canadian Dollar, Singapore Dollar, Japanese Yen, Chinese Yuan, and Australian Dollar. Revenues outside of the United States as a percentage of consolidated revenues were 33%, 34% and 32% during 2015, 2014 and 2013, 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 \$0.3 million, \$(0.5) million and \$(0.3) million during 2015, 2014 and 2013, respectively. Transaction gains and losses are included in other expenses, net.

As 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 our 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 currently held by us.

### ***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 PricewaterhouseCoopers LLP, beginning on page F-1 of this Annual Report on Form 10-K, 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 ("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. Our Principal Executive Officer and Principal Financial Officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management as of the end of the fiscal year covered by this Annual Report on Form 10-K, that our disclosure controls and procedures were effective at the 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. Based on our evaluation under the framework in *Internal Control – Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

***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, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

## PART III

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item concerning our directors, executive officers, Section 16 compliance and corporate governance matters will be set forth under the headings “Directors and Executive Officers” and “Section 16(a) Beneficial Ownership Compliance” in the Proxy Statement and is incorporated into this report by reference.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item regarding executive compensation will be set forth under the headings “Executive Compensation” in the Proxy Statement and is incorporated into this report by reference.

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

The information required by this item regarding security ownership of certain beneficial owners and management and related stockholder matters will be set forth under the headings “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement and is incorporated into this report by reference.

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

The information required by this item regarding related party transactions and director independence will be set forth under the headings “Board of Directors and Committees of the Board,” “Related Party Transactions” in the Proxy Statement and is incorporated into this report by reference.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item regarding principal accounting fees and services will be set forth under the headings “Ratification of Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement and is incorporated into this report by reference.

**PART IV**

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

(a)

(1) Financial Statements

The list of consolidated financial statements and schedules set forth in the accompanying Index to the Consolidated Financial Statements at page F-1 of this annual report is incorporated herein by reference. Such consolidated financial statements and schedules are filed as part of this annual report.

(2) Financial Statement Schedules

The schedule required by this item is included in Note 2 to the Consolidated Financial Statements. All other financial statement schedules are not required or are inapplicable and therefore have been omitted.

(b)

(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits in Item 15(b) below are filed or incorporated by reference as part of this Annual Report on Form 10-K. See Exhibit Index immediately following the Signature Pages.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Marin Software Incorporated

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive loss, convertible preferred stock and stockholders' (deficit) equity and cash flows present fairly, in all material respects, the financial position of Marin Software Incorporated at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP  
San Jose, California

February 22, 2016

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

	December 31,	
	2015	2014
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 37,326	\$ 68,253
Accounts receivable, net	21,718	18,726
Prepaid expenses and other current assets	4,186	4,751
Total current assets	63,230	91,730
Property and equipment, net	21,817	16,274
Goodwill	19,417	11,527
Intangible assets, net	10,405	7,399
Other noncurrent assets	1,323	1,287
Total assets	<u>\$ 116,192</u>	<u>\$ 128,217</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 1,710	\$ 3,737
Accrued expenses and other current liabilities	11,185	12,053
Deferred revenues	1,430	2,052
Current portion of long-term debt	1,384	2,587
Total current liabilities	15,709	20,429
Long-term debt, less current portion	1,557	621
Other long-term liabilities	4,795	1,050
Total liabilities	<u>22,061</u>	<u>22,100</u>
Commitments and contingencies (Note 16)		
Stockholders' equity		
Convertible preferred stock, \$0.001 par value - 10,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.001 par value - 500,000 shares authorized, 37,568 and 35,846 shares issued, 37,419 and 35,181 outstanding at December 31, 2015, and December 31, 2014, respectively	37	35
Additional paid-in capital	275,604	253,221
Accumulated deficit	(179,733)	(146,392)
Accumulated other comprehensive loss	(1,777)	(747)
Total stockholders' equity	<u>94,131</u>	<u>106,117</u>
Total liabilities and stockholders' equity	<u>\$ 116,192</u>	<u>\$ 128,217</u>

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



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

	Years Ended December 31,		
	2015	2014	2013
Revenues, net	\$ 108,530	\$ 99,354	\$ 77,315
Cost of revenues	40,137	35,614	31,109
Gross profit	<u>68,393</u>	<u>63,740</u>	<u>46,206</u>
<b>Operating expenses</b>			
Sales and marketing	45,132	47,716	42,799
Research and development	33,318	28,751	20,715
General and administrative	22,391	21,257	17,028
Total operating expenses	<u>100,841</u>	<u>97,724</u>	<u>80,542</u>
Loss from operations	(32,448)	(33,984)	(34,336)
Interest expense, net	(118)	(177)	(453)
Other income (expenses), net	222	(466)	(571)
Loss before (provision for) benefit from income taxes	(32,344)	(34,627)	(35,360)
(Provision for) benefit from income taxes	(1,005)	1,456	(492)
Net loss	(33,349)	(33,171)	(35,852)
Foreign currency translation adjustments	(1,030)	(747)	—
Comprehensive loss	<u>\$ (34,379)</u>	<u>\$ (33,918)</u>	<u>\$ (35,852)</u>
Net loss per share available to common stockholders, basic and diluted	<u>\$ (0.91)</u>	<u>\$ (0.97)</u>	<u>\$ (1.36)</u>
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted	<u>36,580</u>	<u>34,210</u>	<u>26,312</u>
Stock-based compensation is allocated as follows (Note 12):			
Cost of revenues	\$ 1,171	\$ 765	\$ 887
Sales and marketing	2,537	1,895	1,304
Research and development	7,518	3,785	1,346
General and administrative	4,393	2,797	1,681
Amortization of intangible assets is allocated as follows (Note 6):			
Cost of revenues	\$ 1,033	\$ 399	\$ —
Sales and marketing	921	261	—
Research and development	1,034	397	—
General and administrative	146	74	—
Restructuring related expenses are allocated as follows (Note 4):			
Cost of revenues	\$ 173	\$ —	\$ —
Sales and marketing	718	—	—
Research and development	53	—	—
General and administrative	270	—	—

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

**Marin Software Incorporated**  
**Consolidated Statements of Convertible Preferred Stock and Stockholders' (Deficit) Equity**  
*(dollars and share numbers in thousands, except per share data)*

	Convertible		Common Stock		Additional	Accumulated	Accumulated	Total
	Preferred Stock		Common Stock		Paid-In	Deficit	Other Compre-	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	hensive Loss	(Deficit) Equity
<b>Balances at December 31, 2012</b>	18,753	\$ 105,710	4,658	\$ 5	\$ 4,638	\$ (77,349)	\$ —	\$ (72,706)
Issuance of common stock in connection with initial public offering, net of issuance costs of \$11,451	—	—	8,625	8	109,299	—	—	109,307
Conversion of convertible preferred stock into common stock	(18,753)	(105,710)	18,753	19	105,691	—	—	105,710
Conversion of warrant to purchase convertible preferred stock into warrant to purchase common stock	—	—	—	—	745	—	—	745
Issuance of common stock from exercise of vested stock options and vesting of options subject to repurchase	—	—	725	1	1,648	—	—	1,649
Issuance of common stock from cashless exercise of warrants	—	—	68	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	146	—	1,231	—	—	1,231
Stock-based compensation expense	—	—	—	—	5,218	—	—	5,218
Repurchase of unvested shares	—	—	(22)	—	(77)	—	—	(77)
Stock-based compensation tax benefits	—	—	—	—	119	—	—	119
Net loss	—	—	—	—	—	(35,852)	—	(35,852)
<b>Balances at December 31, 2013</b>	—	—	32,953	33	228,512	(113,201)	—	115,344
Issuance of common stock from exercise of vested stock options and vesting of options and shares subject to repurchase	—	—	938	—	2,841	—	—	2,841
Issuance of common stock under employee stock purchase plan	—	—	178	—	1,402	—	—	1,402
Issuance of unrestricted common stock in connection with acquisition of NowSpots Inc.	—	—	1,119	2	11,193	—	—	11,195
Stock issuance costs incurred in connection with acquisition of NowSpots Inc.	—	—	—	—	(52)	—	—	(52)
Stock-based compensation expense	—	—	—	—	9,242	—	—	9,242
Repurchase of unvested shares	—	—	(7)	—	(20)	—	—	(20)
Stock-based compensation tax benefits	—	—	—	—	126	—	—	126
Net loss	—	—	—	—	—	(33,171)	—	(33,171)
Foreign currency translation adjustments and other, net	—	—	—	—	(23)	(20)	(747)	(790)
<b>Balances at December 31, 2014</b>	—	—	35,181	35	253,221	(146,392)	(747)	106,117
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 11)	—	—	1,345	1	2,013	—	—	2,014
Tax withholding related to vesting of restricted stock units	—	—	—	—	(571)	—	—	(571)
Issuance of common stock under employee stock purchase plan	—	—	257	—	1,035	—	—	1,035
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	—	—	636	1	4,337	—	—	4,338
Stock issuance costs incurred in connection with acquisition of SocialMoov S.A.S.	—	—	—	—	(51)	—	—	(51)
Stock-based compensation expense	—	—	—	—	15,619	—	—	15,619
Repurchase of unvested shares	—	—	—	—	(2)	—	—	(2)
Stock-based compensation tax benefits	—	—	—	—	3	—	—	3
Net loss	—	—	—	—	—	(33,349)	—	(33,349)
Foreign currency translation adjustments and other, net	—	—	—	—	—	8	(1,030)	(1,022)
<b>Balances at December 31, 2015</b>	—	\$ —	37,419	\$ 37	\$ 275,604	\$ (179,733)	\$ (1,777)	\$ 94,131

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

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

	Years Ended December 31,		
	2015	2014	2013
<b>Operating activities</b>			
Net loss	\$ (33,349)	\$ (33,171)	\$ (35,852)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	6,993	5,669	4,722
Amortization of internally developed software	2,550	1,905	1,156
Amortization of intangible assets	3,134	1,131	—
Loss on disposal of property and equipment	19	16	10
Unrealized foreign currency gains	(216)	—	—
Noncash interest expense related to warrants issued in connection with debt	42	124	251
Change in the valuation of outstanding preferred stock warrants	—	—	238
Stock-based compensation related to equity awards and restricted stock	15,619	9,242	5,218
Provision for bad debts	1,210	821	359
Deferred income tax benefits	(177)	(2,258)	(91)
Excess tax benefits from stock-based award activities	(3)	(126)	(119)
Changes in operating assets and liabilities, net of effect of acquisition			
Accounts receivable	(2,986)	(4,561)	(2,147)
Prepaid expenses and other current assets	575	(2,009)	(881)
Other assets	348	(497)	(524)
Accounts payable	(1,597)	1,387	75
Deferred revenues	(625)	(540)	1,948
Accrued expenses and other current liabilities	1,382	(1,523)	2,240
Net cash used in operating activities	<u>(7,081)</u>	<u>(24,390)</u>	<u>(23,397)</u>
<b>Investing activities</b>			
Purchases of property and equipment	(8,584)	(5,317)	(5,023)
Capitalization of internally developed software	(5,568)	(3,146)	(3,216)
Acquisition of business, net of cash acquired	(7,738)	(4,151)	—
Net cash used in investing activities	<u>(21,890)</u>	<u>(12,614)</u>	<u>(8,239)</u>
<b>Financing activities</b>			
Proceeds from issuance of common stock in initial public offering, net of issuance costs	—	—	109,414
Proceeds from issuance of note payable, net of issuance costs	—	—	1,667
Repayment of notes payable	(3,649)	(3,130)	(9,660)
Debt issuance costs	(53)	—	—
Repurchase of unvested shares	(2)	(20)	(77)
Proceeds from exercise of common stock options	1,439	2,472	1,541
Proceeds from employee stock purchase plan, net	968	1,402	1,499
Excess tax benefits from stock-based award activities	3	126	119
Net cash (used in) provided by financing activities	<u>(1,294)</u>	<u>850</u>	<u>104,503</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(662)	—	—
Net (decrease) increase in cash and cash equivalents	<u>(30,927)</u>	<u>(36,154)</u>	<u>72,867</u>
<b>Cash and cash equivalents</b>			
Beginning of year	68,253	104,407	31,540
End of year	<u>\$ 37,326</u>	<u>\$ 68,253</u>	<u>\$ 104,407</u>
<b>Supplemental disclosures of other cash flow information</b>			
Cash paid for interest	\$ 106	\$ 106	\$ 201
Cash paid for income taxes	404	221	276
<b>Supplemental disclosure of noncash investing and financing activities</b>			
Conversion of convertible preferred stock to common stock	\$ —	\$ —	\$ 105,710
Acquisition of equipment through capital leases	2,350	—	3,167
Conversion of warrant to purchase convertible preferred stock to common stock warrant	—	—	745
Purchases of property and equipment recorded in accounts payable and accrued expenses	—	1,364	208
Issuance of common stock under employee stock purchase plan	1,035	1,402	1,231
Issuance of common stock in connection with business acquisition	4,338	11,195	—
Accrued but unpaid debt issuance costs	—	—	38

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 a leading cross-channel performance advertising cloud platform for search, social and display advertising channels, offered as an integrated software-as-a-service, or SaaS, solution. The Company’s platform enables digital marketers to improve financial performance, realize efficiencies and time savings, and make better business decisions. The Company’s corporate headquarters are located in San Francisco, California, and the Company has additional offices in the following locations: New York, Chicago, Austin, Portland, London, Dublin, Hamburg, Paris, Tokyo, Sydney and Shanghai.

On March 27, 2013, the Company closed its initial public offering (“IPO”) of 7,500 shares of its common stock sold by the Company. The public offering price of the shares sold in the IPO was \$14.00 per share. The total gross proceeds from the IPO to the Company were \$105,000. After deducting underwriting discounts and commissions and IPO expenses payable by the Company, the aggregate net proceeds totaled \$94,659. On April 11, 2013, the underwriters of the IPO fully exercised the over-allotment option granted to them. As a result, the Company issued an additional 1,125 shares for net proceeds of \$14,648.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

***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.

***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 credits, the carrying value of long-lived assets (including goodwill and intangible assets), the useful lives of long-lived assets, the provision for income taxes and related deferred 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 ability to achieve profitability in the future; highly competitive environment; ability to maintain and increase usage rate of the Company’s platform; and ability 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 limits its concentration of risk in cash equivalents and short-term investments by diversifying its investments among a variety of industries and issuers and by limiting the average maturity to one year or less. 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, 2015 and 2014, no single customer accounted for greater than 10% of net accounts receivable. No single customer accounted for greater than 10% of consolidated revenues, net during the years ended December 31, 2015, 2014 and 2013.

### **Cash and Cash Equivalents**

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 are stated at cost, which approximates fair market value. Cash equivalents were \$25,564 and \$58,027 as of December 31, 2015 and 2014, respectively.

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

The Company's financial instruments, including cash equivalents, 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 borrowings (Note 7) 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.

### **Allowance 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 has not experienced significant credit losses from its accounts receivable. 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 2015, 2014 and 2013, respectively.

	Years Ended December 31,		
	2015	2014	2013
Balances at beginning of year	\$ 989	\$ 417	\$ 277
Additions to expense or against goodwill	1,652	821	359
Write-offs and other deductions	(453)	(249)	(219)
Balances at end of year	\$ 2,188	\$ 989	\$ 417

From time to time, the Company provides credits to customers and an allowance is made based on historical credit activity. As of December 31, 2015 and 2014, the Company recorded an allowance for potential customer credits in the amount of \$2,274 and \$508, 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.

The useful lives of the property and equipment are as follows:

Computer equipment	3 to 5 years
Office equipment, furniture and fixtures	3 to 5 years
Software	3 years
Leasehold improvements	Shorter of useful life or lease term

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 2015, 2014 and 2013, the Company capitalized \$5,568, \$3,146, and \$3,216 of costs related to internally developed software, respectively. Amortization of capitalized costs related to internally developed software was \$2,550, \$1,905, and \$1,156 for 2015, 2014 and 2013, respectively. As of December 31, 2015 and 2014, unamortized internally developed software costs totaled \$8,495 and \$5,476, 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.

In addition, the Company performs an annual goodwill impairment test during the fourth quarter of the Company's fiscal year, and more frequently if an event or circumstances indicates that impairment may have occurred. For the purposes of impairment testing, the Company has determined that it has one reporting unit. The Company performs a two-step impairment test of goodwill whereby the fair value of the 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 unit, goodwill is not considered impaired and further testing is not required. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then impairment loss equal to the difference is recorded. The identification and measurement of goodwill impairment involves the estimation of the fair value of the Company. The estimate of fair value of the Company, based on the best information available as of the date of the assessment, is subjective and requires judgment, including management assumptions about expected future revenue forecasts and discount rates, changes in the overall economy, trends in the stock price and other factors. No goodwill impairment has been identified in any of the years presented.

### ***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 exists when the carrying value of a long-lived asset exceeds its fair value. An impairment loss is recognized only if the carrying value of a long-lived asset is not recoverable and exceeds its fair value. The carrying value of a long-lived asset 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 2015, 2014 or 2013.

### ***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.

### ***Freestanding Preferred Stock Warrants***

Upon the consummation of the Company's IPO, freestanding warrants related to the Company's convertible preferred stock converted into warrants to purchase common stock. The preferred stock warrants were classified as liabilities on the Company's consolidated balance sheet. Upon conversion, the liability recorded for the preferred stock warrants was reclassified to additional paid-in capital. When classified as liabilities, the preferred stock warrants were subject to reassessment at each balance sheet date, and any change in fair value was recognized as a component of other income (expenses), net. The Company adjusted the liability for changes in fair value until the preferred stock warrants were converted into warrants to purchase common stock.

### ***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 and display advertising. The Company's subscription agreements are generally one year or longer in length. The Company's subscription fee under most contracts is variable based on the value of the advertising spend that the Company's advertisers manage through the Company's platform and is generally invoiced on a monthly basis. Contracts with direct advertisers and certain contracts with advertising agencies also include a minimum monthly fee that is payable over the duration of the contract. The Company's customers do not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return. The Company commences revenue recognition for both direct advertisers and advertising agencies when all of the following conditions are met:

- persuasive evidence of an arrangement exists;
- the Company's platform is made available to the customer;
- the fee is fixed or determinable, and;
- collection is reasonably assured.

The Company recognizes the total minimum fee for both direct advertisers and advertising agencies, where applicable, over the duration of the contract, commencing on the date that the Company's platform is made available to the customer, provided revenues recognized do not exceed amounts that are invoiced and due. The variable fee, which is based on a percentage of the value of the advertising spend managed through the Company's platform, is recognized once the amount is fixed or determinable, which is generally on a monthly basis concurrent with the issuance of the customer invoice. Signed contracts are used as evidence of an arrangement. The Company assesses collectability based on a number of factors such as past collection history with the customer and creditworthiness of the customer. Certain agreements with advertising agencies also contain sequential liability provisions, which provide that the agency has no obligation to pay the Company until the agency receives payment from its customers. In these circumstances, the Company evaluates the credit worthiness of the agency's customers, in addition to the agency itself, to conclude whether or not collectability is reasonably assured. If the Company determines collectability is not reasonably assured, the Company defers the revenue recognition until collectability becomes reasonably assured.

The Company applies the authoritative accounting guidance regarding revenue recognition for arrangements with multiple deliverables. Professional services and training, when sold with the Company's platform subscription services, are accounted for separately when those services have standalone value. In determining whether professional services and training services can be accounted for separately from subscription services, the Company considers the following factors: availability of the services from other vendors; the nature of the services; the dependence of the subscription services on the customer's decision to buy the professional services; and whether the Company sells the Company's subscription services without professional services. If the deliverables have stand-alone value, the Company accounts for each deliverable separately and revenues are recognized for the respective deliverables as they are delivered. If one or more of the deliverables do not have stand-alone value, the deliverables that do not have stand-alone value are combined with the final deliverables within the arrangement and treated as a single unit of accounting. Revenues for arrangements treated as a single unit of accounting are recognized over the period of the contract commencing upon delivery of the final deliverable. As of December 31, 2015, the Company did not have stand-alone value for the professional services and training services. This is because the Company includes professional services and training services with the Company's subscription services and those services are not available from other vendors.

### ***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, allocated 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.

Fair values of stock option awards are determined on the date of grant using an option-pricing model. The Company has selected the Black-Scholes option pricing model to estimate the fair value of its stock option awards to employees and non-employees. In applying the Black-Scholes 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 and the optionholders' actual and projected stock option exercise and employment termination behaviors.

For stock option 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.

Restricted stock units ("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. For 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.

Stock options issued to non-employees such as consultants are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest. The fair value of options granted to consultants is expensed when vested, and such vested outstanding options are recognized as liabilities on the accompanying consolidated balance sheets. Non-employee stock-based compensation expense was not material for all periods presented.

See Note 12 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 include salaries, stock-based compensation expense, benefits and other operating costs such as outside services, supplies 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 operations. Advertising and promotion expense totaled \$1,000, \$1,475, and \$785 for 2015, 2014 and 2013, respectively.

### ***Foreign Currency***

For international subsidiaries whose functional currency is not the U.S. Dollar, we translate 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 \$256, \$(490) and \$(332) during 2015, 2014 and 2013, 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 unrecognized tax benefits 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 the impact of liability provisions and changes to the liabilities that are considered appropriate. The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. As the Company maintained a full valuation allowance against its deferred tax assets in the United States, the adjustments resulted in no additional tax expense in 2015. Based on the Company's assessment of many factors, the Company does not expect that changes in the liability for unrecognized tax benefits for the next twelve months will have a material impact on the Company's consolidated financial position or results of operations.

### ***Recent Accounting Pronouncements***

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, *Income Taxes* (Topic 740): *Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax assets and liabilities into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax assets and liabilities be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2017, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. We have early adopted this standard in the fourth quarter of 2015 on a prospective basis, and it did not have an effect on the Company's financial position or results of operations. Prior periods have not been retrospectively adjusted.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations* (Topic 805): *Simplifying the Accounting for Measurement-Period Adjustments*. The new standard eliminates the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected measurement or recognition of amounts initially recognized. As an alternative, the standard requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. It requires that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The new standard is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosures of Uncertainties About an Entity's Ability to Continue as a Going Concern*. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect that this guidance will have a material impact on its consolidated results of operations or financial condition.

In June 2014, the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The guidance requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance as it relates to such awards. This guidance is effective for us in our first quarter of fiscal year ending December 31, 2017. The Company is currently evaluating the impact of our pending adoption of this ASU on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates when compared with the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This guidance will be effective for the Company in the first quarter of its fiscal year ending December 31, 2017. The Company is currently in the process of evaluating the impact of pending adoption of this ASU on its consolidated financial statements.

### **3. Business Combinations**

The Company accounts for business combinations using the acquisition method of accounting in which the tangible and identifiable intangible assets and liabilities of each acquired company are recorded at their respective estimated fair values as of each acquisition date, including an amount for goodwill representing the difference between the respective purchase price and fair values of identifiable net assets.

Best estimates and assumptions are used in the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date. These estimates and assumptions are inherently uncertain and subject to further refinement. As a result, during the measurement period, which may be up to one year from the business combination date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding adjustment to goodwill. After the measurement period, adjustments are recorded in the operating results in the period in which the adjustments were determined.

#### ***SocialMoov S.A.S.***

On February 12, 2015, pursuant to the terms of a Share Purchase Agreement, the Company acquired all outstanding shares of capital stock of SocialMoov S.A.S. ("SocialMoov"), with SocialMoov surviving as a wholly-owned subsidiary of the Company. Based in Paris, France, SocialMoov is a provider of social advertising tools for advertisers and agencies.

During the first quarter of 2016, the Company completed the valuation of the estimated fair values of the acquired tangible and identifiable intangible assets and liabilities assumed at the acquisition date. The results of operations and the preliminary fair values of the assets acquired and liabilities assumed have been included in the accompanying consolidated financial statements since the acquisition date. Revenues, net and earnings from SocialMoov were not material for the year ended December 31, 2015.

The total purchase price for the acquisition was \$13,195, which consisted of 636 shares of the Company's common stock valued at \$4,337 upon the closing date using the weighted average of the Company's closing date stock price for a short period of time preceding the closing date of the acquisition, and \$8,858 in cash. Of the cash consideration paid, \$1,894 is held in escrow to secure indemnification obligations of the shareholders of SocialMoov to the Company following the closing, which has not been released as of the filing date of this Annual Report on Form 10-K. Of the total purchase price, \$1,953 was attributed to the fair value of net liabilities assumed, \$1,120 was cash acquired, and \$6,140 was the fair value of intangible assets acquired, with \$7,888 as residual goodwill. The goodwill is primarily attributable to synergies expected to arise from the acquisition and is not expected to be deductible for tax purposes.

In addition, the Company agreed to issue 927 shares of common stock at future dates as defined in the Share Purchase Agreement, valued at \$6,487 upon the closing date of the acquisition using the Company's closing date stock price immediately preceding the acquisition, to existing employee shareholders of SocialMoov in connection with the acquisition, which are conditioned upon such employees' continuous employment with the Company. These shares have been excluded from the purchase consideration and are being recognized as post-acquisition stock-based compensation expense over the employees' requisite service periods. In February 2016, the Company issued 463 of these shares. The Company also granted RSUs representing 219 shares of common stock, valued at \$959 using the Company's grant date stock price, with time-based vesting to employees of SocialMoov that continued employment with SocialMoov subsequent to the acquisition. The Company recognizes compensation expense equal to the grant date fair value of the common stock or stock-based awards on a straight-line basis over the employees' requisite service periods.

The following table summarizes the fair values of tangible assets acquired, liabilities assumed, intangible assets and residual goodwill from the acquisition of SocialMoov (in thousands except years):

	<u>Estimated Fair Value</u>	<u>Estimated Useful Life</u>
Tangible assets acquired	\$ 2,607	N/A
Liabilities assumed (see Note 8)	(3,440)	N/A
Developed technology	3,800	5 years
Customer relationships	2,080	4 years
Tradename	260	3 years
Goodwill	7,888	Indefinite
Total purchase price	<u>\$ 13,195</u>	

The values assigned to the intangible assets are based on a third-party valuation analysis, which includes estimates and judgments regarding expectations for success and the life cycle of solutions and technologies acquired.

#### *NowSpots, Inc.*

On June 2, 2014, pursuant to the terms of an Agreement and Plan of Reorganization, a wholly-owned subsidiary of the Company merged with and into NowSpots, Inc. (which conducted business as Perfect Audience (“Perfect Audience”)), with Perfect Audience surviving as a wholly-owned subsidiary of the Company. Perfect Audience provides audience retargeting in the display and social advertising channels.

During the second quarter of 2015, the Company completed the valuation of the estimated fair values of the acquired tangible and identifiable intangible assets and liabilities assumed at the acquisition date, and the results of operations and the fair values of the acquired assets and liabilities assumed have been included in the consolidated financial statements since the acquisition date. Revenues, net and earnings attributable to Perfect Audience included in our consolidated financial statements were not material in 2014.

The total purchase price for the acquisition was \$16,470, which consisted of 1,119 shares of the Company’s common stock valued at \$11,195 based upon the closing date using the weighted average of the Company’s closing date stock price for a short period of time preceding the closing date of the acquisition, and \$5,275 in cash. Of the total purchase price, \$4,713 was attributed to the fair value of net liabilities assumed, \$1,124 was cash acquired, and \$8,530 was the fair value of intangible assets acquired, with \$11,529 as residual goodwill. The goodwill is primarily attributable to the synergies expected to arise from the acquisition and is not deductible for tax purposes.

In addition, the Company issued 630 shares of common stock, valued at \$6,301 upon the closing date of the acquisition using the weighted average of the Company’s closing date stock price for a short period of time preceding the closing date of the acquisition, to existing Perfect Audience employees in connection with the acquisition, which are conditioned upon such employees’ continuous employment with the Company. These shares have been excluded from the purchase consideration and are being recognized as post-acquisition stock-based compensation expense over the employees’ requisite service periods.

The following table summarizes the fair values of tangible assets acquired, liabilities assumed, intangible assets and goodwill:

	<u>Estimated Fair Value</u>	<u>Estimated Useful Life</u>
Tangible assets acquired	\$ 1,493	N/A
Liabilities assumed	(5,082)	N/A
Developed technology	6,110	6 years
Customer relationships	1,290	4 years
Non-compete agreements and tradename	1,130	2 - 3 years
Goodwill	11,529	Indefinite
Total purchase price	<u>\$ 16,470</u>	

The values assigned to the intangible assets are based on a third-party valuation analysis, which includes estimates and judgments regarding expectations for success and the life cycle of solutions and technologies acquired.

#### 4. Restructuring Activities

During the third and fourth quarters of 2015, the Company executed organizational restructurings (the “2015 Restructuring Plans”) in order to improve cost efficiencies and realign its sales and marketing operations. In connection with the 2015 Restructuring Plans, the Company recorded \$1,214 of restructuring related expenses, consisting primarily of severance costs, to cost of revenues and operating expenses, as applicable, within the consolidated statements of comprehensive loss during 2015. Actions pursuant to the 2015 Restructuring Plan were substantially complete as of December 31, 2015.

As of December 31, 2015, approximately \$97 in restructuring related expenses associated with the 2015 Restructuring Plans remained unpaid and included primarily in accrued expenses and other current liabilities on the Company’s consolidated balance sheets.

#### 5. Balance Sheet Components

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

	December 31,	
	2015	2014
Computer equipment	\$ 26,279	\$ 21,422
Software	16,602	11,022
Office equipment	1,016	795
Furniture, fixtures and leasehold improvements	6,049	2,092
	49,946	35,331
Less: Accumulated depreciation and amortization	(28,129)	(19,057)
	<u>\$ 21,817</u>	<u>\$ 16,274</u>

Depreciation and amortization of internally developed software for 2015, 2014 and 2013 was \$9,543, \$7,574, and \$5,878, respectively.

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

	December 31,	
	2015	2014
Accrued salary and payroll related expenses	\$ 4,829	\$ 6,017
Accrued accounts payable	3,417	3,709
Customer advances	1,463	1,366
Income tax payable	236	377
Sales and use tax payable	434	263
Other	806	321
	<u>\$ 11,185</u>	<u>\$ 12,053</u>

#### 6. Goodwill and Intangible Assets

The goodwill balance as of December 31, 2015 of \$19,417 was the result of the business acquisitions disclosed in Note 3 of these consolidated financial statements. The activity for the year ended December 31, 2015 consisted of the following:

Balance at December 31, 2014	\$ 11,527
Add: Goodwill from SocialMoov acquisition	7,888
Add: Other adjustments to goodwill	2
Balance at December 31, 2015	<u>\$ 19,417</u>

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

	December 31, 2015	December 31, 2014	Estimated Useful Life
Developed technology	\$ 9,910	\$ 6,110	5 - 6 years
Customer relationships	3,370	1,290	4 years
Non-compete agreements and tradenames	1,390	1,130	2 - 3 years
	14,670	8,530	
Less: accumulated amortization	(4,265)	(1,131)	
	<u>\$ 10,405</u>	<u>\$ 7,399</u>	

Amortization expense for 2015, 2014 and 2013 was \$3,134, \$1,131, and zero.

Future estimated amortization of intangible assets as of December 31, 2015 is presented below:

Year ending December 31, 2016	\$ 3,080
Year ending December 31, 2017	2,850
Year ending December 31, 2018	2,537
Year ending December 31, 2019	1,843
Year ending December 31, 2020	95
	<u>\$ 10,405</u>

## 7. Fair Value Measurements

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

	December 31,					
	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Cash equivalents</b>						
Money market funds	\$ 25,564	\$ —	\$ —	\$ 58,027	\$ —	\$ —

The Company's cash equivalents as of December 31, 2015 and 2014 consisted of money market funds with original maturity dates of less than three months from the date of their respective purchase. Cash equivalents 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, 2015 and 2014. As of December 31, 2015 and 2014, amounts of \$11,763 and \$10,226, respectively, were held in bank deposits.

## 8. Debt

### *Loan and Security Agreement and Warrant*

In connection with a Loan and Security Agreement entered into with Silicon Valley Bank in 2008, the Company issued a warrant to purchase 51 shares of Series B preferred stock at \$2.7563 per share. This warrant was to expire on the later date of October 30, 2018, or five years from the closing of the Company's IPO. The fair value of the warrant was estimated at an aggregate of \$72 using the Black-Scholes valuation model with the following assumptions: expected volatility of 53%, risk free interest rate of 4.85%, expected life of 10 years and no dividends. The fair value of the warrant was recorded as a discount to the loan and was amortized to interest expense over the loan term.

### *Revolving Credit Facility, Equipment Advance Facilities and Warrants*

In January 2010, the Company signed an amendment to the Loan and Security Agreement, which provided for a revolving credit facility (the "Revolving Credit Facility"). In January 2011, the Company entered into an amendment to the Revolving Credit Facility pursuant to which Silicon Valley Bank agreed to extend an equipment advance facility of \$2,000 (the "Equipment Advance Facility"). The Equipment Advance Facility could only be used to finance the purchase of equipment, accrued interest at a fixed per annum rate of 5.5%, was repayable in 36 consecutive monthly installments of principal and interest and expired on December 1, 2014. The Equipment Advance Facility was fully paid off on that date.

In December 2011, the Company entered into another amendment to its existing Revolving Credit Facility pursuant to which Silicon Valley Bank agreed to extend an additional equipment advance facility of \$2,000 (the "Additional Equipment Advance Facility"). The Additional Equipment Advance Facility could only be used to finance the purchase of equipment. The Additional Equipment Advance Facility accrued interest at a fixed per annum rate of 5.5% and was repayable in 36 consecutive monthly installments of principal and interest. The Additional Equipment Advance Facility expired September 1, 2015 and was fully paid off on that date. In connection with the Additional Equipment Advance Facility, the Company issued a warrant to Silicon Valley Bank to purchase 37 shares of common stock at \$2.70 per share. This warrant would expire on November 30, 2021. The fair value of the warrant was estimated at an aggregate of \$139 using the Black-Scholes valuation model with the following assumptions: expected volatility of 57%; risk-free interest rate of 2.1%; expected life of 10 years; and no dividends. The fair value of the warrant was recorded as a discount to the loan and was amortized to interest expense over the loan term.

In December 2012, the Company entered into another amendment to its existing Revolving Credit Facility and Equipment Advance Facility pursuant to which Silicon Valley Bank agreed to extend an additional equipment advance facility of \$3,000 (the "Supplemental Equipment Advance"). The Supplemental Equipment Advance may only be used to finance the purchase of equipment. The Supplemental Equipment Advance accrues interest at a fixed per annum rate of 3.0% and will be repayable in 33 consecutive monthly installments of principal and interest. The Supplemental Equipment Advance expires March 1, 2016. As of December 31, 2015, the Company had withdrawn the full amount available under the Supplemental Equipment Advance. In connection with the Supplemental Equipment Advance, the Company issued a warrant to Silicon Valley Bank to purchase 27 shares of common stock at \$12.15 per share. This warrant was to expire in December 2022.

The fair value of the warrant was estimated at an aggregate of \$213 using the Black-Scholes valuation model with the following assumptions: expected volatility of 57%; risk-free interest rate of 1.65%; expected life of 10 years; and no dividends. The fair value of the warrant was recorded as a discount to the Revolving Credit Facility and will be amortized to interest expense over the facility term. Together with the Series B convertible preferred stock warrant and the common stock warrants issued, a total of \$251 and \$159 was recognized as interest expense for 2013 and 2012, respectively, as a result of the amortization of the loan discounts. In May 2013, Silicon Valley Bank exercised the preferred stock warrant and common stock warrants using the cashless exercise feature, resulting in the net issuance of 68 shares of common stock. As a result, no such interest expense was recognized in 2015 or 2014.

In September 2013, the Company entered into an amendment to the Revolving Credit Facility pursuant to which Silicon Valley Bank agreed to increase the Revolving Credit Facility to the lesser of \$15,000 or 80% of the Company's eligible accounts receivable. Also, the expiration date of the Revolving Credit Facility was extended to July 31, 2015 and the annual interest rate was amended to 0.25% over the Prime Rate, payable on a monthly basis. Additionally, the Company's obligation to meet certain financial covenants would be waived when the Company's unrestricted cash balance exceeds \$50,000.

In July 2015, the Company entered into an amendment to the Revolving Credit Facility pursuant to which Silicon Valley Bank agreed to increase the revolving credit facility of up to the lesser of \$20,000 or 80% of the Company's eligible accounts receivable. Also, the expiration date of the revolving credit facility was extended to July 31, 2017, and the annual interest rate was amended to (a) the prime rate or (b) the London interbank offered rate then in effect, plus a margin of 2.75%, payable on a monthly basis. The amendment contains affirmative and negative covenants, including covenants related to the delivery of financial and other information, the maintenance of certain financial covenants, as well as limitations on dispositions, changes in business or management, mergers or consolidations, dividends and other corporate actions. No amounts were outstanding pursuant to the Revolving Credit Facility as of December 31, 2015 and 2014. As of December 31, 2015, approximately \$15,188 was available for withdrawal under the Revolving Credit Facility. The Revolving Credit Facility, the Additional Equipment Advance Facility and the Supplemental Equipment Advance are all collateralized with all of the personal property of the Company, excluding shares of controlled foreign corporations, patents and copyrights.

#### *Capital Lease Arrangements*

In February 2013, the Company entered into a capital lease arrangement with an equipment manufacturer to finance the acquisition of computer equipment. The lease has an effective interest rate of 6.0% and is repayable in 36 consecutive equal monthly installments of principal and interest.

In August and December 2015, the Company entered into separate capital lease arrangements with the same equipment manufacturer to finance the acquisition of additional computer equipment. These leases have an effective annual interest rate of 5.8% 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 the underlying equipment at the estimated fair market value or for a nominal amount. As of December 31, 2015 and 2014, the net book value of the equipment under the capital leases was \$2,446 and \$1,439, respectively, and the remaining principal balance payable was \$2,700 and \$1,542, respectively. The capital leases are collateralized by the underlying computer equipment.

The Company's outstanding balances under the capital leases and Equipment Advance Facilities as of December 31, 2015 and 2014 are as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Capital leases	\$ 2,700	\$ 1,542
Equipment Advance Facilities	283	1,697
	<u>2,983</u>	<u>3,239</u>
Discount on long-term debt	(42)	(31)
	<u>\$ 2,941</u>	<u>\$ 3,208</u>

The maturities of debt as of December 31, 2015 are as follows:

<b>Year Ending</b>	
December 31, 2016	\$ 1,384
December 31, 2017	582
December 31, 2018	617
December 31, 2019	400
	<u>2,983</u>
Less:	
Current portion	(1,384)
Discount on long-term debt	(42)
Noncurrent portion of debt	<u>\$ 1,557</u>

In connection with the acquisition of SocialMoov in February 2015 (see Note 3), the Company assumed outstanding debt totaling approximately \$1,043, which consisted primarily of individual loans payable to (a) an agency of the French government, (b) a French public-sector investment bank and (c) a French private-sector financial institution. As of December 31, 2015, these loans were fully repaid.

In December 2014, the Company entered into a standby letter of credit agreement for \$1,293 with Silicon Valley Bank in connection with the non-cancelable lease for the Company's corporate headquarters in San Francisco. This standby letter of credit does not impact the balances available for withdrawal under the Revolving Credit Facility, the Additional Equipment Advance Facility and the Supplemental Equipment Advance. As of December 31, 2015, no amount was drawn on this standby letter of credit.

Outstanding warrants to purchase the Company's Series B preferred stock were classified as liabilities which were adjusted to fair value at each reporting period until the earlier of their exercise or expiration on the later date of October 30, 2018 or five years from the closing of the Company's IPO, or the completion of a liquidation event, including the completion of an IPO, at which time the preferred stock warrant liability was automatically converted into a warrant to purchase shares of common stock and was reclassified to stockholders' equity. The Company recorded a loss of \$238 and \$362 for 2013 and 2012, respectively, within other income (expenses), net to adjust the warrant liability to fair value. The fair values were determined using Level 3 inputs under the GAAP fair value hierarchy. No such fair value adjustment was recorded in 2015 and 2014, as the underlying warrants were no longer outstanding subsequent to the Company's IPO.

## 9. Convertible Preferred Stock

Immediately prior to the close of the Company's IPO, the Company's outstanding convertible preferred stock ("Series A Stock," "Series A-1 Stock," "Series B Stock," "Series C Stock," "Series D Stock," "Series E Stock," "Series F Stock" and "Series F-1 Stock") automatically converted at a rate of 1:1 into common stock. The following table summarizes information related to the Company's convertible preferred stock prior to conversion into common stock:

	Shares Authorized	Shares Outstanding	Liquidation Amount	Proceeds Net of Issuance Cost
Series A	2,009	2,009	\$ 2,248	\$ 2,208
Series A-1	1,400	1,400	2,329	2,273
Series B	2,673	2,622	7,227	7,146
Series C	4,673	4,673	12,999	12,915
Series D	2,022	2,022	11,192	11,038
Series E	1,744	1,744	16,036	15,934
Series F	2,805	2,805	34,488	34,294
Series F-1	1,478	1,478	20,000	19,902
	<u>18,804</u>	<u>18,753</u>	<u>\$ 106,519</u>	<u>\$ 105,710</u>

## Dividends

No dividends on the convertible preferred stock were declared by the Board of Directors from inception through their conversion into common stock.

## 10. Common Stock

On February 12, 2013, the Company's Board of Directors approved a Restated Certificate of Incorporation, which became effective upon the consummation of the Company's IPO. The Restated Certificate of Incorporation amends the authorized share capital to 500,000 shares of common stock (\$0.001 par value per share) and 10,000 shares of blank-check preferred stock (\$0.001 par value per share).

As of December 31, 2015 and 2014, reserved shares of common stock are as follows:

	December 31,	
	2015	2014
Options or RSUs available for future grant under stock option plans	4,041	3,154
Options outstanding under stock option plans	5,960	6,376
RSUs outstanding under stock option plans	1,221	769
Shares available for future issuance under ESPP	776	1,005
Shares to be issued in connection with acquisition of SocialMoov	927	—
	<u>12,925</u>	<u>11,304</u>

## 11. Equity Award Plans

In April 2006, the Company's Board of Directors adopted and the stockholders approved the 2006 Stock Option Plan ("2006 Plan"). The 2006 Plan provides for the grant of incentive stock options under the federal tax laws and non-statutory stock options. Only employees may receive incentive stock options, but non-statutory stock options may be granted to employees, non-employee directors and consultants. The stock options are exercisable at a price equal to the market value of the underlying shares of common stock on the date of the grant as determined by the Company's board of directors. The term of options granted under the 2006 Plan may not exceed ten years. Certain options are eligible for exercise prior to vesting. Exercised but unvested shares of common stock are subject to repurchase by the Company at the initial exercise price. The proceeds from the shares of common stock subject to repurchase are classified as a liability and reclassified to equity as the shares vest. Under the 2006 Plan's early exercise feature, the Company had the right to repurchase 18 and 85 shares of common stock as of December 31, 2015 and 2014, respectively. The Company records cash received from the exercise of unvested stock options as a long-term liability, as well as the fair value of vested outstanding options to non-employee consultants. As of December 31, 2015 and 2014, \$249 and \$826, respectively, has been recorded as a long-term liability on the accompanying consolidated balance sheets.



In February 2013, the Company's Board of Directors and stockholders approved the 2013 Equity Incentive Plan ("2013 Plan"), under which 4,500 shares of common stock were originally reserved for issuance. Additionally, all reserved and unissued shares under the 2006 Plan at the time the 2013 Plan became effective are eligible for issuance under the 2013 Plan. The 2013 Plan became effective on March 21, 2013, at which time the Company ceased to grant equity awards under the 2006 Plan. The 2013 Equity Incentive Plan authorizes the award of 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 Equity Incentive 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 Company's Board of Directors. Pursuant to the terms of the 2013 Plan, the shares available for issuance increased by approximately 1,878 shares of common stock on January 1, 2016.

### 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 activity under the 2006 Plan and the 2013 Plan is as follows:

	<b>Options Outstanding</b>			
	<b>Number of Shares</b>	<b>Weighted Average Exercise Price Per Share</b>	<b>Weighted Average Remaining Contractual Term (in Years)</b>	<b>Aggregate Intrinsic Value</b>
<b>Balances at December 31, 2012</b>	4,314	\$ 1.71	7.11	\$ 34,439
Options granted	1,594	11.98	9.26	
Options exercised	(618)	2.42	—	
Options forfeited and cancelled	(435)	8.60	—	
<b>Balances at December 31, 2013</b>	4,855	\$ 6.56	7.85	\$ 20,593
Options granted	3,558	9.39	8.35	
Options exercised	(791)	3.12	—	
Options forfeited and cancelled	(1,246)	9.51	—	
<b>Balances at December 31, 2014</b>	6,376	\$ 7.99	7.82	\$ 9,697
Options granted	2,303	5.85	7.70	
Options exercised	(727)	1.98	—	
Options forfeited and cancelled	(1,992)	8.92	—	
<b>Balances at December 31, 2015</b>	5,960	\$ 7.58	7.85	\$ 957
Options exercisable as of December 31, 2015	2,630	\$ 7.91	6.42	\$ 957
Options vested as of December 31, 2015	2,501	\$ 7.77	6.39	\$ 957
Options vested and expected to vest as of December 31, 2015	5,670	\$ 7.61	7.79	\$ 957

The intrinsic value of options exercised during 2015, 2014 and 2013 was \$2,935, \$5,615, and \$5,693, respectively. The total estimated fair value of options vested during 2015, 2014 and 2013 was \$7,573, \$5,447, and \$3,110, respectively.

The following table summarizes information about shares subject to stock options outstanding as of December 31, 2015:

Range of Exercise Prices	Options Outstanding	
	Number Outstanding	Weighted Average Remaining Contractual Life (in years)
\$0.14 - \$0.82	220	3.17
\$2.39 - \$2.70	295	4.99
\$3.66 - \$3.96	553	9.70
\$5.20 - \$6.81	1,339	9.17
\$7.05 - \$7.76	675	6.32
\$8.05 - \$9.87	2,167	8.34
\$10.30 - \$11.82	273	6.18
\$12.12 - \$14.14	438	6.75
	<u>5,960</u>	

#### RSUs

A summary of RSUs granted and unvested under the 2013 Plan during 2015 and 2014 is as follows:

	RSUs Outstanding	
	Number of Shares	Weighted Average Grant Date Fair Value Per Unit
<b>Granted and unvested at December 31, 2013</b>	—	\$ —
RSUs granted	777	9.37
RSUs vested	—	—
RSUs cancelled	(8)	10.56
<b>Granted and unvested at December 31, 2014</b>	769	\$ 9.36
RSUs granted	1,185	5.68
RSUs vested	(143)	9.83
RSUs cancelled and withheld to cover taxes	(590)	7.79
<b>Granted and unvested at December 31, 2015</b>	<u>1,221</u>	\$ 9.36

#### Employee Stock Purchase Plan

In February 2013, the Company's Board of Directors and stockholders approved the 2013 Employee Stock Purchase Plan ("2013 ESPP"), under which 1,000 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 Employee Stock Purchase Plan will be 85% of the lesser of the fair market value of the common stock on (i) the first trading day of the applicable offering period and (ii) 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 Employee Stock Purchase Plan will automatically increase by an amount equal to 1% of the total outstanding shares as of immediately preceding December 31, but not to exceed 700 shares. Pursuant to the terms of the 2013 ESPP, the shares available for issuance increased by approximately 376 shares on January 1, 2016. During 2015 and 2014, 257 and 178 shares, respectively, were issued under the 2013 ESPP.

#### 12. Stock-Based Compensation Expense

For stock-based awards granted by the Company, stock-based compensation expense is measured at grant date based on the fair value of the award and is expensed over the requisite service period. The Company recorded stock-based compensation expense of \$15,619, \$9,242 and \$5,218 for 2015, 2014 and 2013, 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:

	Years Ended December 31,		
	2015	2014	2013
Dividend yield	—	—	—
Expected volatility	49.1%	51.3%	55.0%
Risk-free interest rate	1.75%	1.89%	1.27%
Expected life of options (in years)	6.25	6.25	6.25
Forfeiture rate	7.0%	7.0%	7.0%
Weighted-average grant-date fair value	\$ 2.88	\$ 4.77	\$ 6.41
Weighted-average grant-date exercise price	\$ 5.85	\$ 9.39	\$ 11.98

As the Company has limited historical option exercise data, the expected term of the stock options granted to employees was calculated based on the simplified method. Under the simplified method, the expected term is equal to the average of an option's weighted-average vesting period and its contractual term. Pursuant to the SEC Staff Accounting Bulletin ("SAB") No. 110, the Company is permitted to continue using the simplified method until sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available. The Company estimates the expected volatility of its common stock on the date of grant based on the historical stock volatilities of similar publicly-traded entities over a period equal to the expected terms of the options, as the Company does not have sufficient trading history to use the volatility of its own common stock. The Company has no history or expectation of paying cash dividends on its common stock. The risk-free interest rate is based on the United States Treasury yield for a term consistent with the expected life of the options in effect at the time of grant.

Cash proceeds from the exercise of stock options were \$1,439, \$2,472, and \$1,541 during 2015, 2014 and 2013, respectively.

Compensation expense is recognized ratably over the requisite service period. As of December 31, 2015 and 2014, there was \$10,204 and \$16,112, respectively, of unrecognized compensation cost related to options, which is expected to be recognized over a weighted-average period of 2.6 and 3.0 years, respectively.

Prior to the consummation of the IPO, given the lack of an active public market for the Company's outstanding Common and preferred stock, the Company's Board of Directors established an estimate of fair value for these securities as well as for options and warrants to purchase these securities. The fair value of the Company's common stock as used in the determination of the exercise price of stock options was estimated by the Board of Directors based on factors such as the liquidation preference, dividends and other rights of the outstanding preferred stock; recent financial and operating performance; the status of the Company's development and sales efforts, revenue growth and additional objectives; the likelihood and proximity of an IPO; and the valuation of comparable companies that are publicly traded. Subsequent to the closing of the Company's IPO, the Company has used the closing price of the Company's common stock on the date of the stock option grant as the fair value of the Company's common stock and the exercise price of the stock options.

For awards that are expected to result in a tax deduction, a deferred tax asset is established as the Company recognizes compensation expense. If the tax deduction exceeds the cumulative recorded compensation expense, the tax benefit associated with the excess deduction is considered a windfall benefit. The excess tax benefit from share compensation plans is recorded in additional paid-in capital and classified as a financing cash flow on the consolidated statements of cash flows. The Company has elected to use the "with and without" approach as described in ASU 740-20, *Intraperiod Tax Allocation*, in determining the order in which tax attributes are utilized. As a result, the Company will only recognize a tax benefit from stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available to the Company have been utilized.

## Restricted Stock and RSUs

As of December 31, 2015 and 2014, there was \$10,667 and \$9,459 of unrecognized compensation cost related to restricted stock and RSUs, respectively, which is expected to be recognized over a weighted-average period of 2.0 and 2.2 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 restricted stock and RSUs. Stock-based compensation expense related to these awards is recognized on a straight-line basis over the service period of the award for the estimated number of shares that are ultimately expected to vest.

### Employee Stock Purchase Plan

The Company estimates the fair value of purchase rights under the ESPP using the Black-Scholes valuation model. The fair value of each purchase right under the 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 our stock option awards.

### 13. Income Taxes

The components of the Company's loss before provision for (benefit from) income taxes were as follows:

	Years Ended December 31,		
	2015	2014	2013
United States of America	\$ (17,173)	\$ (26,427)	\$ (24,197)
International	(15,171)	(8,200)	(11,163)
	<u>\$ (32,344)</u>	<u>\$ (34,627)</u>	<u>\$ (35,360)</u>

The components of the provision for (benefit from) income taxes were as follows:

	Years Ended December 31,		
	2015	2014	2013
Current income tax provision			
Federal	\$ —	\$ —	\$ —
State	111	101	26
Foreign	1,193	700	557
Total current income tax provision	<u>1,304</u>	<u>801</u>	<u>583</u>
Deferred income tax benefit			
Federal	—	(2,094)	—
State	—	(191)	—
Foreign	(299)	28	(91)
Total deferred income tax benefit	<u>(299)</u>	<u>(2,257)</u>	<u>(91)</u>
Provision for (benefit from) income taxes	<u>\$ 1,005</u>	<u>\$ (1,456)</u>	<u>\$ 492</u>

The Company has incurred operating losses and has recorded a full valuation allowance against its deferred tax assets (except for the deferred tax assets associated with the Company's subsidiaries in China, Japan and the United Kingdom) for all periods to date and, accordingly, has not recorded a provision for income taxes for any of the periods presented other than provisions for foreign and state income taxes.

The differences in the total provision for (benefit from) income taxes that would result from applying the 34% federal statutory rate to loss before provision for (benefit from) income taxes and the reported provision for (benefit from) income taxes were as follows:

	Years Ended December 31,		
	2015	2014	2013
Tax benefit at U.S. statutory rate	\$ (10,997)	\$ (11,773)	\$ (12,022)
State income taxes, net of federal benefit	(104)	(105)	19
Foreign income and withholding taxes	6,033	3,593	4,382
Stock-based compensation	1,039	984	863
Change in valuation allowance	3,807	5,982	4,437
Research and development credits	(1,067)	(807)	(776)
Uncertain tax positions	1,277	52	1,499
Provision to return adjustments	848	(53)	1,894
Other	169	671	196
	<u>\$ 1,005</u>	<u>\$ (1,456)</u>	<u>\$ 492</u>

Major components of the Company's deferred tax assets (liabilities) as of December 31, 2015 and 2014 are as follows:

	December 31,	
	2015	2014
<b>Current</b>		
Accruals and reserves	\$ —	\$ 1,250
Stock-based compensation	—	586
Other	—	118
Current deferred tax assets	—	1,954
Valuation allowance	—	(1,822)
Total current deferred tax assets, net of valuation allowance	—	132
<b>Noncurrent</b>		
Net operating loss	\$ 32,703	\$ 34,586
Accruals and reserves	2,887	128
Research and development credits	6,247	4,791
Stock-based compensation	5,028	1,757
Property and equipment and intangible assets	(2,036)	543
Other	2,802	(235)
Net deferred tax assets	47,631	41,570
Valuation allowance	(48,913)	(41,531)
Total noncurrent net deferred tax (liabilities) assets, net of valuation allowance	\$ (1,282)	\$ 39

As a result of certain accounting guidance for stock compensation, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets at December 31, 2015 and 2014 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. Additional paid-in capital will be increased by \$1,423 if and when such benefits are ultimately realized and reduce taxes payable.

The Code, as amended, imposes restrictions on the utilization of net operating losses in the event of an "ownership change" of a corporation. Accordingly, a company's ability to use net operating losses may be limited as prescribed under Internal Revenue Code Section 382 ("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. Utilization of the federal and state net operating losses may be subject to substantial annual limitation due to the ownership change limitations provided by the IRC Section 382 and similar state provisions. An analysis was conducted through December 31, 2015 to determine whether an ownership change had occurred since inception. The analysis indicated that because an ownership change occurred in a prior year, federal and state net operating losses of \$184 and \$214, respectively, were significantly limited pursuant to IRC Section 382. In the event the Company has subsequent changes in ownership, net operating losses and research and development credit carryovers could be further limited and may expire unutilized.

As of December 31, 2015, the Company had federal and state net operating loss carryforwards of approximately \$96,633 and \$86,881, respectively. The federal net operating loss carryforward will begin expiring in 2027 and the state net operating loss carryforward will begin expiring in 2017. As of December 31, 2015, the Company had federal and state research and development credits of approximately \$5,020 and \$4,637, respectively. The federal research and development credits will begin expiring in 2027. 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, 2015 and 2014 (except for the deferred income tax assets associated with the Company's subsidiaries in China, Japan and the United Kingdom). The Company has determined, after evaluating all positive and negative historical and prospective evidence, that it is more likely than not that the deferred tax assets will not be realized. The valuation allowance increased by \$5,467, \$9,295 and \$4,205 during the years ended December 31, 2015, 2014 and 2013, respectively.

The Company files United States 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 the United States state or foreign tax authorities. Because of net operating loss and credit carry forwards, all of the Company's tax years dating to inception in 2006 remain open to examination.

As of December 31, 2015 and 2014, the Company had unrecognized tax benefits of \$357 and \$129, respectively, that if recognized would impact the annual effective tax rate. During 2015, 2014 and 2013, the Company did not recognize any interest or penalties related to unrecognized tax benefits. The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

<b>Ending balance as of December 31, 2012</b>	\$ 508
Increase in balances related to tax positions taken during the current period	580
Increase in balances related to tax positions taken during the prior period	—
<b>Ending balance as of December 31, 2013</b>	1,088
Increase in balances related to tax positions taken during the current period	394
Increase in balances related to tax positions taken during the prior period	99
<b>Ending balance as of December 31, 2014</b>	1,581
Increase in balances related to tax positions taken during the current period	3,196
Increase in balances related to tax positions taken during the prior period	2,781
<b>Ending balance as of December 31, 2015</b>	<u>\$ 7,558</u>

The Company does not anticipate that the amount of unrecognized tax benefits relating to tax positions existing at December 31, 2015 will significantly increase or decrease within the next twelve months.

United States income taxes and foreign withholding taxes associated with the repatriation of earnings of foreign subsidiaries were not provided for on a cumulative total of \$10,151 of undistributed earnings for certain foreign subsidiaries as of December 31, 2015. The Company intends to reinvest these earnings indefinitely in its foreign subsidiaries. If these earnings were distributed to the United States in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, the Company would be subject to additional United States income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable.

#### 14. Net Loss Per Share Available to Common Stockholders

Basic net loss per share available to common stockholders 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. Net loss available to common stockholders is calculated using the two class method as net loss less the preferred stock dividend for the period less the amount of net loss, if any, allocated to the preferred stock based on weighted preferred stock outstanding during the period relative to total stock outstanding during the period. As the Company's preferred stockholders did not have the contractual obligations to share in the losses of the Company, no loss was allocated to the convertible preferred stockholders in the determination of net loss available to common stockholders. The weighted-average number of shares of common stock used to calculate the Company's basic net loss per share available to common stockholders excludes those shares subject to repurchase related to unvested common shares, stock options that were exercised prior to vesting, restricted stock issued and RSUs settled for shares of common stock as these shares are not deemed to be outstanding for accounting purposes until they vest. The 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. Potential shares of common stock consist of common stock subject to repurchase, stock options to purchase common stock, restricted common stock issued, RSUs settled for shares of common stock, warrants to purchase convertible preferred stock (using the treasury stock method) and the conversion of the Company's convertible preferred stock (using the "if converted" method).

The following table presents the calculation of basic and diluted net loss per share for the periods presented:

	Years Ended December 31,		
	2015	2014	2013
<b>Numerator:</b>			
Net loss available to common stockholders	\$ (33,349)	\$ (33,171)	\$ (35,852)
<b>Denominator:</b>			
Weighted average number of shares, basic and diluted	36,580	34,210	26,312
<b>Net loss per share available to common stockholders:</b>			
Basic and diluted net loss per common share available to common stockholders	<u>\$ (0.91)</u>	<u>\$ (0.97)</u>	<u>\$ (1.36)</u>

The following table presents the potential common shares outstanding that were excluded from the computation of diluted net loss per share available to common stockholders for the periods presented because including them would have been anti-dilutive:

	Years Ended December 31,		
	2015	2014	2013
Options to purchase common stock	5,960	6,376	4,855
Restricted stock units	1,221	769	—
Restricted common stock	131	580	—
Common stock subject to repurchase	18	85	180
	<u>7,330</u>	<u>7,810</u>	<u>5,035</u>

## 15. 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 evaluation of financial performance. Accordingly, the Company has determined that it operates as a single reportable and operating segment.

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

	Years Ended December 31,		
	2015	2014	2013
United States of America	\$ 72,942	\$ 65,745	\$ 52,725
International	35,588	33,609	24,590
Total revenues, net	<u>\$ 108,530</u>	<u>\$ 99,354</u>	<u>\$ 77,315</u>

Long-lived assets, excluding goodwill and intangible assets, by geographic area were as follows:

	December 31,	
	2015	2014
United States of America	\$ 20,825	\$ 15,701
International	992	573
Total long-lived assets, net	<u>\$ 21,817</u>	<u>\$ 16,274</u>

## 16. Commitments and Contingencies

### Operating Leases

Rent expense for 2015, 2014 and 2013 was \$8,673, \$7,478, and \$6,811, respectively.

The Company has leased office space in San Francisco, Austin, Chicago, Dublin, Hamburg, London, New York, Paris, Portland, Sydney, Shanghai and Tokyo under non-cancelable operating leases, which expire between 2016 and 2024. Additionally, the Company subleases a portion of its San Francisco office space, and leases the space utilized for data center operations.

Future minimum lease payments for significant operating leases, net of sublease payments, as of December 31, 2015 were as follows:

<b>Year Ending</b>	
December 31, 2016	\$ 7,080
December 31, 2017	7,070
December 31, 2018	4,789
December 31, 2019	4,263
December 31, 2020	3,405
Thereafter	6,019
	<u>\$ 32,626</u>

### ***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, 2015 and 2014.

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, 2015 and 2014.

### ***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.

## **17. Employee Benefit Plans**

The Company sponsors a 401(k) defined contribution plan covering all employees in the United States. The Board of Directors determines contributions made by the Company annually. The Company made no contributions under this plan for 2015, 2014 and 2013.

## **18. Related Party Transactions**

In October 2013, the Company appointed James Barrese to the Board of Directors. Mr. Barrese is the Chief Technology Officer of PayPal, Inc., which is a customer of the Company. During 2015, 2014 and 2013, the Company recorded total revenues of \$554, \$390 and \$163, respectively, through its subscription agreements with PayPal, Inc. and its former parent eBay Inc.





## POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David A. Yovanno and Catriona M. Fallon, 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
<u>/s/ David A. Yovanno</u> David A. Yovanno	Chief Executive Officer and Director (principal executive officer)	February 22, 2016
<u>/s/ Catriona M. Fallon</u> Catriona M. Fallon	Chief Financial Officer (principal financial and accounting officer)	February 22, 2016
<u>/s/ Christopher A. Lien</u> Christopher A. Lien	Director	February 22, 2016
<u>/s/ Paul Auvil</u> Paul Auvil	Director	February 22, 2016
<u>/s/ James Barrese</u> James Barrese	Director	February 22, 2016
<u>/s/ L. Gordon Crovitz</u> L. Gordon Crovitz	Director	February 22, 2016
<u>/s/ Bruce Dunlevie</u> Bruce Dunlevie	Lead Independent Director	February 22, 2016
<u>/s/ Donald Hutchison</u> Donald Hutchison	Director	February 22, 2016
<u>/s/ Allan Leinwand</u> Allan Leinwand	Director	February 22, 2016
<u>/s/ Daina Middleton</u> Daina Middleton	Director	February 22, 2016

**EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Incorporated by Reference</u>				<u>Filed Herewith</u>
		<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	
2.1	Amended and Restated Agreement and Plan of Reorganization by and among the Registrant, Infinity Acquisition Sub, Inc., Infinity Acquisition Sub II, L.L.C., NowSpots, Inc. and Fortis Advisors L.L.C. as Stockholders' Agent as of May 30, 2014	8-K	001-35838	2.1	6/4/2014	
2.2	Share Purchase Agreement by and among Marin Software Incorporated, SocialMoov, SocialMoov's securityholders and Sylvain Eche, as Shareholders' Agent, dated as of February 5, 2015	8-K	001-35838	2.1	2/5/2015	
3.1	Restated Certificate of Incorporation.	10-Q	001-35838	3.1	5/9/2013	
3.2	Restated Bylaws.	10-Q	001-35838	3.2	5/9/2013	
4.1	Form of Common Stock Certificate.	S-1/A	333-186669	4.1	3/15/2013	
4.2	Amended and Restated Investors Rights' Agreement, dated as of January 25, 2012, by and among the Registrant and certain of its stockholders, as amended.	S-1	333-186669	4.2	2/13/2013	
10.1	Form of Indemnification Agreement.	S-1/A	333-186669	10.1	3/4/2013	
10.2#	2006 Equity Incentive Plan and forms of stock option agreement and stock option exercise agreement.	S-1	333-186669	10.2	2/13/2013	
10.3#	2013 Equity Incentive Plan and forms of stock option agreement, stock option exercise agreement, restricted stock agreement, and restricted stock unit award agreement.	S-1/A	333-186669	10.3	3/4/2013	
10.4#	2013 Employee Stock Purchase Plan and form of subscription agreement.	S-1/A	333-186669	10.4	3/4/2013	
10.5	Master Services Agreement, dated as of August 3, 2009, by and between the Registrant and Switch Communications Group L.L.C.	S-1	333-186669	10.7	2/13/2013	
10.6#	Form of Severance and Change in Control Agreement between the Registrant and each of the executive officers.	S-1/A	333-186669	10.9	3/11/2013	
10.7#	Executive Bonus Compensation Plan	10-K	001-35838	10.11	2/20/2015	
10.8#	Offer Letter, dated May 4, 2014, by and between the Registrant and David. A. Yovanno.	8-K	001-35838	10.1	5/8/2014	
10.9#	Release Agreement, dated July 8, 2014, by and between the Registrant and Peter Wooster	10-Q	001-35838	10.10	5/8/2014	
10.10#	Description of Director Compensation Program	10-K	001-35838	10.14	2/20/2015	
10.11	Second Amended and Restated Loan and Security Agreement, date as of July 23, 2015, by and among Silicon Valley Bank, Marin Software Incorporated, Marin Software Limited, a company registered under the laws of England and Wales, and Marin Software Limited, a company incorporated in Ireland.	8-K	001-35838	99.1	7/24/2015	
10.12#	Offer Letter, dated as of July 1, 2015, by and between the Registrant and Catriona M. Fallon.	10-Q	001-35838	10.2	8/6/2015	

Exhibit Number	Description of Document	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.13#	Transition and Separation Agreement with Christopher A. Lien	10-Q	001-35838	10.4	11/5/2015	
10.14#	Offer Letter, dated as of August 14, 2014, by and between the Registrant and Stephen E. Kim					X
10.15	First Amendment to Second Amended and Restated Loan and Security Agreement, date as of July 23, 2015, by and among Silicon Valley Bank, Marin Software Incorporated, Marin Software Limited, a company registered under the laws of England and Wales, and Marin Software Limited, a company incorporated in Ireland.					X
10.16	Office Lease, dated as of January 7, 2011, by and between the Registrant and 123 Mission, LLC, as amended					X
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of independent registered public accounting firm.					X
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	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.					X
32.2*	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.					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.



August 14, 2014

Stephen Kim  
[Private Address]

Offer of Employment by Marin Software Incorporated

Dear Stephen:

I am very pleased to confirm our offer to you of employment with Marin Software Incorporated (the “*Company*”) in the position of Executive Vice President and General Counsel based in our San Francisco, California office. In this position you will report to me, or my designate. Your start date shall be no later than October 15, 2014. The terms of our offer and the benefits currently provided by the Company are as follows:

1. **Starting Salary.** Your starting salary will be at the annualized rate of \$275,000.00 USD per year (less normal payroll deductions and withholdings), and will be subject to review on an annual basis. In addition you will be eligible to receive variable compensation of 30% USD per year (less normal payroll deductions and withholdings) based upon Corporate performance and at the Chief Executive Officer and Compensation Committee’s discretion for an annualized On Target Earnings of \$357,500.00 USD and shall be pro-rated for the months of employment in 2014. As long as you remain a full time employee in good standing, you will be eligible to receive a sign on bonus of \$125,000.00 payable over two years in equal quarterly amounts of \$15,625.00 (less normal payroll deductions and withholdings). In the event of a qualifying Change in Control and your position is terminated without cause, any remainder of your sign on bonus will be paid in full (less normal payroll deductions and withholdings).

2. **Benefits.** In addition, you will be eligible to participate in regular health, vision and dental insurance, 401(k), and other employee benefit plans established by the Company for its employees from time to time. Comprehensive medical benefits go into effect on the first of every month. If your start date falls any time after the first of the month, your benefits will start on the first day of the following month. Except as expressly provided herein, the Company reserves the right to change or otherwise modify, in its sole discretion, the preceding terms of employment, as well as any of the terms set forth herein at any time in the future. US management (Vice Presidents and above) do not accrue paid time off (PTO). Instead, you will submit time off requests for preapproval by your manager in his or her sole discretion. Typically, time off for US managers is approximately 15 days in the first full year of employment. In addition 12 regular Company holidays each calendar year and unlimited sick days are provided. The Company also offers US employees a monthly commuting benefit for parking and mass transit expenses. Details regarding the benefit will be provided in new hire orientation.

3. **Confidentiality.** As an employee of the Company, you will have access to certain confidential information of the Company and you may, during the course of your employment, develop certain information or inventions that will be the property of the Company. To protect the interests of the Company, you will need to sign the Company’s standard “Employee Invention Assignment and Confidentiality Agreement” as a condition of your employment. We wish to impress upon you that we do not want you to, and we hereby direct you not to, bring with you any confidential or proprietary material of any former employer or to violate any other obligations you may have to any former employer. During the period that you render services to the Company, you agree to not engage in any employment, business or activity that is in any way competitive with the business or proposed business of the Company. You will disclose to the Company in writing with updates from time-to-time as requested any other gainful employment, business or activity that you are currently associated with or participate in. You will not assist any other person or organization in competing with the Company or in preparing to engage in competition with the business or proposed business of the Company. You represent that your signing of this offer letter and the Company’s Employee Invention Assignment and Confidentiality Agreement and your commencement of employment with the Company will not violate any agreement currently in place between yourself and current or past employers. Notwithstanding anything in this Agreement to the contrary, you may engage in charitable activities and community affairs, and with the prior approval of the Board of Directors you may serve as a director of any corporation which does not compete in any way with Company business or proposed business; provided that such activities are not inconsistent with your obligations to the Company.

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4. (a) **Options**. After your date of hire, we will recommend to the Compensation Committee (the “*Committee*”) of the Board of Directors of the Company that you be granted an option to purchase 150,000 shares of Company common stock (the “*Shares*”), with an exercise price per share equal to the closing price per share of Company common stock as of the date of the Committee’s approval of the grant. The vesting and the other terms of the option will be set by the Committee. Any option granted to you will be governed by the terms and conditions of the applicable grant agreement and the 2013 Marin Software Incorporated Equity and Incentive Plan. Also, the Company currently offers an Employee Stock Purchase Plan (“ESPP”) under which eligible employees may purchase shares of Company common stock through payroll deductions made over a period of 6 months at a 15% discount from the market price on the date of purchase. Participation in the ESPP is optional. Details regarding the ESPP will be provided in new hire orientation.

5. (a) **At Will Employment**. While we look forward to a profitable relationship, should you decide to accept our offer, you will be an at-will employee of the Company, which means the employment or other relationship can be terminated by either of us for any reason, at any time, with or without prior notice and with or without cause. You should regard any statements or representations to the contrary (and, indeed, any statements contradicting any provision in this letter) as ineffective. Further, your participation in any stock option or benefit program is not to be regarded as assuring you of continuing employment or service for any particular period of time. Any modification or change in your at-will employment status may only occur by way of a written employment agreement signed by you and an authorized officer of the Company (other than you), and approved by the Company’s Board of Directors.

(b) **Severance and Change in Control Agreement**. You agree to sign the Company’s standard Severance and Change in Control Agreement applicable to executive and senior officers of the Company, which provides certain severance benefits if your employment relationship is terminated under certain circumstances. You will not be entitled to any severance benefits if your employment is terminated by the Company for Cause (as defined in the Severance and Change in Control Agreement).

6. **Authorization to Work**. Please note that because of employer regulations adopted in the Immigration Reform and Control Act of 1986, within three (3) business days of starting your new position you will need to present documentation demonstrating that you have authorization to work in the United States.

7. **Arbitration**. You and the Company shall submit to mandatory and exclusive binding arbitration of any controversy or claim arising out of, or relating to, this Agreement or any breach hereof, provided, however, that the parties retain their right to, and shall not be prohibited, limited or in any other way restricted from, seeking or obtaining equitable relief from a court having jurisdiction over the parties. Such arbitration shall be governed by the Federal Arbitration Act and conducted through the American Arbitration Association in the State of California, San Francisco County, before a single neutral arbitrator, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association in effect at that time. The parties may conduct only essential discovery prior to the hearing, as defined by the AAA arbitrator. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. You shall bear only those costs of arbitration you would otherwise bear had you brought a claim covered by this Agreement in court. Judgment upon the determination or award rendered by the arbitrator may be entered in any court having jurisdiction thereof. In addition to any other award, the arbitrator shall award the prevailing party attorneys’ fees, costs and arbitration costs, incurred by the prevailing party as a result of the arbitration.

8. **Successors, Binding Agreement**. This Agreement shall not automatically be terminated by the voluntary or involuntary dissolution of the Company or by any merger or consolidation, whether or not the Company is the surviving or resulting corporation, or upon any transfer of all or substantially all of the assets of the Company. In the event of any such merger, consolidation or transfer of assets, the provisions of this Agreement shall bind and inure to the benefit of the surviving or resulting corporation, or the corporation to which such assets shall have been transferred, as the case may be; provided, however, that the Company will require any successor to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to you, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

9. **Miscellaneous**. This Agreement shall be construed and enforced in accordance with the laws of the State of California without giving effect to California’s choice of law rules. No waiver of any term of this Agreement constitutes a waiver of any other term of this Agreement. This Agreement may be amended only in writing by an agreement specifically referencing this Agreement which is signed by both you and the Company. In the event that a court or other trier of fact invalidates one or more terms of this Agreement, all the other terms of this Agreement shall remain valid and enforceable. You shall have no duty to mitigate any damages caused by the breach of the Company of this Agreement.



10. **Acceptance.** This offer is contingent on a satisfactory background check. If you decide to accept our offer, and I hope you will, please sign the enclosed copy of this letter in the space indicated and return it to me, on or before August 15, 2014. Your signature will acknowledge that you have read and understood and agreed to the terms and conditions of this offer letter and the attached documents, if any. Should you have anything else that you wish to discuss, please do not hesitate to call Nancy Kato, our Chief People Officer, or me.

We look forward to the opportunity to welcome you to the Company!

Very truly Yours,

/s/ David A. Yovanno

David A. Yovanno

Chief Executive Officer

I have read and understood this offer letter and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Stephen Kim

Stephen Kim

August 15, 2015

Date

**FIRST AMENDMENT TO  
SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this “**Amendment**”) is entered into this 19th day of February 2016, by and among SILICON VALLEY BANK (“**Bank**”), MARIN SOFTWARE INCORPORATED, a Delaware corporation (“**Marin**”) whose address is 123 Mission Street, 25th Floor, San Francisco, California 94105, MARIN SOFTWARE LIMITED, a company registered under the laws of England and Wales (“**Marin UK**”), and MARIN SOFTWARE LIMITED, a company incorporated in Ireland (“**Marin Ireland**”); and together with Marin and Marin UK, individually and collectively, the “**Borrower**”).

**RECITALS**

**A.** Bank and Borrower have entered into that certain Second Amended and Restated Loan and Security Agreement dated as of July 23, 2015 (as the same may from time to time be further amended, modified, supplemented or restated, the “**Loan Agreement**”).

**B.** Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C.** Borrower has requested that Bank amend the Loan Agreement to replace the minimum Quarterly Recurring Revenue financial covenant and make certain other revisions to the Loan Agreement as more fully set forth herein.

**D.** Although Bank is under no obligation to do so, Bank is willing to replace the minimum Quarterly Recurring Revenue financial covenant and amend certain provisions of the Loan Agreement, all on the terms and conditions set forth in this Agreement, so long as Borrower complies with the terms, covenants and conditions set forth in this Agreement in a timely manner.

**AGREEMENT**

**Now, Therefore,** in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions .** Capitalized terms used but not defined in this Amendment, including its preamble and recitals, shall have the meanings given to them in the Loan Agreement.

**2. Amendments to Loan Agreement .**

**2.1 Section 6.9 (Financial Covenants) .** Section 6.9(a) of the Loan Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

(a) **Adjusted EBITDA.** Commencing with the quarter ending March 31, 2016, and as of the last day of each quarter thereafter, minimum Adjusted EBITDA for the trailing three (3) month period then ended of at least following amounts (or in the case of a negative, not more negative than the following negative amounts) at the following times:

Quarter Ending	Minimum Quarterly Adjusted EBITDA
March 31, 2016	(\$1,000,000)
June 30, 2016	(\$1,000,000)
September 30, 2016	(\$500,000)
December 31, 2016	\$0

Commencing with the quarter ending March 31, 2017, Borrower’s minimum Adjusted EBITDA is subject to change based on Borrower’s annual financial projections approved by Borrower’s Board of Directors for the December 31, 2017 fiscal year and delivered to Bank pursuant to Section 6.2(f), as determined by Bank in its sole discretion (the “**2017 Adjusted EBITDA Covenant**”). Borrower’s failure to reach an agreement with Bank on the 2017 Adjusted EBITDA Covenant and to execute and deliver to Bank an amendment to this Agreement on or by April 15, 2017 shall constitute an immediate Event of Default under this Agreement.



**2.2 Section 13 (Definitions)** . The following terms and respective definitions are hereby added each in its entirety in alphabetical order to Section 13.1 to the Loan Agreement as follows:

“ **Adjusted EBITDA** ” shall mean, as measured on a consolidated basis with respect to Borrower and its Subsidiaries (a) EBITDA, plus (b) to the extent deducted in the calculation of Net Income, (i) other non-cash income or expenses, (ii) one-time non-cash acquisition related expenses incurred, and (iii) other non-recurring costs associated with acquisitions and restructurings.

“ **EBITDA** ” shall mean (a) Net Income, plus (b) non-cash stock compensation expense, plus (c) Interest Expense, plus (d) to the extent deducted in the calculation of Net Loss, (i) depreciation, (ii) amortization of internally developed software, (iii) amortization of intangible assets, and (iv) capitalization of internally developed software.

“ **Interest Expense** ” means for any fiscal period, interest expense (whether cash or non-cash) determined in accordance with GAAP for the relevant period ending on such date, including, in any event, interest expense with respect to any Credit Extension and other Indebtedness of Borrower and its Subsidiaries, including, without limitation or duplication, all commissions, discounts, or related amortization and other fees and charges with respect to letters of credit and bankers’ acceptance financing and the net costs associated with interest rate swap, cap, and similar arrangements, and the interest portion of any deferred payment obligation (including leases of all types).

**3. Compliance Certificate** . The Compliance Certificate attached to the Loan Agreement as Exhibit B is replaced in its entirety with the Compliance Certificate attached hereto as Exhibit B. From and after the date hereof, all references in the Loan Agreement to the Compliance Certificate shall mean the Compliance Certificate in the form attached hereto as Exhibit B .

#### **4. Limitation of Amendments.**

**4.1** The amendments set forth in Sections 2 and 3 above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

**4.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**4.3** In addition to those Events of Default specifically enumerated in the Loan Documents, the failure to comply with the terms of any covenant or agreement contained herein shall constitute an Event of Default and shall entitle the Bank to exercise all rights and remedies provided to the Bank under the terms of any of the other Loan Documents as a result of the occurrence of the same.

#### **5. Representations and Warranties** . To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

**5.1** Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

**5.2** Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

**5.3** The organizational documents of Borrower delivered to Bank on the Effective Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

**5.4** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

**5.5** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

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**5.6** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made; and

**5.7** This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

**6. Integration** . This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

**7. Counterparts** . This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

**8. Effectiveness** . This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of this Amendment by each party hereto, (b) payment of an amendment fee to Bank in an amount equal to Five Thousand Dollars (\$5,000), and (c) payment of Bank's legal fees and expenses in connection with the negotiation and preparation of this Amendment.

[Signatures Appear on the Following Page]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BANK**

SILICON VALLEY BANK

By: /s/ Charles Thor  
Name: Charles Thor  
Title: Vice President

**BORROWER**

MARIN SOFTWARE INCORPORATED

By: /s/ Catriona Fallon  
Name: Catriona Fallon  
Title: EVP and CFO

MARIN SOFTWARE LIMITED

By: /s/ Catriona Fallon  
Name: Catriona Fallon  
Title: EVP and CFO

MARIN SOFTWARE LIMITED

By: /s/ Catriona Fallon  
Name: Catriona Fallon  
Title: EVP and CFO

[Signature Page to First Amendment to Second Amended and Restated Loan and Security Agreement]

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**EXHIBIT B**

**COMPLIANCE CERTIFICATE**

TO: SILICON VALLEY BANK

Date: \_\_\_\_\_

FROM: MARIN SOFTWARE INCORPORATED  
MARIN SOFTWARE LIMITED  
MARIN SOFTWARE LIMITED

The undersigned authorized officers of MARIN SOFTWARE INCORPORATED, MARIN SOFTWARE LIMITED, AND MARIN SOFTWARE LIMITED (collectively, the “**Borrower**”) certifies that under the terms and conditions of the Second Amended and Restated Loan and Security Agreement between Borrower and Bank (the “**Agreement**”), (1) Borrower is in complete compliance for the period ending \_\_\_\_\_ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

**Please indicate compliance status by circling Yes/No under “Complies” column.**

<b>Reporting Covenant</b>	<b>Required</b>	<b>Complies</b>
Monthly financial statements with Compliance Certificate	Monthly within 30 days	Yes No
Quarterly financial statements with Compliance Certificate	Quarterly within 50 days or 5 days of 10-Q	Yes No
Annual financial statement (CPA Audited) + CC (Form 10-K)	FYE within 90 days or within 5 days of 10-K	Yes No
A/R, A/P Agings, and Deferred Revenue Reports	Quarterly within 50 days or 5 days of 10-Q if Net Cash is >35,000,000 and there are outstanding Obligations; Monthly within 30 days if Net Cash is <35,000,000 and there are outstanding Obligations; No reports required if no outstanding Obligations and cash is ether >35,000,000 or less than <35,000,000	Yes No
Transaction Reports	Monthly within 30 days if Net Cash is <35,000,000	Yes No
Board Projections	Earlier of 7 days after Board approval or FYE within 90 days	Yes No

	<b>Required</b>	<b>Actual</b>	<b>Complies</b>
Maintain on a Quarterly Basis:			
Adjusted EBITDA for the trailing three (3) month period then ended of at least (or in the case of a negative, not more negative than the following negative amounts) at the following times:			
March 31, 2016	(\$1,000,000)	(\$_____)	Yes No
June 30, 2016	(\$1,000,000)	(\$_____)	Yes No
September 30, 2016	(\$500,000)	(\$_____)	Yes No
December 31, 2016	\$0	(\$_____)	Yes No
Maintain on a Monthly Basis:			
At all times Borrower's unrestricted cash on Balance sheet is less than \$35,000,000, an Adjusted Quick Ratio of at least:	1.50 to 1.00	____:____	Yes No

The following financial covenant analysis and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Certificate.

The following are the exceptions with respect to the certification above and these exceptions also are intended to update the Perfection Certificate: (If no exceptions exist, state "No exceptions to note.")

MARIN SOFTWARE INCORPORATED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**BANK USE ONLY**

Received by: \_\_\_\_\_  
AUTHORIZED SIGNER

Date: \_\_\_\_\_  
Verified: \_\_\_\_\_  
AUTHORIZED SIGNER

MARIN SOFTWARE LIMITED

By: \_\_\_\_\_  
Name : \_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_  
Compliance Status: Yes No

MARIN SOFTWARE LIMITED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**Schedule 1 to Compliance Certificate**

**Financial Covenants of Borrower**

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

Dated: \_\_\_\_\_

**I Adjusted EBITDA** (Section 6.9(a))

Required: Commencing with the quarter ending March 31, 2016, and as of the last day of each quarter thereafter, minimum Adjusted EBITDA for the trailing three (3) month period then ended of at least following amounts (or in the case of a negative, not more negative than the following negative amounts) at the following times:

Quarter Ending	Minimum Quarterly Adjusted EBITDA
March 31, 2016	(\$1,000,000)
June 30, 2016	(\$1,000,000)
September 30, 2016	(\$500,000)
December 31, 2016	\$0

Actual:

A.	Net Loss for the 3-month period then ended	\$ _____
B.	To the extent included in the determination of Net Income for the 3-month period then ended	_____
	1. Non-cash stock compensation expense	\$ _____
	2. The provision for income taxes	\$ _____
	3. Depreciation expense	\$ _____
	4. Amortization of internally developed software	\$ _____
	5. Amortization of intangible assets	\$ _____
	6. Capitalization of internally developed software	\$ _____
	7. The sum of lines 1 through 7	\$ _____
C.	To the extent deducted in the calculation of Net Income	_____
	1. Other non-cash income or expenses	\$ _____
	2. One-time non-cash acquisition related expenses incurred	\$ _____
	3. Other non-recurring costs associated with acquisitions and restructurings	\$ _____
	4. The sum of lines 1 through 3	\$ _____
D.	Adjusted EBITDA (line A, plus line B. 7, plus line C. 4)	\$ _____

Is line D equal to or greater than the required amount?

\_\_\_\_\_ No, not in compliance

\_\_\_\_\_ Yes, in compliance

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**II Adjusted Quick Ratio** (Section 6.9(b))

Required: An Adjusted Quick Ratio of at least 1.50 to 1.00 at all times that Borrower's unrestricted cash on balance sheet is less than Thirty-Five Million Dollars (\$35,000,000)

Actual:

A.	Aggregate value of Borrower's unrestricted cash and cash equivalents	\$ _____
B.	Aggregate value of net billed accounts receivable (including earned but unbilled accounts receivable that is expected to be billed within ten (10) days of month end)	\$ _____
C.	Aggregate value of short and long term investments determined according to GAAP	\$ _____
D.	Quick Assets (Line A plus Line B plus Line C)	\$ _____
E.	Aggregate value of Obligations under the Revolving Line and Prior Growth Capital Loan	\$ _____
F.	Aggregate value obligations that should, under GAAP, be classified as liabilities on Borrower's and its Subsidiaries' consolidated balance sheets, including all Indebtedness and all Subordinated Debt, but excluding all Deferred Revenue, and not otherwise reflected in line E above that matures within one (1) year	\$ _____
G.	Current Liabilities (the sum of lines E and F)	\$ _____
H.	Adjusted Quick Ratio (line D divided by line G)	_____

Is line H equal to or greater than 1.50:1:00?

\_\_\_\_\_ No, not in compliance

\_\_\_\_\_ Yes, in compliance

**123 MISSION STREET**

**OFFICE LEASE**

**123 MISSION, LLC,  
a Delaware limited liability company,  
Landlord**

**and**

**MARIN SOFTWARE,  
a Delaware corporation,  
Tenant**

**DATED AS OF: January 7, 2011**

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EXHIBITS:

A – Outline of Premises

B – Rules and Regulations

C – Form of Commencement Date Letter

D – Additional Restoration Obligations

## LEASE

THIS LEASE is made as of the 7th day of January, 2011, between 123 MISSION, LLC, a Delaware limited liability company ("Landlord"), and MARIN SOFTWARE, a Delaware corporation ("Tenant").

1. Premises. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, on the terms and conditions set forth herein, the space outlined on the attached Exhibit A (the "Premises"). The Premises are located on the floor(s) specified in Paragraph 2 below of the building (the "Building") located at 123 Mission Street, at the intersection of Main and Mission Streets, San Francisco, California. For purposes of this Lease, the term "Land" shall mean, collectively, the parcels of land currently designated as Assessor's Parcel Nos. 14, 15, 16, 17 and 18 of Block 3717, City and County of San Francisco, California, together with all appurtenant rights and easements. The Building, its garage, the Land and the other improvements on the Land are referred to herein as the "Real Property."

Tenant's lease of the Premises shall include the right to use, in common with others and subject to the other provisions of this Lease, the public lobbies, entrances, stairs, elevators and other public portions of the Building. All of the windows and outside walls of the Premises and any space in the Premises used for shafts, stacks, pipes, conduits, ducts, electrical equipment or other utilities or Building facilities are reserved solely to Landlord and Landlord shall have rights of access through the Premises for the purpose of operating, maintaining and repairing the same.

2. Certain Basic Lease Terms. As used herein, the following terms shall have the meaning specified below:

a. Floor(s) on which the Premises are located: All of the rentable area on the 25th and 27th floors of the Building, being designated as Suites 2500 (the "25th Floor Premises") and 2700 (the "27th Floor Premises"), respectively. Landlord and Tenant agree that for all purposes of this Lease, the Premises shall be deemed to contain an aggregate of 28,711 rentable square feet of space, being comprised of 14,331 rentable square feet of space in the 25th Floor Premises, and 14,380 rentable square feet of space in the 27th Floor Premises.

b. Lease term: Three (3) years, commencing on February 1, 2011 (the "Commencement Date"), and ending January 31, 2014 (the "Expiration Date").

c. Monthly Rent: The respective sums set forth as follows:

25th Floor Premises :

<u>Period</u>	<u>Monthly Rent</u>	<u>Rate Per sq. Ft. (Per Annum)</u>
2/1/11 – 1/31/13	\$ 38,419.02	\$ 32.17
2/1/13 – 1/31/14	\$ 50,158.50	\$ 42.00

27th Floor Premises :

<u>Period</u>	<u>Monthly Rent</u>	<u>Rate Per sq. Ft. (Per Annum)</u>
7/1/12 – 1/31/14	\$ 42,133.40	\$ 35.16

d. Security Deposit: \$96,915.33, provided, however, that until the term of this Lease shall commence as respects the 27th Floor Premises, the Security Deposit shall be \$47,770.00.

e. Tenant's Share: 8.27%; provided, however, that until the term of this Lease shall have commenced as respects the 27th Floor Premises, Tenant's Share shall be 4.13%.

f. Base Year:

25th Floor Premises : The calendar year 2011.

27th Floor Premises : The calendar year 2013.

g. Base Tax Year:

25th Floor Premises : The fiscal tax year ending June 30, 2012.

27th Floor Premises : The fiscal tax year ending June 30, 2013

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h. Business of Tenant: Software.

i. Real estate broker(s): Cornish & Carey Commercial (“Landlord’s Broker”) and GVA Kidder Mathews (“Tenant’s Broker”).

3. Term; Delivery of Possession of Premises.

a. Term. The term of this Lease shall commence as respects the 25th Floor Premises on the Commencement Date (as defined in Paragraph 2.b.), and the term of this Lease shall commence as respects the 27th Floor Premises on July 1, 2012, and, unless sooner terminated pursuant to the terms hereof or at law, shall expire on the Expiration Date (as defined in Paragraph 2.b.). Upon either party’s request after the Commencement Date, Landlord and Tenant shall execute a letter in substantially the form of Exhibit C attached hereto confirming the Commencement Date and the Expiration Date.

b. Delivery of Possession. If Landlord, for any reason whatsoever, cannot deliver possession of either floor of the Premises to Tenant on or before the scheduled commencement date with respect thereto, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, but the applicable commencement date shall be delayed until the date Landlord delivers possession of the floor of the Premises to Tenant in the condition required by this Lease. No delay in delivery of possession of either floor of the Premises shall operate to extend the term of this Lease beyond the fixed Expiration Date set forth in Paragraph 2.b., or amend Tenant’s obligations under this Lease.

c. Current Occupancy. Landlord and Tenant acknowledge that Tenant currently subleases both floors of the Premises from the current tenant thereof, and that the term of such sublease expires, as to each floor of the Premises, the day immediately preceding the respective commencement date hereunder applicable to such floor.

4. Premises “As Is”. Tenant shall accept each floor of the Premises in its “as is” state and condition as of the respective commencement date hereunder applicable thereto, and, except as set forth below in this Paragraph 4, Landlord shall have no obligation to make or pay for any improvements or renovations in or to the Premises or to otherwise prepare the Premises for Tenant’s occupancy. Notwithstanding the foregoing, after the Commencement Date, and at such as Landlord and Tenant shall agree, Landlord, at its sole cost and expense, shall upgrade the core area restrooms on the 25th Floor Premises to current Building standards, which in no event shall be less than the standards of the core areas restrooms in the 27th Floor Premises as they exist on the date of this Lease.

5. Monthly Rent.

a. Commencing as of the Commencement Date, and continuing thereafter on or before the first day of each calendar month during the term hereof, Tenant shall pay to Landlord, as monthly rent for the Premises, the Monthly Rent specified in Paragraph 2 above. If Tenant’s obligation to pay Monthly Rent hereunder commences on a day other than the first day of a calendar month, or if the term of this Lease terminates on a day other than the last day of a calendar month, then the Monthly Rent payable for such partial month shall be appropriately prorated on the basis of a thirty (30)-day month. Monthly Rent and the Additional Rent specified in Paragraph 7 shall be paid by Tenant to Landlord, in advance, without deduction, offset, prior notice or demand, in immediately available funds of lawful money of the United States of America, or by good check as described below, to the lockbox location designated by Landlord, or to such other person or at such other place as Landlord may from time to time designate in writing. Payments made by check must be drawn either on a California financial institution or on a financial institution that is a member of the federal reserve system. Notwithstanding the foregoing, Tenant shall pay to Landlord together with Tenant’s execution of this Lease an amount equal to the Monthly Rent payable for the first full calendar month of the Lease term after Tenant’s obligation to pay Monthly Rent shall have commenced hereunder, which amount shall be applied to the Monthly Rent first due and payable hereunder.

b. All amounts payable by Tenant to Landlord under this Lease, or otherwise payable in connection with Tenant’s occupancy of the Premises, in addition to the Monthly Rent hereunder and Additional Rent under Paragraph 7, shall constitute rent owed by Tenant to Landlord hereunder.

c. Any rent not paid by Tenant to Landlord when due shall bear interest from the date due to the date of payment by Tenant at an annual rate of interest (the “Interest Rate”) equal to the lesser of (i) twelve percent (12%) per annum or (ii) the maximum annual interest rate allowed by law on such due date for business loans (not primarily for personal, family or household purposes) not exempt from the usury law. Notwithstanding the foregoing, Landlord shall give Tenant notice of non-payment of rent when due and five (5) days after delivery of such notice to cure such non-payment once in each calendar year before assessing interest in such calendar year pursuant to this Paragraph 5.c. Failure by Tenant to pay rent when due, including any interest accrued under this subparagraph, shall constitute an Event of Default (as defined in Paragraph 25 below) giving rise to all the remedies afforded Landlord under this Lease and at law for nonpayment of rent.

d. No security or guaranty which may now or hereafter be furnished to Landlord for the payment of rent due hereunder or for the performance by Tenant of the other terms of this Lease shall in any way be a bar or defense to any of Landlord's remedies under this Lease or at law.

e. Notwithstanding anything to the contrary in this Lease: (i) in no event may any rent under this Lease be based in whole or in part on the income or profits derived from the Premises, except for percentage rent based on gross (not net) receipts or sales; (ii) if the holder of a Superior Interest (as defined in Paragraph 21 below) succeeds to Landlord's interest in the Lease ("Successor Landlord") and the Successor Landlord is advised by its counsel that all or any portion of the rent payable under this Lease is or may be deemed to be "unrelated business income" within the meaning of the Internal Revenue Code or regulations issued thereunder, such Successor Landlord may, at its option, unilaterally amend the calculation of rent so that none of the rent payable to Landlord under the Lease will constitute "unrelated business income," but the amendment will not increase Tenant's payment obligations or other liability under this Lease or reduce the Landlord's obligations under this Lease and (iii) upon the Successor Landlord's request, Tenant shall execute any document such holder deems necessary to effect the foregoing amendment to this Lease.

6. Security Deposit. Upon execution of this Lease, Tenant shall pay to Landlord the Security Deposit specified in Paragraph 2.d. above as security for Tenant's performance of all of Tenant's covenants and obligations under this Lease; provided, however, that the Security Deposit is not an advance rent deposit or an advance payment of any other kind, nor a measure of Landlord's damages upon Tenant's default. Landlord shall not be required to segregate the Security Deposit from its other funds and no interest shall accrue or be payable to Tenant with respect thereto. Landlord may (but shall not be required to) use the Security Deposit or any portion thereof to cure any Event of Default or to compensate Landlord for any damage Landlord incurs as a result of Tenant's failure to perform any of its covenants or obligations hereunder, it being understood that any use of the Security Deposit shall not constitute a bar or defense to any of Landlord's remedies under this Lease or at law. In such event and upon written notice from Landlord to Tenant specifying the amount of the Security Deposit so utilized by Landlord and the particular purpose for which such amount was applied, Tenant shall immediately deposit with Landlord an amount sufficient to return the Security Deposit to the amount specified in Paragraph 2.d. Tenant's failure to make such payment to Landlord within five (5) days of Landlord's notice shall constitute an Event of Default. Within thirty (30) days after the expiration or termination of this Lease, Landlord shall return to Tenant the Security Deposit or the balance thereof then held by Landlord after application of the Security Deposit as permitted hereunder; provided, however, that in no event shall any such return be construed as an admission by Landlord that Tenant has performed all of its covenants and obligations hereunder. No holder of a Superior Interest (as defined in Paragraph 21 below), nor any purchaser at any judicial or private foreclosure sale of the Real Property or any portion thereof, shall be responsible to Tenant for the Security Deposit unless and only to the extent such holder or purchaser shall have actually received the same. Tenant hereby unconditionally and irrevocably waives the benefits and protections of California Civil Code Section 1950.7, and, without limitation of the scope of such waiver, acknowledges that Landlord may use all or any part of the Security Deposit to compensate Landlord for damages resulting from termination of this Lease and the tenancy created hereunder (including, without limitation, damages recoverable under California Civil Code Section 1951.2).

7. Additional Rent: Increases in Operating Expenses and Tax Expenses.

a. Operating Expenses. Tenant shall pay to Landlord, at the times hereinafter set forth, Tenant's Share, as specified in Paragraph 2.e. above, of any increase in the Operating Expenses (as defined below) incurred by Landlord in each calendar year subsequent to the Base Year specified in Paragraph 2.f. above, over the Operating Expenses incurred by Landlord during the Base Year. The amounts payable under this Paragraph 7.a. and Paragraph 7.b. below are termed "Additional Rent" herein.

The term "Operating Expenses" shall mean the total costs and expenses incurred by Landlord in connection with the management, operation, maintenance, repair and ownership of the Real Property, including, without limitation, the following costs: (1) salaries, wages, bonuses and other compensation (including hospitalization, medical, surgical, retirement plan, pension plan, union dues, life insurance, including group life insurance, welfare and other fringe benefits, and vacation, holidays and other paid absence benefits) relating to employees of Landlord or its agents engaged in the operation, repair, or maintenance of the Real Property; (2) payroll, social security, workers' compensation, unemployment and similar taxes with respect to such employees of Landlord or its agents, and the cost of providing disability or other benefits imposed by law or otherwise, with respect to such employees; (3) the cost of uniforms (including the cleaning, replacement and pressing thereof) provided to such employees; (4) premiums and other charges incurred by Landlord with respect to fire, other casualty, rent and liability insurance, any other insurance as is deemed necessary or advisable in the reasonable judgment of Landlord, or any insurance required by the holder of any Superior Interest (as defined in Paragraph 21 below), and, after the Base Year, costs of repairing an insured casualty to the extent of the deductible amount under the applicable insurance policy (provided, however, that if the cost of any such insurance for the Base Year is greater than the cost of such insurance in subsequent year(s) of the Lease term due to unusual increases or fluctuations in the rate or scope of such insurance in the Base Year and such unusual increases or fluctuations are not present in the applicable subsequent year(s), Operating Expenses for the Base Year may be adjusted, for purposes of determining the Operating Expenses payable by Tenant in the applicable subsequent year(s), to reflect what the cost of such insurance would have been in the Base Year had the normal rates and scope of service

applied); (5) water charges and sewer rents or fees; (6) license, permit and inspection fees; (7) sales, use and excise taxes on goods and services purchased by Landlord in connection with the operation, maintenance or repair of the Real Property and Building systems and equipment; (8) telephone, telegraph, postage, stationery supplies and other expenses incurred in connection with the operation, maintenance, or repair of the Real Property; (9) reasonable management fees and expenses; (10) costs of repairs to and maintenance of the Real Property, including building systems and appurtenances thereto and normal repair and replacement of worn-out equipment, facilities and installations, but excluding the replacement of major building systems (except to the extent provided in (16) and (17) below), (11) fees and expenses for janitorial, window cleaning, guard, extermination, water treatment, rubbish removal, plumbing and other services and inspection or service contracts for elevator, electrical, mechanical, HVAC and other building equipment and systems or as may otherwise be necessary or proper for the operation, repair or maintenance of the Real Property (provided, however, that if the cost of any such service for the Base Year is greater than the cost of such service in subsequent year(s) of the Lease term due to unusual increases or fluctuations in the rate or scope of such service in the Base Year and such unusual increases or fluctuations are not present in the applicable subsequent year(s), Operating Expenses for the Base Year may be adjusted, for purposes of determining the Operating Expenses payable by Tenant in the applicable subsequent year(s), to reflect what the cost of such service would have been in the Base Year had the normal rates and scope of service applied); (12) costs of supplies, tools, materials, and equipment used in connection with the operation, maintenance or repair of the Real Property; (13) accounting, legal and other professional fees and expenses; (14) fees and expenses for painting the exterior or the public or common area of the Building and the cost of maintaining the sidewalks, landscaping and other common areas of the Real Property; (15) costs and expenses for electricity, chilled water, air conditioning, water for heating, gas, fuel, steam, heat, lights, power and other energy related utilities required in connection with the operation, maintenance and repair of the Real Property (provided, however, that if the cost of any energy related utility for the Base Year is greater than the cost of such utility in subsequent year(s) of the Lease term due to unusual increases or fluctuations in the rate for such utility in the Base Year and such unusual increases or fluctuations are not present in the applicable subsequent year(s), Operating Expenses for the Base Year may be adjusted, for purposes of determining the Operating Expenses payable by

Tenant in the applicable subsequent year(s), to reflect what the cost of such utility would have been in the Base Year had normal rates applied); (16) the cost of any capital improvements made by Landlord to the Real Property or capital assets acquired by Landlord after the Base Year in order to comply with any local, state or federal law, ordinance, rule, regulation, code or order of any governmental entity or insurance requirement (collectively, "Legal Requirement") with which the Real Property was not required to comply during the Base Year, or to comply with any amendment or other change to the enactment or interpretation of any Legal Requirement from its enactment or interpretation during the Base Year; (17) the cost of any capital improvements made by Landlord to the Building or capital assets acquired by Landlord after the Base Year for the protection of the health and safety of the occupants of the Real Property or that are designed to reduce other Operating Expenses; (18) the cost of furniture, draperies, carpeting, landscaping and other customary and ordinary items of personal property (excluding paintings, sculptures and other works of art) provided by Landlord for use in common areas of the Building or the Real Property or in the Building office (to the extent that such Building office is dedicated to the operation and management of the Real Property); provided, however, that leasing or rental costs of a rotating or other art program for the common areas of the Building or the Real Property shall be included in Operating Expenses; (19) any expenses and costs resulting from substitution of work, labor, material or services in lieu of any of the above itemizations, or for any additional work, labor, services or material resulting from compliance with any Legal Requirement applicable to the Real Property or any parts thereof; and (20) Building office rent or rental value. If the Real Property is or becomes subject to any covenants, conditions or restrictions, reciprocal easement agreement, common area declaration or similar agreement, then Operating Expenses shall include all fees, costs and other expenses allocated to the Real Property under such agreement. With respect to the costs of items included in Operating Expenses under (16) and (17), such costs shall be amortized over a reasonable period, as reasonably determined by Landlord, together with interest on the unamortized balance at a rate per annum equal to three (3) percentage points over the six-month United States Treasury bill rate in effect at the time such item is constructed or acquired, or at such higher rate as may have been paid by Landlord on funds borrowed for the purpose of constructing or acquiring such item, but in either case not more than the maximum rate permitted by law at the time such item is constructed or acquired.

Operating Expenses shall not include the following: (i) depreciation on the Building or equipment or systems therein; (ii) debt service; (iii) rental under any ground or underlying lease; (iv) interest (except as expressly provided in this Paragraph 7.a.); (v) Tax Expenses (as defined in Paragraph 7.b. below); (vi) attorneys' fees and expenses incurred in connection with lease negotiations with prospective Building tenants; (vii) the cost (including any amortization thereof) of any improvements or alterations which would be properly classified as capital expenditures according to generally accepted property management practices (except to the extent expressly included in Operating Expenses pursuant to this Paragraph 7.a.); (viii) the cost of decorating, improving for tenant occupancy, painting or redecorating portions of the Building to be demised to tenants; (ix) executive salaries; (x) advertising; (xi) real estate broker's or other leasing commissions; (xii) bad debt reserves, rent reserves, capital replacement reserves or reserves for further Operating Expenses; (xiii) penalties or other costs incurred due to a violation by Landlord, as determined by written admission, stipulation, final judgment or arbitration award, of any of the terms and conditions of this Lease or any other lease relating to the Building, or of any Legal Requirement, except to the extent such costs reflect costs that would have been incurred by Landlord absent such violation; or (xiv) the cost of any abatement of Hazardous Materials (as defined in Paragraph 8.c. below), provided, however,

Operating Expenses may include the costs attributable to those actions taken by Landlord in connection with the ordinary operation and maintenance of the Building, including costs incurred in removing limited amounts of Hazardous Materials from the Building or the Real Property when such removal is directly related to such ordinary maintenance and operation.

b. Tax Expenses. Tenant shall pay to Landlord as Additional Rent under this Lease, at the times hereinafter set forth, Tenant's Share, as specified in Paragraph 2.e. above, of any increase in Tax Expenses (as defined below) incurred by Landlord in each calendar year subsequent to the Base Tax Year specified in Paragraph 2.f. above, over Tax Expenses incurred by Landlord during the Base Tax Year. Notwithstanding the foregoing, if any reassessment, reduction or recalculation of any item included in Tax Expenses during the term results in a reduction of Tax Expenses, then for purposes of calculating Tenant's Share of increases in Tax Expenses from and after the calendar year in which such adjustment occurs, Tax Expenses for the Base Tax Year shall be adjusted to reflect such reduction.

The term "Tax Expenses" shall mean all taxes, assessments (whether general or special), excises, transit charges, housing fund assessments or other housing charges, improvement districts, levies or fees, ordinary or extraordinary, unforeseen as well as foreseen, of any kind, which are assessed, levied, charged, confirmed or imposed on the Real Property, on Landlord with respect to the Real Property, on the act of entering into leases of space in the Real Property, on the use or occupancy of the Real Property or any part thereof, with respect to services or utilities consumed in the use, occupancy or operation of the Real Property, on any improvements, fixtures and equipment and other personal property of Landlord located in the Real Property and used in connection with the operation of the Real Property, or on or measured by the rent payable under this Lease or in connection with the business of renting space in the Real Property, including, without limitation, any gross income tax or excise tax levied with respect to the receipt of such rent, by the United States of America, the State of California, the City and County of San Francisco, any political subdivision, public corporation, district or other political or public entity or public authority, and shall also include any other tax, fee or other excise, however described, which may be levied or assessed in lieu of, as a substitute (in whole or in part) for, or as an addition to, any other Tax Expense. Tax Expenses shall include reasonable attorneys' and professional fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce Tax Expenses. If it shall not be lawful for Tenant to reimburse Landlord for any increase in Tax Expenses as defined herein, the Monthly Rent payable to Landlord prior to the imposition of such increases in Tax Expenses shall be increased to net Landlord the same net Monthly Rent after imposition of such increases in Tax Expenses as would have been received by Landlord prior to the imposition of such increases in Tax Expenses.

Tax Expenses shall not include income, franchise, transfer, inheritance or capital stock taxes, unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord in lieu of, as a substitute (in whole or in part) for, or as an addition to, any other charge which would otherwise constitute a Tax Expense. If any Tax Expenses are payable in installments, then for the purpose hereof (regardless of whether Landlord elects to pay same in installments) Tax Expenses for any calendar year occurring during the term shall include only those installments, together with interest, that would have become due if Landlord opted to pay same in the maximum number of installments permitted.

c. Adjustment for Occupancy Factor. Notwithstanding any other provision herein to the contrary, in the event the Building is not fully occupied during the Base Year or any calendar year during the term after the Base Year, an adjustment shall be made by Landlord in computing Operating Expenses for such year so that the Operating Expenses shall be computed for such year as though the Building had been fully occupied during such year. In addition, if any particular work or service includable in Operating Expenses is not furnished to a tenant who has undertaken to perform such work or service itself, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would have been incurred if Landlord had furnished such work or service to such tenant. The

parties agree that statements in this Lease to the effect that Landlord is to perform certain of its obligations hereunder at its own or sole cost and expense shall not be interpreted as excluding any cost from Operating Expenses or Tax Expenses if such cost is an Operating Expense or Tax Expense pursuant to the terms of this Lease.

d. Intention Regarding Expense Pass-Through. It is the intention of Landlord and Tenant that the Monthly Rent paid to Landlord throughout the term of this Lease shall be absolutely net of all increases, respectively, in Tax Expenses and Operating Expenses over, respectively, Tax Expenses for the Base Tax Year and Operating Expenses for the Base Year, and the foregoing provisions of this Paragraph 7 are intended to so provide.

e. Notice and Payment. On or before the first day of each calendar year during the term hereof subsequent to the Base Year, or as soon as practicable thereafter, Landlord shall give to Tenant notice of Landlord's estimate of the Additional Rent, if any, payable by Tenant pursuant to Paragraphs 7.a. and 7.b. for such calendar year subsequent to the Base Year. On or before the first day of each month during each such subsequent calendar year, Tenant shall pay to Landlord one-twelfth (1/12th) of the estimated Additional Rent; provided, however, that if Landlord's notice is not given prior to the first day of any calendar year Tenant shall continue to pay Additional Rent on the basis of the prior year's estimate until the month after Landlord's notice is given. If at any time it appears to Landlord that the Additional Rent payable under Paragraphs 7.a. and/or 7.b. will vary from Landlord's estimate by more than five percent (5%), Landlord may, by written notice to Tenant, revise its estimate for such

year, and subsequent payments by Tenant for such year shall be based upon the revised estimate. On the first monthly payment date after any new estimate is delivered to Tenant, Tenant shall also pay any accrued cost increases, based on such new estimate.

f. Annual Accounting. Within one hundred fifty (150) days after the close of each calendar year subsequent to the Base Year, or as soon after such one hundred fifty (150) day period as practicable, Landlord shall deliver to Tenant a statement of the Additional Rent payable under Paragraphs 7.a. and 7.b. for such year and such statement shall be final and binding upon Landlord and Tenant (except that the Tax Expenses included in such statement may be modified by any subsequent adjustment or retroactive application of Tax Expenses affecting the calculation of such Tax Expenses). If the annual statement shows that Tenant's payments of Additional Rent for such calendar year pursuant to Paragraph 7.e. above exceeded Tenant's obligations for the calendar year, Landlord shall credit the excess to the next succeeding installments of estimated Additional Rent or, if none shall be due or if this Lease shall have expired, Landlord shall refund the excess to Tenant within thirty (30) days after delivery of such statement, provided that the excess shall have been determined within one (1) year of the expiration or earlier termination of this Lease and that Tenant shall have furnished Landlord with an address to which such refund may be sent. If the annual statement shows that Tenant's payments of Additional Rent for such calendar year pursuant to Paragraph 7.e. above were less than Tenant's obligation for the calendar year, Tenant shall pay the deficiency to Landlord within ten (10) days after delivery of such statement.

g. Proration for Partial Lease Year. If this Lease terminates on a day other than the last day of a calendar year, the Additional Rent payable by Tenant pursuant to this Paragraph 7 applicable to the calendar year in which this Lease terminates shall be prorated on the basis that the number of days from the commencement of such calendar year to and including such termination date bears to three hundred sixty (360).

#### 8. Use of Premises; Compliance with Law.

a. Use of Premises. The Premises shall be used solely for general office purposes for the business of Tenant as described in Paragraph 2.g. above, or for any other general office use consistent with the operation of the Building as a first class high-rise office building in the San Francisco financial district, and for no other use or purpose.

Tenant shall not do or suffer or permit anything to be done in or about the Premises or the Real Property, nor bring or keep anything therein, which would in any way subject Landlord, Landlord's agents or the holder of any Superior Interest (as defined in Paragraph 21) to any liability, increase the premium rate of or affect any fire, casualty, liability, rent or other insurance relating to the Real Property or any of the contents of the Building, or cause a cancellation of, or give rise to any defense by the insurer to any claim under, or conflict with, any policies for such insurance. If any act or omission of Tenant results in any such increase in premium rates, Tenant shall pay to Landlord upon demand the amount of such increase. Tenant shall not do or suffer or permit anything to be done in or about the Premises or the Real Property which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure them, or use or suffer or permit the Premises to be used for any immoral or unlawful purpose, nor shall Tenant cause, maintain, suffer or permit any nuisance in, on or about the Premises or the Real Property. Without limiting the foregoing, no loudspeakers or other similar device which can be heard outside the Premises shall, without the prior written approval of Landlord, be used in or about the Premises. Tenant shall not commit or suffer to be committed any waste in, to or about the Premises. Landlord may from time to time conduct fire and life safety training for tenants of the Building, including evacuation drills and similar procedures. Tenant agrees to participate in such activities as reasonably requested by Landlord.

Tenant agrees not to employ any person, entity or contractor for any work in the Premises (including moving Tenant's equipment and furnishings in, out or around the Premises) whose presence may give rise to a labor or other disturbance in the Building and, if necessary to prevent such a disturbance in a particular situation, Landlord may require Tenant to employ union labor for the work.

b. Compliance with Law. Tenant shall not do or permit anything to be done in or about the Premises which will in any way conflict with any Legal Requirement (as defined in Paragraph 7.a.(16) above) now in force or which may hereafter be enacted. Tenant, at its sole cost and expense, shall promptly comply with all such present and future Legal Requirements relating to the condition, use or occupancy of the Premises, and shall perform all work to the Premises or other portions of the Real Property required to effect such compliance (or, at Landlord's election, Landlord may perform such work at Tenant's cost). Notwithstanding the foregoing, however, Tenant shall not be required to perform any structural changes to the Premises or other portions of the Real Property unless such changes are required by reason of or triggered by (i) Tenant's Alterations (as defined in Paragraph 9 below) (ii) Tenant's particular use of the Premises (as opposed to Tenant's use of the Premises for general office purposes in a normal and customary manner), (iii) Tenant's particular employees or employment practices, or (iv) the construction of initial improvements to the Premises, if any. The judgment of any court of competent jurisdiction or the admission of Tenant in an action against Tenant, whether or not Landlord is a party thereto, that Tenant has violated any Legal Requirement shall be conclusive of that fact as between Landlord and Tenant. Tenant shall immediately furnish Landlord with



any notices received from any insurance company or governmental agency or inspection bureau regarding any unsafe or unlawful conditions within the Premises or the violation of any Legal Requirement.

c. Hazardous Materials. Tenant shall not cause or permit the storage, use, generation, release (negligent release if the Hazardous Materials were not brought onto the Premises or the Real Property by a Tenant Party (as defined below)), handling or disposal (collectively, "Handling") of any Hazardous Materials (as defined below), in, on, or about the Premises or the Real Property by Tenant or any agents, employees, contractors, licensees, subtenants, customers, guests or invitees of Tenant (collectively with Tenant, "Tenant Parties"), except that Tenant shall be permitted to use normal quantities of office supplies or products (such as copier fluids or cleaning supplies) customarily used in the conduct of general business office activities ("Common Office Chemicals"), provided that the Handling of such Common Office Chemicals shall comply at all times with all Legal Requirements, including Hazardous Materials Laws (as defined below). Notwithstanding anything to the contrary contained herein, however, in no event shall Tenant permit any usage of Common Office Chemicals in a manner that may cause the Premises or the Real Property to be contaminated by any Hazardous Materials or in violation of any Hazardous Materials Laws. Tenant shall immediately advise Landlord in writing of (a) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed, or threatened pursuant to any Hazardous Materials Laws relating to any Hazardous Materials affecting the Premises; and (b) all claims made or threatened by any third party against Tenant, Landlord, the Premises or the Real Property relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Materials on or about the Premises. Without Landlord's prior written consent, Tenant shall not take any remedial action or enter into any agreements or settlements in response to the presence of any Hazardous Materials in, on, or about the Premises. Tenant shall be solely responsible for and shall indemnify, defend and hold Landlord and all other Indemnitees (as defined in Paragraph 14.b. below), harmless from and against all Claims (as defined in Paragraph 14.b. below), arising out of or in connection with, or otherwise relating to (i) any Handling of Hazardous Materials by any Tenant Party or Tenant's breach of its obligations hereunder, or (ii) any removal, cleanup, or restoration work and materials necessary to cause the Real Property or any other property of whatever nature located on the Real Property to be in compliance with applicable Hazardous Materials Laws to the extent the failure to be in compliance is the result of the Handling of Hazardous Materials by any Tenant Party, including such restoration work as shall be reasonably required to return the Real Property or such other property to their prior condition, to the extent reasonably feasible (but in any event as required to comply with applicable Hazardous Materials Laws). Tenant's obligations under this paragraph shall survive the expiration or other termination of this Lease. For purposes of this Lease, "Hazardous Materials" means any explosive, radioactive materials, hazardous wastes, or hazardous substances, including without limitation asbestos containing materials, PCB's, CFC's, or substances defined as "hazardous substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601-9657; the Hazardous Materials Transportation Act of 1975, 49 U.S.C. Section 1801-1812; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901-6987; or any other Legal Requirement regulating, relating to, or imposing liability or standards of conduct concerning any such materials or substances now or at any time hereafter in effect (collectively, "Hazardous Materials Laws").

d. Applicability of Paragraph. The provisions of this Paragraph 8 are for the benefit of Landlord, the holder of any Superior Interest (as defined in Paragraph 21 below), and the other Indemnitees only and are not nor shall they be construed to be for the benefit of any tenant or occupant of the Building.

#### 9. Alterations and Restoration

a. Tenant shall not make or permit to be made any alterations, modifications, additions, decorations or improvements to the Premises, or any other work whatsoever that would directly or indirectly involve the penetration or removal (whether permanent or temporary) of, or require access through, in, under, or above any floor, wall or ceiling, or surface or covering thereof in the Premises (collectively, "Alterations"), except as expressly provided in this Paragraph 9. If Tenant desires any Alteration, Tenant must obtain Landlord's prior written approval of such Alteration.

All Alterations shall be made at Tenant's sole cost and expense (including the expense of complying with all present and future Legal Requirements, including those regarding asbestos, if applicable, and any other work required to be performed in other areas within or outside the Premises by reason of the Alterations). Tenant shall either (i) arrange for Landlord to perform the work on terms and conditions acceptable to Landlord and Tenant, each in its sole discretion or (ii) bid the project out to contractors approved by Landlord in writing in advance (which approval shall not be unreasonably withheld or delayed). Tenant shall provide Landlord with a copy of the information submitted to bidders at such time as the bidders receive their copy. Regardless of the contractors who perform the work pursuant to the above, Tenant shall pay Landlord on demand prior to or during the course of such construction an amount (the "Alteration Operations Fee") equal to five percent (5%) of the total cost of the Alteration (and for purposes of calculating the Alteration Operations Fee, such cost shall include architectural and engineering fees, but shall not include permit fees) as compensation to Landlord for Landlord's internal review of Tenant's Plans and general oversight of the construction (which oversight shall be solely for the benefit of Landlord and shall in no event be a substitute for Tenant's obligation to retain such project management or other services as shall be necessary to ensure that the work is performed properly and in accordance with the

requirements of this Lease). Tenant shall also reimburse Landlord for Landlord's expenses such as for electrical energy consumed in connection with the work, freight elevator operation, additional cleaning expenses, additional security services, fees and charges paid to third party architects, engineers and other consultants for review of the work and the plans and specifications with respect thereto and to monitor contractor compliance with Building construction requirements, and for other miscellaneous costs incurred by Landlord as result of the work.

All such work shall be performed diligently and in a first-class workmanlike manner and in accordance with plans and specifications approved by Landlord, and shall comply with all Legal Requirements and Landlord's construction standards, procedures, conditions and requirements for the Building as in effect from time to time (including Landlord's requirements relating to insurance and contractor qualifications). In no event shall Tenant employ any person, entity or contractor to perform work in the Premises whose presence may give rise to a labor or other disturbance in the Building. Default by Tenant in the payment of any sums agreed to be paid by Tenant for or in connection with an Alteration (regardless of whether such agreement is pursuant to this Paragraph 9 or separate instrument) shall entitle Landlord to all the same remedies as for non-payment of rent hereunder. Any Alterations, including without limitation, moveable partitions that are affixed to the Premises (but excluding moveable, free standing partitions) and all carpeting, shall at once become part of the Building and the property of Landlord. Tenant shall give Landlord not less than five (5) days prior written notice of the date the construction of the Alteration is to commence. Landlord may post and record an appropriate notice of nonresponsibility with respect to any Alteration and Tenant shall maintain any such notices posted by Landlord in or on the Premises.

b. At Landlord's sole election any or all Alterations made for or by Tenant shall be removed by Tenant from the Premises at the expiration or sooner termination of this Lease and the Premises shall be restored by Tenant to their condition prior to the making of the Alterations, ordinary wear and tear excepted. The removal of the Alterations and the restoration of the Premises shall be performed by a general contractor selected by Tenant and approved by Landlord, in which event Tenant shall pay the general contractor's fees and costs in connection with such work. Any separate work letter or other agreement which is hereafter entered into between Landlord and Tenant pertaining to Alterations shall be deemed to automatically incorporate the terms of this Lease without the necessity for further reference thereto. Tenant's preceding removal and restoration obligations shall also apply to the items set forth on Exhibit D attached hereto, notwithstanding that the same were installed or performed by the prior tenant of the Premises prior to the commencement of the term of this Lease. Except as set forth on Exhibit D attached hereto, Tenant shall have no obligation to remove any alterations, additions or improvements existing in any portion of the Premises as of the commencement of the term of this Lease with respect thereto.

10. Repair. By taking possession of the Premises, Tenant agrees that the Premises are in good condition and repair. Tenant, at Tenant's sole cost and expense, shall keep the Premises and every part thereof (including the interior walls and ceilings of the Premises, those portions of the Building systems located within and exclusively serving the Premises, and improvements and Alterations) in good condition and repair. Tenant waives all rights to make repairs at the expense of Landlord as provided by any Legal Requirement now or hereafter in effect. It is specifically understood and agreed that, except as specifically set forth in this Lease, Landlord has no obligation and has made no promises to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof, and that no representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant. Tenant hereby waives the provisions of California Civil Code Sections 1932(1), 1941 and 1942 and of any similar Legal Requirement now or hereafter in effect.

11. Abandonment. Tenant shall not abandon the Premises at any time during the term hereof. Tenant understands that if Tenant abandons the Premises, the risk of fire, other casualty and vandalism to the Premises and the Building will be increased. Accordingly, such action by Tenant shall constitute an Event of Default hereunder. Tenant's mere vacating of the Premises during the term hereof shall not constitute an Event of Default under this Lease (including Paragraph 25.a.2. below) so long as Tenant continues to pay Monthly Rent, Additional Rent and all other sums due Landlord under this Lease, maintains the insurance coverage required pursuant to Paragraph 15 of this Lease and Tenant otherwise continues to perform its obligations under this Lease, and so long as Tenant provides Landlord with written notice of an alternate address for notices to Tenant under this Lease (other than the Premises) if such vacancy exceeds thirty (30) consecutive days. Upon the expiration or earlier termination of this Lease, or if Tenant abandons the Premises or surrenders all or any part of the Premises or is dispossessed of the Premises by process of law, or otherwise, any movable furniture, equipment, trade fixtures, or other personal property belonging to Tenant and left on the Premises shall at the option of Landlord be deemed to be abandoned and, whether or not the property is deemed abandoned, Landlord shall have the right to remove such property from the Premises and charge Tenant for the removal and any restoration of the Premises as provided in Paragraph 9. Landlord may charge Tenant for the storage of Tenant's property left on the Premises at such rates as Landlord may from time to time reasonably determine, or, Landlord may, at its option, store Tenant's property in a public warehouse at Tenant's expense. Notwithstanding the foregoing, neither the provisions of this Paragraph 11 nor any other provision of this Lease shall impose upon Landlord any obligation to care for or preserve any of Tenant's property left upon the Premises, and Tenant hereby waives and releases Landlord from any claim or liability in connection with the removal of such property from the Premises and the storage thereof and specifically waives the provisions of California Civil Code Section 1542 with respect to such release. Landlord's action or inaction with regard to the provisions of this Paragraph 11 shall not be construed as a waiver of Landlord's right to require Tenant to

remove its property, restore any damage to the Premises and the Building caused by such removal, and make any restoration required pursuant to Paragraph 9 above.

12. Liens. Tenant shall not permit any mechanic's, materialman's or other liens arising out of work performed at the Premises by or on behalf of Tenant to be filed against the fee of the Real Property nor against Tenant's interest in the Premises. Landlord shall have the right to post and keep posted on the Premises any notices which it deems necessary for protection from such liens. If any such liens are filed, and not removed of record (by payment, bond or otherwise) within ten (10) Business Days after Tenant's receipt of written notice thereof, Landlord may, without further notice to Tenant, without waiving its rights based on such breach by Tenant and without releasing Tenant from any obligations hereunder, pay and satisfy the same and in such event the sums so paid by Landlord shall be due and payable by Tenant immediately without notice or demand, with interest from the date paid by Landlord through the date Tenant pays Landlord, at the Interest Rate. Tenant agrees to indemnify, defend and hold Landlord and the other Indemnitees (as defined in Paragraph 14.b. below) harmless from and against any Claims (as defined in Paragraph 14.b. below) for mechanics', materialmen's or other liens in connection with any Alterations, repairs or any work performed, materials furnished or obligations incurred by or for Tenant.

13. Assignment and Subletting.

a. Landlord's Consent. Landlord's and Tenant's agreement with regard to Tenant's right to transfer all or part of its interest in the Premises is as expressly set forth in this Paragraph 13. Tenant agrees that, except upon Landlord's prior written consent, which consent shall not (subject to Landlord's rights under Paragraph 13.d. below) be unreasonably withheld and which consent shall be granted or denied within the period set forth in Section 13.d. below, neither this Lease nor all or any parts of the leasehold interest created hereby shall, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, be assigned, mortgaged, pledged, encumbered or otherwise transferred by Tenant or Tenant's legal representatives or successors in interest (collectively, an "assignment") and neither the Premises nor any part thereof shall be sublet or be used or occupied for any purpose by anyone other than Tenant (collectively, a "sublease"). Any assignment or subletting without Landlord's prior written consent shall, at Landlord's option, be void and shall constitute an Event of Default entitling Landlord to terminate this Lease and to exercise all other remedies available to Landlord under this Lease and at law.

The parties hereto agree and acknowledge that, among other circumstances for which Landlord may reasonably withhold its consent to an assignment or sublease, it shall be reasonable for Landlord to withhold its consent where: (i) the assignment or subletting would materially increase the operating costs for the Building or the burden on the Building services, or generate material additional foot traffic, elevator usage or security concerns in the Building, or create a materially increased probability of the comfort and/or safety of Landlord and other tenants in the Building being compromised or reduced, (ii) the space will be used for a school or training facility, an entertainment, sports or recreation facility, retail sales to the public (unless Tenant's permitted use is retail sales), a personnel or employment agency, an office or facility of any governmental or quasi-governmental agency or authority, a place of public assembly (including without limitation a meeting center, theater or public forum), any use by or affiliation with a foreign government (including without limitation an embassy or consulate or similar office), or a facility for the provision of social, welfare or clinical health services or sleeping accommodations (whether temporary, daytime or overnight); (iii) the proposed assignee or subtenant is a prospective tenant of the Building with whom Landlord has entered into a letter of intent or exchanged an offer and counteroffer or similar correspondence (including a draft lease) within the preceding one hundred eighty (180) day period, or is a current tenant of the Building, and in each such case Landlord has or will have reasonably equivalent space available in the Building to meet such proposed assignee's or subtenant's requirements as set forth in the Sublease Notice; (iv) Landlord disapproves of the proposed assignee's or subtenant's reputation or creditworthiness; (v) Landlord determines that the character of the business that would be conducted by the proposed assignee or subtenant at the Premises, or the manner of conducting such business, would be inconsistent with the character of the Building as a first-class office building; (vi) the proposed assignee or subtenant is an entity or related to an entity with whom Landlord or any affiliate of Landlord has had adverse dealings; (vii) the assignment or subletting may conflict with any exclusive uses granted to other tenants of the Real Property, or with the terms of any easement, covenant, condition or restriction, or other agreement affecting the Real Property; (viii) the assignment or subletting would involve a change in use from that expressly permitted under this Lease; (ix) Landlord reasonably determines that the proposed assignee may be unable to perform all of Tenant's obligations under this Lease or the proposed subtenant may be unable to perform all of its obligations under the proposed sublease; or (x) as of the date Tenant requests Landlord's consent or as of the date Landlord responds thereto, a breach or default by Tenant under this Lease shall have occurred and be continuing. Landlord's foregoing rights and options shall continue throughout the entire term of this Lease.

For purposes of this Paragraph 13, the following events shall be deemed an assignment or sublease, as appropriate: (i) the issuance of equity interests (whether stock, partnership interests or otherwise) in Tenant or any subtenant or assignee, or any entity controlling any of them, to any person or group of related persons, in a single transaction or a series of related or unrelated transactions, such that, following such issuance, such person or group shall have Control (as defined below) of Tenant or any subtenant or assignee; provided, however, that original issuances of equity interests by the Tenant originally named in this Lease to financing parties (e.g., venture capitalists) shall be disregarded; (ii) a transfer of Control of Tenant or any subtenant or assignee, or any entity controlling any of them, in a single transaction or a series of related or unrelated transactions (including, without limitation, by consolidation, merger, acquisition or reorganization), except that the transfer of outstanding capital stock or other listed equity interests by persons or parties other than "insiders" within the meaning of the Securities Exchange Act of 1934, as amended, through the "over-the-counter" market or any recognized national or international securities exchange, shall not be included in determining whether Control has been transferred; (iii) a reduction of Tenant's assets to the point that this Lease is substantially Tenant's only asset; (iv) a change or conversion in the form of entity of Tenant, any subtenant or assignee, or any entity controlling any of them, which has the effect of limiting the liability of any of the partners, members or other owners of such entity, beyond the limitations on liability, if any, which existed prior to such change or conversion; or (v) the agreement by a third party to assume, take over, or reimburse Tenant for, any or all of Tenant's obligations under this Lease, in order to induce Tenant to lease space with such third party. "Control" shall mean direct or indirect ownership of fifty percent (50%) or more of all of the voting stock of a corporation or fifty percent (50%) or more of the legal or equitable interest in any other business entity, or the power to direct the operations of any entity (by equity ownership, contract or otherwise).

If this Lease is assigned, whether or not in violation of the terms of this Lease, Landlord may collect rent from the assignee. If the Premises or any part thereof is sublet, Landlord may, upon an Event of Default by Tenant hereunder, collect rent from the subtenant. In either event, Landlord shall apply the amount collected from the assignee or subtenant to Tenant's monetary obligations hereunder.

The consent by Landlord to an assignment or subletting hereunder shall not relieve Tenant or any assignee or subtenant from the requirement of obtaining Landlord's express prior written consent to any other or further assignment or subletting. In no event shall any subtenant be permitted to assign its sublease or to further sublet all or any portion of its subleased premises without Landlord's prior written consent, which consent may be withheld by Landlord at its sole and absolute discretion. Neither an assignment or subletting nor the collection of rent by Landlord from any person other than Tenant, nor the application of any such rent as provided in this Paragraph 13.a. shall be deemed a waiver of any of the provisions of this Paragraph 13.a. or release Tenant from its obligation to comply with the provisions of this Lease and Tenant shall remain fully and primarily liable for all of Tenant's obligations under this Lease. If Landlord approves of an assignment or subletting hereunder and this Lease contains any renewal options, expansion options, rights of first refusal, rights of first negotiation or any other rights or options pertaining to additional space in the Building, such rights and/or options shall not run to the subtenant or assignee, it being agreed by the parties hereto that any such rights and options are personal to the Tenant originally named herein and may not be transferred.

b. Processing Expenses. Tenant shall pay to Landlord, as Landlord's cost of processing each proposed assignment or subletting, an amount equal to the sum of (i) Landlord's reasonable attorneys' and other professional fees, plus (ii) the sum of One Thousand Dollars (\$1,000.00) for the cost of Landlord's administrative, accounting and clerical time, (collectively, "Processing Costs"), and the amount of all direct and indirect costs and expenses incurred by Landlord arising from the assignee or sublessee taking occupancy of the subject space (including, without limitation, costs of freight elevator operation for moving of furnishings and trade fixtures, security service, janitorial and cleaning service, and rubbish removal service). Notwithstanding anything to the contrary herein, Landlord shall not be required to process any request for Landlord's consent to an assignment or subletting until Tenant has paid to Landlord the amount of Landlord's estimate of the Processing Costs and all other direct and indirect costs and expenses of Landlord and its agents arising from the assignee or subtenant taking occupancy.

c. Consideration to Landlord. In the event of any assignment or sublease, other than pursuant to Paragraph 13.h. below, Landlord shall be entitled to receive, as additional rent hereunder, fifty percent (50%) of any consideration (including, without limitation, payment for leasehold improvements) paid by the assignee or subtenant for the assignment or sublease and, in the case of a sublease, fifty percent (50%) of the excess of the amount of rent paid for the sublet space by the subtenant over the amount of Monthly Rent under Paragraph 5 above and Additional Rent under Paragraph 7 above attributable to the sublet space for the corresponding month; except that Tenant may recapture, on a straight line amortized basis (without interest) over the term of the sublease or assignment, any brokerage commissions paid by Tenant in connection with the subletting or assignment (not to exceed commissions typically paid in the market at the time of such subletting or assignment), reasonable attorneys fees in connection with the subletting or assignment, any improvement allowance paid by Tenant to the subtenant or assignee and any improvement costs incurred by Tenant specifically to prepare the space for such assignment or subletting (which costs shall exclude, without limitation, all costs of the Initial Alterations constructed pursuant to Paragraph 4 above, whether paid by Landlord or Tenant) (collectively the "Assignment or Subletting Costs"), provided that, as a condition to Tenant recapturing the Assignment or Subletting Costs, Tenant shall provide to Landlord, within ninety (90) days of Landlord's execution of

Landlord's consent to the assignment or subletting, a detailed accounting of the Assignment or Subletting Costs and supporting documents, such as receipts and construction invoices. To effect the foregoing, Tenant shall deduct from the monthly amounts, received by Tenant from the subtenant or assignee as rent or consideration (i) the Monthly Rent and Additional Rent payable by Tenant to Landlord for the subject space for the corresponding month, and (ii) the incremental amount, on an amortized basis, of the Assignment or Subletting Costs, and fifty percent (50%) of the then remaining sum shall be paid promptly to Landlord. Upon Landlord's request, Tenant shall assign to Landlord all amounts to be paid to Tenant by any such subtenant or assignee and that belong to Landlord and shall direct such subtenant or assignee to pay the same directly to Landlord. If there is more than one sublease under this Lease, the amounts (if any) to be paid by Tenant to Landlord pursuant to this Paragraph 13.c., shall be separately calculated for each sublease and amounts due Landlord with regard to any one sublease may not be offset against rental and other consideration pertaining to or due under any other sublease. Upon Landlord's request, Tenant shall provide Landlord with a detailed written statement of all sums payable by the assignee or subtenant to Tenant so that Landlord can determine the total sums, if any, due from Tenant to Landlord under this Paragraph 13.c.

d. Procedures. If Tenant desires to assign this Lease or any interest therein or sublet all or part of the Premises, Tenant shall give Landlord written notice thereof and the terms proposed (the "Sublease Notice"), which Sublease Notice shall be accompanied by Tenant's proposed assignment or sublease agreement (in which the proposed assignee or subtenant shall be named, shall be executed by Tenant and the proposed assignee or subtenant, and which agreement shall otherwise meet the requirements of Paragraph 13.e. below), together with a current financial statement of such proposed assignee or subtenant and any other information reasonably requested by Landlord. Landlord shall have the prior right and option (to be exercised by written notice to Tenant given within thirty (30) days after receipt of the Sublease Notice) (i) in the case of any proposed sublet, to sublet from Tenant any portion of the Premises proposed by Tenant to be sublet, for the term for which such portion is proposed to be sublet, but at the lesser of the proposed sublease rent or the same rent (including Additional Rent as provided for in Paragraph 7 above) as Tenant is required to pay to Landlord under this Lease for the same space, computed on a pro rata square footage basis; provided, however, that if the portion of the Premises proposed by Tenant to be sublet consists of space on more than one floor of the Building, Landlord may exercise (or not exercise) its sublet option under this clause (i) separately as to the proposed sublet space on each such floor, (ii) to terminate this Lease in its entirety (in the case of any proposed assignment) or, subject to the last sentence of this paragraph, as it pertains to the portion of the Premises so proposed by Tenant to be sublet (in the case of any proposed sublet); provided, however, that if the portion of the Premises proposed by Tenant to be sublet consists of space on more than one floor of the Building, Landlord may exercise (or not exercise) its termination option under this clause (ii) separately as to the proposed sublet space on each such floor, or (iii) to approve or reasonably disapprove the proposed assignment or sublease. If Landlord exercises its option in (i) above, then Landlord may, at Landlord's sole cost, construct improvements in the subject space and, so long as the improvements are suitable for general office purposes, Landlord shall have no obligation to restore the subject space to its original condition following the termination of the sublease (and in no event shall Tenant have any removal or restoration obligation with respect to any improvements constructed in the subject space by Landlord). If Landlord fails to exercise any such option to sublet or to terminate, this shall not be construed as or constitute a waiver of any of the provisions of Paragraphs 13.a., b., c. or d. herein. If Landlord exercises any option to sublet or to terminate, any costs of demising the portion of the Premises affected by such subleasing or termination shall be borne by Tenant; provided, however, that if the Sublease Notice shall expressly impose such cost on the subtenant or assignee, as applicable, then Landlord (and any other subtenant or assignee proposed by Tenant for the applicable space if Landlord elects not to exercise its option in (i) or (ii) above), shall be required to pay such cost. In addition, Landlord shall have no liability for any real estate brokerage commission(s) or with respect to any of the costs and expenses that Tenant may have incurred in connection with its proposed assignment or subletting, and Tenant agrees to indemnify, defend and hold Landlord and all other Indemnitees harmless from and against any and all Claims (as defined in Paragraph 14.b. below), including, without limitation, claims for commissions, arising from such proposed assignment or subletting. Landlord's foregoing rights and options shall continue throughout the entire term of this Lease. Notwithstanding the foregoing, in the case of a proposed sublet only, if Landlord exercises its option in clause (i) or (ii) above to sublet or terminate, respectively, by notice to Landlord within five (5) Business Days thereafter Tenant may rescind the Sublease Notice, and thereupon the Sublease Notice shall be deemed to have never been given and Landlord shall have no right to sublet or terminate the applicable space by reason thereof.

e. Documentation. No permitted assignment or subletting by Tenant shall be effective until there has been delivered to Landlord a fully executed counterpart of the assignment or sublease which expressly provides that (i) the assignee or subtenant may not further assign this Lease or the sublease, as applicable, or sublet the Premises or any portion thereof, without Landlord's prior written consent (which, in the case of a further assignment proposed by an assignee of this Lease, shall not be unreasonably withheld, subject to Landlord's rights under the provisions of this Paragraph 13, and in the case of a subtenant's assignment of its sublease or further subletting of its subleased premises or any portion thereof, may be withheld in Landlord's sole and absolute discretion), (ii) the assignee will comply with all of the provisions of this Lease, and Landlord may enforce the Lease provisions directly against such assignee, and subtenant shall not act or fail to act in a manner that would cause Tenant to be in default under this Lease, (iii) in the case of an assignment, the assignee assumes all of Tenant's obligations under this Lease arising on or after the date of the assignment, and (iv) in the case of a sublease, the subtenant agrees to be and remain jointly and severally liable with Tenant for the payment of rent pertaining to the sublet space in the amount set forth in the

sublease, and for the performance of all of the terms and provisions of this Lease applicable to the sublet space to the extent imposed upon the subtenant pursuant to the terms of the sublease. Further, each sublease shall contain the rent prohibition language set forth in Paragraph 13.f. below. In addition to the foregoing, no assignment or sublease by Tenant shall be effective until there has been delivered to Landlord a fully executed counterpart of Landlord's consent to assignment or consent to sublease form. The failure or refusal of a subtenant or assignee to execute any such instrument shall not release or discharge the subtenant or assignee from its liability as set forth above. Notwithstanding the foregoing, however, no subtenant or assignee shall be permitted to occupy the Premises or any portion thereof unless and until such subtenant or assignee provides Landlord with certificates evidencing that such subtenant or assignee is carrying all insurance coverage required of such subtenant or assignee under this Lease.

f. Required Rent Prohibition Language. It shall be a condition to the approval of a sublease hereunder that the sublease include the following language: "Notwithstanding anything to the contrary in this Sublease: (i) in no event may any rent under this Sublease be based in whole or in part on the income or profits derived from the subleased premises, except for percentage rent based on gross (not net) receipts or sales; (ii) if the holder of a Superior Interest (as defined in Paragraph 21 of the Master Lease) succeeds to Landlord's interest in the Master Lease ("Successor Landlord") and the Successor Landlord is advised by its counsel that all or any portion of the rent payable under this Sublease is or may be deemed to be "unrelated business income" within the meaning of the Internal Revenue Code or regulations issued thereunder, such Successor Landlord may, at its option, unilaterally amend the calculation of rent under the Sublease so that none of the rent payable under the Sublease will constitute "unrelated business income," but the amendment will not increase Subtenant's payment obligations or other liability under the Sublease or reduce the Sublessor's obligations under the Sublease and (iii) upon the Successor Landlord's request, Tenant and Subtenant shall execute any document such holder deems necessary to effect the foregoing amendment to the Sublease."

g. No Merger. Without limiting any of the provisions of this Paragraph 13, if Tenant has entered into any subleases of any portion of the Premises, the voluntary or other surrender of this Lease by Tenant, or a mutual cancellation by Landlord and Tenant, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies or, at the option of Landlord, operate as an assignment to Landlord of any or all such subleases or subtenancies. If Landlord does elect that such surrender or cancellation operate as an assignment of such subleases or subtenancies, Landlord shall in no way be liable for any previous act or omission by Tenant under the subleases or for the return of any deposit(s) under the subleases that have not been actually delivered to Landlord, nor shall Landlord be bound by any sublease modification(s) executed without Landlord's consent or for any advance rental payment by the subtenant in excess of one month's rent.

h. Affiliates. Notwithstanding anything to the contrary in Paragraphs 13.a., 13.c. and 13.d., but subject to Paragraphs 13.b., 13.e. and 13.f., Tenant may assign this Lease or sublet the Premises or any portion thereof, without Landlord's consent, to any partnership, corporation or other entity that controls, is controlled by, or is under common control with Tenant or Tenant's parent (control being defined for such purposes as ownership of at least fifty percent (50%) of the equity interests in, and the power to direct the management of, the relevant entity) or to any partnership, corporation or other entity resulting from a merger or consolidation with Tenant or Tenant's parent, or to any person or entity that acquires substantially all the assets (including by means of a purchase of all or substantially all of Tenant's stock) of Tenant as a going concern (collectively, an "Affiliate"), provided that (i) Landlord receives at least ten (10) days' prior written notice of an assignment or subletting, together with evidence reasonably satisfactory to Landlord that the requirements of this Paragraph 13.g. have been met, (ii) the Affiliate's net worth is not less than Tenant's net worth immediately prior to the assignment or sublet (or series of transactions of which the same is a part) or as of the date of this Lease, whichever is greater, (iii) except in the case of an assignment where the assignor is dissolved as a matter of law following the series of transactions of which the assignment is a part and where such assignor makes sufficient reserves for contingent liabilities (including its obligations under this Lease) as required by applicable law, the Affiliate remains an Affiliate for the duration of the subletting or the balance of the term in the event of an assignment, (iv) the Affiliate assumes (in the event of an assignment) in writing all of Tenant's obligations under this Lease, (v) Landlord receives a fully executed copy of an assignment or sublease agreement between Tenant and the Affiliate at least ten (10) days prior to the effective date of such assignment or sublease or, in the case of an assignment by merger or stock purchase, such later date (but no later than the effective date of the assignment) on which the assignment agreement (which assignment document may be the merger agreement or the stock purchase agreement if the assignment is effected by means thereof) is executed by the parties thereto, and (vi) the transaction is for legitimate business purposes unrelated to this Lease and the transaction is not a subterfuge by Tenant to avoid its obligations under this Lease or the restrictions on assignment and subletting contained herein.

#### 14. Indemnification of Landlord.

a. Landlord and the holders of any Superior Interests (as defined in Paragraph 21 below) shall not be liable to Tenant and Tenant hereby waives all claims against such parties for any loss, injury or other damage to person or property in or about the Premises or the Real Property from any cause whatsoever, including without limitation, water leakage of any character from the roof, walls, basement, fire sprinklers, appliances, air conditioning, plumbing or other portion of the Premises or the Real Property, or gas, fire, explosion, falling plaster, steam, electricity, or any malfunction within the Premises or the Real Property, or acts of other tenants of the Building; provided, however, that, subject to Paragraph 16 below and to the provisions of Paragraph 28 below regarding exculpation of Landlord from Special Claims, the foregoing waiver shall be inapplicable to any loss, injury or damage to the extent resulting from Landlord's negligence or willful misconduct. Tenant acknowledges that from time to time throughout the term of this Lease, construction work may be performed in and about the Building and the Real Property by Landlord, contractors of Landlord, or other tenants or their contractors, and that such construction work may result in noise and disruption to

Tenant's business. In addition to and without limiting the foregoing waiver or any other provision of this Lease, Tenant agrees that Landlord shall not be liable for, and Tenant expressly waives and releases Landlord and the other Indemnitees (as defined in Paragraph 14.b. below) from any Claims (as defined in Paragraph 14.b. below), including without limitation, any and all consequential damages or interruption or loss of business, income or profits, or claims of actual or constructive eviction or for abatement of rental, arising or alleged to be arising as a result of any such construction activity. Landlord shall use its good faith efforts to minimize any such noise and disruption to Tenant's business, and, in connection with any scheduled work undertaken by Landlord, Landlord shall endeavor to give Tenant prior notice of any such work that Landlord anticipates will materially disrupt Tenant's business.

b. Subject to Paragraph 16 below, Tenant shall hold Landlord and the holders of any Superior Interest, and the constituent shareholders, partners or other owners thereof, and all of their agents, contractors, servants, officers, directors, employees and licensees (collectively with Landlord, the "Indemnitees") harmless from and indemnify the Indemnitees against any and all claims, liabilities, damages, costs and expenses, including reasonable attorneys' fees and costs incurred in defending against the same (collectively, "Claims"), to the extent arising from (a) the negligence or willful misconduct of Tenant or any other Tenant Parties (as defined in Paragraph 8.c. above) in, on or about the Real Property, or (b) any construction or other work undertaken by or on behalf of Tenant in, on or about the Premises, whether prior to or during the term of this Lease, or (c) any breach or Event of Default under this Lease by Tenant, or (d) any accident, injury or damage, howsoever and by whomsoever caused, to any person or property, occurring in the Premises; except to the extent such Claims are caused by the negligence or willful misconduct of Landlord or its authorized representatives. In case any action or proceeding be brought against any of the Indemnitees by reason of any such Claim, Tenant, upon notice from Landlord, covenants to resist and defend at Tenant's sole expense such action or proceeding by counsel reasonably satisfactory to Landlord. The provisions of this Paragraph 14.b. shall survive the expiration or earlier termination of this Lease with respect to any injury, illness, death or damage occurring prior to such expiration or termination.

c. Subject to Paragraph 16 below and to the provisions of Paragraph 28 below regarding exculpation of Landlord from Special Claims, Landlord shall hold Tenant, and the constituent shareholders, partners or other owners thereof, and its agents, officers, directors, and employees (collectively with Tenant, the "Tenant Indemnitees") harmless from and indemnify the Tenant Indemnitees against any and all Claims, to the extent arising from any injury or death of any person occurring in the common areas of the Building caused by the negligence or willful misconduct of Landlord or its agents or employees, except to the extent such Claims arise from the negligence or willful misconduct of Tenant or any Tenant Party. In case any action or proceeding be brought against any of the Tenant Indemnitees by reason of any such Claim, Landlord, upon notice from Tenant, covenants to resist and defend at Landlord's sole expense such action or proceeding by counsel reasonably satisfactory to Tenant. The provisions of this Paragraph 14.d. shall survive the expiration or earlier termination of this Lease with respect to any injury or death occurring prior to such expiration or termination.

#### 15. Insurance.

a. Tenant's Insurance. Tenant shall, at Tenant's expense, maintain during the term of this Lease (and, if Tenant occupies or conducts activities in or about the Premises prior to or after the term hereof, then also during such pre-term or post-term period): (i) commercial general liability insurance including contractual liability coverage, with minimum coverages of Two Million Dollars (\$2,000,000.00) per occurrence combined single limit for bodily injury and property damage, Two Million Dollars (\$2,000,000.00) for products-completed operations coverage, One Hundred Thousand Dollars (\$100,000.00) fire legal liability, Two Million Dollars (\$2,000,000.00) for personal and advertising injury, with a Three Million Dollars (\$3,000,000.00) general aggregate limit, for injuries to, or illness or death of, persons and damage to property occurring in or about the Premises or otherwise resulting from Tenant's operations in the Building, provided that the foregoing coverage amounts may be provided through any combination of primary and umbrella/excess coverage policies, (ii) property insurance protecting Tenant against loss or damage by fire and such other risks as are insurable under then-available standard forms of "special form" (previously known as "all risk") insurance policies (excluding earthquake and flood but including water damage and earthquake sprinkler

leakage), covering Tenant's personal property and trade fixtures in or about the Premises or the Real Property, and any above Building standard Alterations installed in the Premises by or at the request of Tenant (including those installed by Landlord at Tenant's request, whether prior or subsequent to the commencement of the Lease term), for the full replacement value thereof without deduction for depreciation; (iii) workers' compensation insurance in statutory limits; (iv) at least three months' coverage for loss of business income and continuing expenses, providing protection against any peril included within the classification "special form" insurance, excluding earthquake and flood but including water damage and earthquake sprinkler leakage; and (v) if Tenant operates owned, leased or non-owned vehicles on the Real Property, comprehensive automobile liability insurance with a minimum coverage of Two Million Dollars (\$2,000,000.00) per occurrence, combined single limit; provided that the foregoing coverage amount may be provided through any combination of primary and umbrella/excess coverage policies. In no event shall any insurance maintained by Tenant hereunder or required to be maintained by Tenant hereunder be deemed to limit or satisfy Tenant's indemnification or other obligations or liability under this Lease. Landlord reserves the right to increase the foregoing amount of liability coverage from time to time as Landlord reasonably determines is required to adequately protect Landlord and the other parties designated by Landlord from the matters insured thereby (provided, however, that Landlord makes no representation that the limits of liability required hereunder from time to time shall be adequate to protect Tenant), and to require that Tenant cause any of its contractors, vendors, movers or other parties conducting activities in or about or occupying the Premises to obtain and maintain insurance as reasonably determined by Landlord and as to which Landlord and such other parties designated by Landlord shall be additional insureds.

b. Policy Form. Each insurance policy required pursuant to Paragraph 15.a. above shall be issued by an insurance company authorized to do business in the State of California and with a general policyholders' rating of "A-" or better and a financial size ranking of "Class VIII" or higher in the most recent edition of Best's Insurance Guide. Each insurance policy shall provide that it may not be materially changed, cancelled or allowed to lapse unless thirty (30) days' prior written notice to Landlord and any other insureds designated by Landlord is first given. If any of the above policies are subject to deductibles, the deductible amounts shall not exceed amounts approved in advance in writing by Landlord. The liability policies (including any umbrella/excess coverage policies) carried by Tenant pursuant to clauses (i) and (v) of Paragraph shall 15.a. above shall (i) name Landlord and all the other Indemnitees and any other parties designated by Landlord as additional insureds, (ii) provide that no act or omission of Tenant shall affect or limit the obligations of the insurer with respect to any other insured, and (iii) provide that the policy and the coverage provided shall be primary, that Landlord, although an additional insured, shall nevertheless be entitled to recovery under such policy for any damage to Landlord or the other Indemnitees by reason of acts or omissions of Tenant, and that any coverage carried by Landlord shall be noncontributory with respect to policies carried by Tenant. The property insurance policy carried by Tenant pursuant to clause (ii) of Paragraph 15.a. above shall include all waiver of subrogation rights endorsements necessary to effect the provisions of Paragraph 16 below. Each insurance policy required of Tenant pursuant to this Paragraph 15, or a certificate thereof, shall be delivered to Landlord by Tenant on or before the effective date of such policy and thereafter Tenant shall deliver to Landlord renewal policies or certificates at least thirty (30) days prior to the expiration dates of expiring policies. If Tenant fails to procure such insurance or to deliver such policies or certificates, Landlord may, at its option, procure the same for Tenant's account, and the cost thereof shall be paid to Landlord by Tenant upon demand. Landlord may at any time, and from time to time, inspect and/or copy any and all insurance policies required by this Lease.

c. No Implication. Nothing in this Paragraph 15 shall be construed as creating or implying the existence of (i) any ownership by Tenant of any fixtures, additions, Alterations, or improvements in or to the Premises or (ii) any right on Tenant's part to make any addition, Alteration or improvement in or to the Premises.

16. Mutual Waiver of Subrogation Rights. Each party hereto hereby releases the other respective party and, in the case of Tenant as the releasing party, the other Indemnitees, and the respective partners, shareholders, agents, employees, officers, directors and authorized representatives of such released party, from any claims such releasing party may have for damage to the Building, the Premises or any of such releasing party's fixtures, personal property, improvements and alterations in or about the Premises, the Building or the Real Property that is caused by or results from risks insured against under any "special form" insurance policies actually carried by such releasing party or deemed to be carried by such releasing party; provided, however, that such waiver shall be limited to the extent of the net insurance proceeds payable by the relevant insurance company with respect to such loss or damage (or in the case of deemed coverage, the net proceeds that would have been payable). For purposes of this Paragraph 16, Tenant shall be deemed to be carrying any of the insurance policies required pursuant to Paragraph 15 but not actually carried by Tenant, and Landlord shall be deemed to carry standard fire and extended coverage policies on the Real Property. Each party hereto shall cause each such fire and extended coverage insurance policy obtained by it to provide that the insurance company waives all rights of recovery by way of subrogation against the other respective party and the other released parties in connection with any matter covered by such policy.

#### 17. Utilities.

a. Basic Services. Landlord shall furnish the following utilities and services ("Basic Services") for the Premises: (i) during the hours of 8 A.M. to 6 P.M. ("Business Hours") Monday through Friday (except public holidays) ("Business Days"), electricity for Building standard lighting and power suitable for the use of the Premises for ordinary general office



purposes, (ii) during Business Hours on Business Days, heat and air conditioning required in Landlord's reasonable judgment for the comfortable use and occupancy of the Premises for ordinary general office purposes, (iii) unheated water for the restroom(s) in the public areas serving the Premises, (iv) elevator or service to the floor(s) of the Premises by nonattended automatic elevators for general office pedestrian usage, and (v) on Business Days, janitorial services limited to emptying and removal of general office refuse, light vacuuming as needed and window washing as determined by Landlord. Notwithstanding the foregoing, however, Tenant may use water, heat, air conditioning, electric current, elevator and janitorial service in excess of that provided in Basic Services ("Excess Services," which shall include without limitation any power usage other than through existing standard 110-volt AC outlets; electricity in excess of the lesser of that described in clause (i) above or clause (ii) of Paragraph 17.c. below; electricity and/or water consumed by Tenant in connection with any dedicated or supplemental heating, ventilating and/or air conditioning, computer power, telecommunications and/or other special units or systems of Tenant; chilled, heated or condenser water; or water used for any purpose other than ordinary drinking and lavatory purposes), provided that the Excess Services desired by Tenant are reasonably available to Landlord and to the Premises (it being understood that in no event shall Landlord be obligated to make available to the Premises more than the pro rata share of the capacity of any Excess Service available to the Building or the applicable floor of the Building, as the case may be), and provided further that Tenant complies with the procedures established by Landlord from time to time for requesting and paying for such Excess Services and with all other provisions of this Paragraph 17. Landlord reserves the right to install in the Premises or the Real Property electric current and/or water meters (including, without limitation, any additional wiring, conduit or panel required therefor) to measure the electric current or water consumed by Tenant or to cause the usage to be measured by other reasonable methods (e.g., by temporary "check" meters or by survey).

b. Payment for Utilities and Services. The cost of Basic Services shall be included in Operating Expenses. In addition, Tenant shall pay to Landlord upon demand (i) the cost, at Landlord's prevailing rate, of any Excess Services used by Tenant, (ii) the cost of installing, operating, maintaining or repairing any meter or other device used to measure Tenant's consumption of utilities, (iii) the cost of installing, operating, maintaining or repairing any Temperature Balance Equipment (as defined in Paragraph 17.d. below) for the Premises and/or any equipment required in connection with any Excess Services requested by Tenant, and (iv) any cost otherwise incurred by Landlord in keeping account of or determining any Excess Services used by Tenant. Landlord's failure to bill Tenant for any of the foregoing shall not waive Landlord's right to bill Tenant for the same at a later time.

c. Utility Connections. Tenant shall not connect or use any apparatus or device in the Premises (i) using current in excess of 110 volts, or (ii) which would cause Tenant's electrical demand load to exceed 1.0 watts per rentable square foot for overhead lighting or 2.0 watts per rentable square foot for convenience outlets, or (iii) which would exceed the capacity of the existing panel or transformer serving the Premises. Tenant shall not connect with electric current (except through existing outlets in the Premises or such additional outlets as may be installed in the Premises as part of initial improvements or Alterations approved by Landlord), or water pipes, any apparatus or device for the purpose of using electrical current or water.

Landlord will not permit additional coring or channeling of the floor of the Premises in order to install new electric outlets in the Premises unless Landlord is satisfied, on the basis of such information to be supplied by Tenant at Tenant's expense, that coring and/or channeling of the floor in order to install such additional outlets will not weaken the structure of the floor.

d. Temperature Balance. If the temperature otherwise maintained in any portion of the Premises by the heating, air conditioning or ventilation system is affected as a result of (i) the type or quantity of any lights, machines or equipment (including without limitation typical office equipment) used by Tenant in the Premises, (ii) the occupancy of such portion of the Premises by more than one person per two hundred (200) square feet of rentable area therein, (iii) an electrical load for lighting or power in excess of the limits specified in Paragraph 17.c. above, or (iv) any rearrangement of partitioning or other improvements, then at Tenant's sole cost, Landlord may install any equipment, or modify any existing equipment (including the standard air conditioning equipment) Landlord deems necessary to restore the temperature balance (such new equipment or modifications to existing equipment termed herein "Temperature Balance Equipment"). Tenant agrees to keep closed, when necessary, draperies and/or window treatments which, because of the sun's position, must be closed to provide for the efficient operation of the air conditioning system, and Tenant agrees to cooperate with Landlord and to abide by the regulations and requirements which Landlord may prescribe for the proper functioning and protection of the heating, ventilating and air conditioning system. Landlord makes no representation to Tenant regarding the adequacy or fitness of the heating, air conditioning or ventilation equipment in the Building to maintain temperatures that may be required for, or because of, any computer or communications rooms, machine rooms, conference rooms or other areas of high concentration of personnel or electrical usage, or any other uses other than or in excess of the fractional horsepower normally required for office equipment, and Landlord shall have no liability for loss or damage suffered by Tenant or others in connection therewith.

e. Interruption of Services. Landlord's obligation to provide utilities and services for the Premises are subject to the Rules and Regulations of the Building, applicable Legal Requirements (including the rules or actions of the public utility company furnishing the utility or service), and shutdowns for maintenance and repairs, for security purposes, or due to strikes, lockouts, labor disputes, fire or other casualty, acts of God, or other causes beyond the control of Landlord. In the event of an interruption in, or failure or inability to provide any service or utility for the Premises for any reason other than Landlord's failure to comply

with its financial obligations with respect thereto (e.g., Landlord's failure to pay the provider of utility services to the Building), such interruption, failure or inability shall not constitute an eviction of Tenant, constructive or otherwise, or impose upon Landlord any liability whatsoever, including, but not limited to, liability for consequential damages or loss of business by Tenant, or entitle Tenant to any abatement or offset of Monthly Rent, Additional Rent or any other amounts due from Tenant under this Lease. Tenant hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future Legal Requirement permitting the termination of this Lease due to such interruption, failure or inability.

f. Governmental Controls. In the event any governmental authority having jurisdiction over the Real Property or the Building promulgates or revises any Legal Requirement or building, fire or other code or imposes mandatory or voluntary controls or guidelines on Landlord or the Real Property or the Building relating to the use or conservation of energy or utilities or the reduction of automobile or other emissions (collectively, "Controls") or in the event Landlord is required or elects to make alterations to the Real Property or the Building in order to comply with such mandatory or voluntary Controls, Landlord may, in its sole discretion, comply with such Controls or make such alterations to the Real Property or the Building related thereto. Such compliance and the making of such alterations shall not constitute an eviction of Tenant, constructive or otherwise, or impose upon Landlord any liability whatsoever, including, but not limited to, liability for consequential damages or loss of business by Tenant. In exercising its rights under this Section 13.f., Landlord shall use its good faith efforts to minimize any disruption to Tenant's business, and, in connection with any scheduled work undertaken by Landlord, Landlord shall endeavor to give Tenant prior notice of any such work that Landlord anticipates will materially disrupt Tenant's business.

18. Personal Property and Other Taxes. Tenant shall pay, at least ten (10) days before delinquency, any and all taxes, fees, charges or other governmental impositions levied or assessed against Landlord or Tenant (a) upon Tenant's equipment, furniture, fixtures, improvements and other personal property (including carpeting installed by Tenant) located in the Premises, (b) by virtue of any Alterations made by Tenant to the Premises, and (c) upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. If any such fee, charge or other governmental imposition is paid by Landlord, Tenant shall reimburse Landlord for Landlord's payment upon demand.

19. Rules and Regulations. Tenant shall comply with the rules and regulations set forth on Exhibit B attached hereto, as such rules and regulations may be modified or amended by Landlord from time to time (the "Rules and Regulations"). Landlord shall not be responsible to Tenant for the nonperformance or noncompliance by any other tenant or occupant of the Building of or with any of the Rules and Regulations, but Landlord shall not enforce the Rules and Regulations in a discriminatory manner. In the event of any conflict between the Rules and Regulations and the balance of this Lease, the balance of this Lease shall control.

20. Surrender; Holding Over.

a. Surrender. Upon the expiration or other termination of this Lease, Tenant shall surrender the Premises to Landlord vacant and broom-clean, with all improvements and Alterations (except as provided below) in their original condition, except for reasonable wear and tear, damage from casualty or condemnation and any changes resulting from approved Alterations; provided, however, that prior to the expiration or termination of this Lease Tenant shall remove from the Premises any Alterations that Tenant is required by Landlord to remove under the provisions of this Lease, and all of Tenant's personal property (including, without limitation, all voice and data cabling) and trade fixtures, and, at Landlord's sole election, any other improvements, whether installed by Landlord or Tenant, that are of a type or quantity that would not be installed by or for a typical tenant using space for general office purposes, or are otherwise nonstandard. If such removal is not completed at the expiration or other termination of this Lease, Landlord may remove the same at Tenant's expense. Any damage to the Premises or the Building caused by such removal shall be repaired promptly by Tenant (including the patching or repairing of ceilings and walls) or, if Tenant fails to do so, Landlord may do so at Tenant's expense. The removal of Alterations from the Premises shall be governed by Paragraph 9 above. Tenant's obligations under this paragraph shall survive the expiration or other termination of this Lease. Upon expiration or termination of this Lease or of Tenant's possession, Tenant shall surrender all keys to the Premises or any other part of the Building and shall make known to Landlord the combination of locks on all safes, cabinets and vaults that may be located in the Premises.

b. Holding Over. If Tenant remains in possession of the Premises after the expiration or earlier termination of this Lease with the express written consent of Landlord, Tenant's occupancy shall be a month-to-month tenancy at a rent agreed upon by Landlord and Tenant, but in no event less than the greater of (i) one hundred fifty percent (150%) of the Monthly Rent and Additional Rent payable under this Lease during the last full month prior to the date of the expiration of this Lease or (ii) the then fair market rental (as reasonably determined by Landlord) for the Premises. Except as provided in the preceding sentence, the month-to-month tenancy shall be on the terms and conditions of this Lease, except that any renewal options, expansion options, rights of first refusal, rights of first negotiation or any other rights or options pertaining to additional space in the Building contained in this Lease shall be deemed to have terminated and shall be inapplicable thereto. Landlord's acceptance of rent after such holding over with Landlord's written consent shall not result in any other tenancy or in a renewal of the original term of this Lease. If Tenant remains in possession of the Premises after the expiration or earlier termination of this Lease without Landlord's consent, Tenant's continued possession shall be on the basis of a tenancy at sufferance and Tenant shall pay as Monthly Rent during the holdover period an amount equal to the greater of (i) one hundred fifty percent (150%) of the fair market rental (as reasonably determined by Landlord) for the Premises or (ii) two hundred percent (200%) of the Monthly Rent and Additional Rent payable under this Lease for the last full month prior to the date of such expiration or termination.

c. Indemnification. Tenant shall indemnify, defend and hold Landlord harmless from and against all Claims incurred by or asserted against Landlord and arising directly or indirectly from Tenant's failure to timely surrender the Premises, including but not limited to (i) any rent payable by or any loss, cost, or damages, including lost profits, claimed by any prospective tenant of the Premises or any portion thereof, and (ii) Landlord's damages as a result of such prospective tenant rescinding or refusing to enter into the prospective lease of the Premises or any portion thereof by reason of such failure to timely surrender the Premises.

21. Subordination and Attornment. This Lease is expressly made subject and subordinate to any mortgage, deed of trust, ground lease, underlying lease or like encumbrance affecting any part of the Real Property or any interest of Landlord therein which is now existing or hereafter executed or recorded, any present or future modification, amendment or supplement to any of the foregoing, and to any advances made thereunder (any of the foregoing being a "Superior Interest") without the necessity of any further documentation evidencing such subordination. Notwithstanding the foregoing, Tenant shall, within ten (10) days after Landlord's request, execute and deliver to Landlord a document evidencing the subordination of this Lease to a particular Superior Interest. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact to execute and deliver any such instrument in the name of Tenant if Tenant fails to do so within such time. If the interest of Landlord in the Real Property or the Building is transferred to any person ("Purchaser") pursuant to or in lieu of foreclosure or other proceedings for enforcement of any Superior Interest, Tenant shall immediately attorn to the Purchaser, and this Lease shall continue in full force and effect as a direct lease between the Purchaser and Tenant on the terms and conditions set forth herein, provided that Purchaser acquires and accepts the Real Property or the Building subject to this Lease. Upon Purchaser's request, including any such request made by reason of the termination of this Lease as a result of such foreclosure or other proceedings, Tenant shall enter into a new lease with Purchaser on the terms and conditions of this Lease applicable to the remainder of the term hereof. Notwithstanding the subordination of this Lease to Superior Interests as set forth above, the holder of any Superior Interest may at any time (including as part of foreclosure or other proceedings for enforcement of such Superior Interest), upon written notice to Tenant, elect to have this Lease be prior and superior to such Superior Interest.

22. Financing Condition. If any lender or ground lessor that intends to acquire an interest in, or holds a mortgage, ground lease or deed of trust encumbering any portion of the Real Property should require either the execution by Tenant of an agreement requiring Tenant to send such lender written notice of any default by Landlord under this Lease, giving such lender the right to cure such default until such lender has completed foreclosure, and preventing Tenant from terminating this Lease (to the extent such termination right would otherwise be available) unless such default remains uncured after foreclosure has been completed, and/or any modification of the agreements, covenants, conditions or provisions of this Lease, then Tenant agrees that it shall, within ten (10) days after Landlord's request, execute and deliver such agreement and modify this Lease as required by such lender or ground lessor; provided, however, that no such modification shall affect the length of the term or increase the rent payable by Tenant under Paragraphs 5 and 7 or otherwise materially adversely affect Tenant's rights or materially increase Tenant's obligations (other than notice requirements and other similar ministerial obligations). Tenant acknowledges and agrees that its failure to timely execute any such agreement or modification required by such lender or ground lessor may cause Landlord serious financial damage by causing the failure of a financing transaction and giving Landlord all of its rights and remedies under Paragraph 25 below, including its right to damages caused by the loss of such financing.

23. Entry by Landlord. Landlord may, at any and all reasonable times and upon reasonable advance written notice (provided that no advance notice need be given if an emergency (as determined by Landlord in its good faith judgment) necessitates an immediate entry or prior to entry to provide routine janitorial services), enter the Premises to (a) inspect the same and to determine whether Tenant is in compliance with its obligations hereunder, (b) supply janitorial and any other service Landlord is required to provide hereunder, (c) show the Premises to prospective lenders, purchasers or tenants, (d) post notices of nonresponsibility, and (e) alter, improve or repair the Premises or any other portion of the Real Property. In connection with any such alteration,

improvement or repair, Landlord may erect in the Premises or elsewhere in the Real Property scaffolding and other structures reasonably required for the work to be performed. In no event shall such entry or work entitle Tenant to an abatement of rent, constitute an eviction of Tenant, constructive or otherwise, or impose upon Landlord any liability whatsoever, including but not limited to liability for consequential damages or loss of business or profits by Tenant, Landlord shall use good faith efforts to cause all such work to be done in such a manner as to cause as little interference to Tenant as reasonably possible without incurring substantial additional expense. Landlord shall at all times retain a key with which to unlock all of the doors in the Premises, except Tenant's vaults and safes. If an emergency necessitates immediate access to the Premises, Landlord may use whatever force is necessary to enter the Premises and any such entry to the Premises shall not constitute a forcible or unlawful entry into the Premises, a detainer of the Premises, or an eviction of Tenant from the Premises, or any portion thereof.

24. Insolvency or Bankruptcy. The occurrence of any of the following shall constitute an Event of Default under Paragraph 25 below:

a. Tenant ceases doing business as a going concern, makes an assignment for the benefit of creditors, is adjudicated an insolvent, files a petition (or files an answer admitting the material allegations of such petition) seeking for Tenant any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any state or federal bankruptcy or other law, or Tenant consents to or acquiesces in the appointment, pursuant to any state or federal bankruptcy or other law, of a trustee, receiver or liquidator for the Premises, for Tenant or for all or any substantial part of Tenant's assets; or

b. Tenant fails within sixty (60) days after the commencement of any proceedings against Tenant seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any state or federal bankruptcy or other Legal Requirement, to have such proceedings dismissed, or Tenant fails, within sixty (60) days after an appointment pursuant to any state or federal bankruptcy or other Legal Requirement without Tenant's consent or acquiescence, of any trustee, receiver or liquidator for the Premises, for Tenant or for all or any substantial part of Tenant's assets, to have such appointment vacated; or

c. Tenant is unable, or admits in writing its inability, to pay its debts as they mature; or

d. Tenant gives notice to any governmental body of its insolvency or pending insolvency, or of its suspension or pending suspension of operations.

In no event shall this Lease be assigned or assignable by reason of any voluntary or involuntary bankruptcy, insolvency or reorganization proceedings, nor shall any rights or privileges hereunder be an asset of Tenant, the trustee, debtor-in-possession, or the debtor's estate in any bankruptcy, insolvency or reorganization proceedings.

25. Default and Remedies.

a. Events of Default. The occurrence of any of the following shall constitute an "Event of Default" by Tenant:

1. Tenant fails to pay when due Monthly Rent, Additional Rent or any other rent due hereunder and such failure continues for three (3) Business Days after written notice thereof from Landlord to Tenant, except that Landlord shall only be required to give one (1) such notice in any calendar year, and after such notice is given any failure by Tenant in such calendar year to pay Monthly Rent, Additional Rent or any other rent due hereunder when due shall itself constitute an Event of Default, without the requirement of notice from Landlord of such failure; or

2. Tenant abandons the Premises within the meaning of California Civil Code Section 1951.3; or

3. Tenant fails to deliver any estoppel certificate pursuant to Paragraph 29 below, subordination agreement pursuant to Paragraph 21 above, or document required pursuant to Paragraph 22 above, within the applicable period set forth therein; or

4. Tenant violates the bankruptcy and insolvency provisions of Paragraph 24 above; or

5. Tenant makes or has made or furnishes or has furnished any warranty, representation or statement to Landlord in connection with this Lease, or any other agreement made by Tenant for the benefit of Landlord, which is or was false or misleading in any material respect when made or furnished; or

6. Tenant assigns this Lease or subleases any portion of the Premises in violation of Paragraph 13 above; or

7. The default by any guarantor of Tenant's obligations under this Lease of any provision of such guarantor's guaranty, or the attempted repudiation or revocation of any such guaranty or any provision thereof by such guarantor, or the application of items 4 or 5 above of this Paragraph 25.a. with the reference to "Tenant" therein being deemed to refer instead to such guarantor; or

8. A default by Tenant occurs under any other lease between Tenant and Landlord or any affiliate of Landlord, and Tenant fails to cure such default within the applicable period set forth therein; or

9. Tenant fails to comply with any other provision of this Lease in the manner and within the time required.

b. Remedies. Upon the occurrence of an Event of Default Landlord shall have the following remedies, which shall not be exclusive but shall be cumulative and shall be in addition to any other remedies now or hereafter allowed by law:

1. Landlord may terminate Tenant's right to possession of the Premises at any time by written notice to Tenant. Tenant expressly acknowledges that in the absence of such written notice from Landlord, no other act of Landlord, including, but not limited to, its re-entry into the Premises, its efforts to relet the Premises, its reletting of the Premises for Tenant's account, its storage of Tenant's personal property and trade fixtures, its acceptance of keys to the Premises from Tenant, its appointment of a receiver, or its exercise of any other rights and remedies under this Paragraph 25 or otherwise at law, shall constitute an acceptance of Tenant's surrender of the Premises or constitute a termination of this Lease or of Tenant's right to possession of the Premises.

Upon such termination in writing of Tenant's right to possession of the Premises, this Lease shall terminate and Landlord shall be entitled to recover damages from Tenant as provided in California Civil Code Section 1951.2 or any other applicable existing or future Legal Requirement providing for recovery of damages for such breach, including but not limited to the following:

(i) The reasonable cost of recovering the Premises; plus

(ii) The reasonable cost of removing Tenant's Alterations, trade fixtures and improvements; plus

(iii) All unpaid rent due or earned hereunder prior to the date of termination, less the proceeds of any reletting or any rental received from subtenants prior to the date of termination applied as provided in Paragraph 25.b.2. below, together with interest at the Interest Rate, on such sums from the date such rent is due and payable until the date of the award of damages; plus

(iv) The amount by which the rent which would be payable by Tenant hereunder, including Additional Rent under Paragraph 7 above, as reasonably estimated by Landlord, from the date of termination until the date of the award of damages, exceeds the amount of such rental loss as Tenant proves could have been reasonably avoided, together with interest at the Interest Rate on such sums from the date such rent is due and payable until the date of the award of damages; plus

(v) The amount by which the rent which would be payable by Tenant hereunder, including Additional Rent under Paragraph 7 above, as reasonably estimated by Landlord, for the remainder of the then term, after the date of the award of damages exceeds the amount such rental loss as Tenant proves could have been reasonably avoided, discounted at the discount rate published by the Federal Reserve Bank of San Francisco for member banks at the time of the award plus one percent (1%); plus

(vi) Such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law, including without limitation any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

2. Landlord has the remedy described in California Civil Code Section 1951.4 (a landlord may continue the lease in effect after the tenant's breach and abandonment and recover rent as it becomes due, if the tenant has the right to sublet and assign subject only to reasonable limitations), and may continue this Lease in full force and effect and may enforce all of its rights and remedies under this Lease, including, but not limited to, the right to recover rent as it becomes due. After the occurrence of an Event of Default, Landlord may enter the Premises without terminating this Lease and sublet all or any part of the Premises for Tenant's account to any person, for such term (which may be a period beyond the remaining term of this Lease), at such rents and on such other terms and conditions as Landlord deems advisable. In the event of any such subletting, rents received by Landlord from such subletting shall be applied (i) first, to the payment of the costs of maintaining, preserving, altering and preparing the Premises for subletting, the other costs of subletting, including but not limited to brokers' commissions, attorneys' fees and expenses of removal of Tenant's personal property, trade fixtures and Alterations; (ii) second, to the payment of rent then due and payable hereunder; (iii) third, to the payment of future rent as the same may become due and payable hereunder; (iv) fourth, the balance, if any, shall be paid to Tenant upon (but not before) expiration of the term of this Lease. If the rents received by Landlord from such subletting, after application as provided above, are insufficient in any month to pay the rent due and payable hereunder for such month, Tenant shall pay such deficiency to Landlord monthly upon demand. Notwithstanding any such subletting for Tenant's account without termination, Landlord may at any time thereafter, by written notice to Tenant, elect to terminate this Lease by virtue of a previous Event of Default.

During the continuance of an Event of Default, for so long as Landlord does not terminate Tenant's right to possession of the Premises and subject to Paragraph 13, entitled Assignment and Subletting, and the options granted to Landlord thereunder, Landlord shall not unreasonably withhold its consent to an assignment or sublease of Tenant's interest in the Premises or in this Lease.

3. During the continuance of an Event of Default, Landlord may enter the Premises without terminating this Lease and remove all Tenant's personal property, Alterations and trade fixtures from the Premises and store them at Tenant's risk and expense. If Landlord removes such property from the Premises and stores it at Tenant's risk and expense, and if Tenant fails to pay the cost of such removal and storage after written demand therefor and/or to pay any rent then due, then after the property has been stored for a period of thirty (30) days or more Landlord may sell such property at public or private sale, in the manner and at such times and places as Landlord deems commercially reasonable following reasonable notice to Tenant of the time and place of such sale. The proceeds of any such sale shall be applied first to the payment of the expenses for removal and storage of the property, the preparation for and the conducting of such sale, and for attorneys' fees and other legal expenses incurred by Landlord in connection therewith, and the balance shall be applied as provided in Paragraph 25.b.2. above.

Tenant hereby waives all claims for damages that may be caused by Landlord's reentering and taking possession of the Premises or removing and storing Tenant's personal property pursuant to this Paragraph 25, and Tenant shall indemnify, defend and hold Landlord harmless from and against any and all Claims resulting from any such act. No reentry by Landlord shall constitute or be construed as a forcible entry by Landlord.

4. Landlord may require Tenant to remove any and all Alterations from the Premises or, if Tenant fails to do so within ten (10) days after Landlord's request, Landlord may do so at Tenant's expense.

5. Landlord may cure the Event of Default at Tenant's expense, it being understood that such performance shall not waive or cure the subject Event of Default. If Landlord pays any sum or incurs any expense in curing the Event of Default, Tenant shall reimburse Landlord upon demand for the amount of such payment or expense with interest at the Interest Rate from the date the sum is paid or the expense is incurred until Landlord is reimbursed by Tenant. Any amount due Landlord under this subsection shall constitute additional rent hereunder.

c. Waiver of Redemption. Tenant hereby waives, for itself and all persons claiming by and under Tenant, all rights and privileges which it might have under any present or future Legal Requirement to redeem the Premises or to continue this Lease after being dispossessed or ejected from the Premises.

26. Damage or Destruction. If all or any part of the Premises or any material portion of the balance of the Real Property is damaged by fire or other casualty, and the damage can, in Landlord's reasonable opinion, be repaired within sixty (60) days of the damage, then Landlord shall repair the damage and this Lease shall remain in full force and effect. If the repairs cannot, in Landlord's opinion, be made within the sixty (60)-day period, Landlord at its option exercised by written notice to Tenant within the sixty (60)-day period, shall either (a) repair the damage, in which event this Lease shall continue in full force and effect, or (b) terminate this Lease as of the date specified by Landlord in the notice, which date shall be not less than thirty (30) days nor more than sixty (60) days after the date such notice is given, and this Lease shall terminate on the date specified in the notice. Notwithstanding the foregoing, Landlord shall not be obligated to repair or replace any of Tenant's movable furniture, equipment, trade fixtures, and other personal property, nor any above Building standard Alterations installed in the Premises by or at the request of Tenant (including those installed by Landlord at Tenant's request, whether prior or subsequent to the commencement of the Lease term), and no damage to any of the foregoing shall entitle Tenant to any abatement, and Tenant shall, at Tenant's sole cost and expense, repair and replace such items. All such repair and replacement of above Building standard Alterations by Tenant shall be constructed in accordance with Paragraph 9 above regarding Alterations.

If the fire or other casualty damages the Premises or the common areas of the Real Property necessary for Tenant's use and occupancy of the Premises, Tenant ceases to use any portion of the Premises as a result of such damage, and the damage does not result from the negligence or willful misconduct of Tenant or any other Tenant Parties, then during the period the Premises or portion thereof are rendered unusable by such damage and repair, Tenant's Monthly Rent and Additional Rent under Paragraphs 5 and 7 above shall be proportionately reduced based upon the extent to which the damage and repair prevents Tenant from conducting, and Tenant does not conduct, its business at the Premises.

A total destruction of the Building shall automatically terminate this Lease. In no event shall Tenant be entitled to any compensation or damages from Landlord for loss of use of the whole or any part of the Premises or for any inconvenience occasioned by any such destruction, rebuilding or restoration of the Premises, the Building or access thereto, except for the rent abatement expressly provided above. Tenant hereby waives California Civil Code Sections 1932(2) and 1933(4), providing for termination of hiring upon destruction of the thing hired and Sections 1941 and 1942, providing for repairs to and of premises.

27. Eminent Domain.

a. If all or any part of the Premises is taken by any public or quasi-public authority under the power of eminent domain, or any agreement in lieu thereof (a "taking"), this Lease shall terminate as to the portion of the Premises taken effective as of the date of taking. If only a portion of the Premises is taken, Landlord or Tenant may terminate this Lease as to the remainder of the Premises upon written notice to the other party within ninety (90) days after the taking; provided, however, that Tenant's right to terminate this Lease is conditioned upon the remaining portion of the Premises being of such size or configuration that such remaining portion of the Premises is unusable or uneconomical for Tenant's business. Landlord shall be entitled to all compensation, damages, income, rent awards and interest thereon whatsoever which may be paid or made in connection with any taking and Tenant shall have no claim against Landlord or any governmental authority for the value of any unexpired term of this Lease or of any of the improvements or Alterations in the Premises; provided, however, that the foregoing shall not prohibit Tenant from prosecuting a separate claim against the taking authority for an amount separately designated for Tenant's relocation expenses or the interruption of or damage to Tenant's business or as compensation for Tenant's personal property, trade fixtures, Alterations or other improvements paid for by Tenant so long as any award to Tenant will not reduce the award to Landlord.

In the event of a partial taking of the Premises which does not result in a termination of this Lease, the Monthly Rent and Additional Rent under Paragraphs 5 and 7 hereunder shall be equitably reduced. If all or any material part of the Real Property other than the Premises is taken, Landlord may terminate this Lease upon written notice to Tenant given within ninety (90) days after the date of taking.

b. Notwithstanding the foregoing, if all or any portion of the Premises is taken for a period of time of one (1) year or less ending prior to the end of the term of this Lease, this Lease shall remain in full force and effect and Tenant shall continue to pay all rent and to perform all of its obligations under this Lease; provided, however, that Tenant shall be entitled to all compensation, damages, income, rent awards and interest thereon that is paid or made in connection with such temporary taking of the Premises (or portion thereof), except that any such compensation in excess of the rent or other amounts payable to Landlord hereunder shall be promptly paid over to Landlord as received. Landlord and Tenant each hereby waive the provisions of California Code of Civil Procedure Section 1265.130 and any other applicable existing or future Legal Requirement providing for, or allowing either party to petition the courts of the state in which the Real Property is located for, a termination of this Lease upon a partial taking of the Premises and/or the Building.

28. Landlord's Liability: Sale of Building. The term "Landlord," as used in this Lease, shall mean only the owner or owners of the Real Property at the time in question. Notwithstanding any other provision of this Lease, the liability of Landlord for its obligations under this Lease is limited solely to Landlord's interest in the Real Property as the same may from time to time be encumbered, and no personal liability shall at any time be asserted or enforceable against any other assets of Landlord or against the constituent shareholders, partners, members, or other owners of Landlord, or the directors, officers, employees and agents of Landlord or such constituent shareholder, partner, member or other owner, on account of any of Landlord's obligations or actions under this Lease. In addition, in the event of any conveyance of title to the Real Property, then the grantor or transferor shall be relieved of all liability with respect to Landlord's obligations to be performed under this Lease after the date of such conveyance. In no event shall Landlord be deemed to be in default under this Lease unless Landlord fails to perform its obligations under this Lease, Tenant delivers to Landlord written notice specifying the nature of Landlord's alleged default, and Landlord fails to cure such default within thirty (30) days following receipt of such notice (or, if the default cannot reasonably be cured within such period, to commence action within such thirty (30)-day period and proceed diligently thereafter to cure such default). Upon any conveyance of title to the Real Property, the grantee or transferee shall be deemed to have assumed Landlord's obligations to be performed under this Lease from and after the date of such conveyance, subject to the limitations on liability set forth above in this Paragraph 28. If Tenant provides Landlord with any security for Tenant's performance of its obligations hereunder, Landlord shall transfer such security to the grantee or transferee of Landlord's interest in the Real Property, and upon such transfer Landlord shall be released from any further responsibility or liability for such security, and such grantee or transferee shall be deemed, by its acquisition of Landlord's interest in the Real Property and without the necessity of any further act or instrument, to have assumed Landlord's obligations to be performed under this Lease from and after the date of such conveyance with respect to such security. Any claim, defense or other right of Tenant arising in connection with this Lease shall be barred unless Tenant files an action or interposes a defense based thereon within one hundred eighty (180) days after the date Tenant becomes aware of the alleged event on which Tenant is basing its claim, defense or right. Notwithstanding any other provision of this Lease, but not in limitation of the provisions of Paragraph 14.a. above, Landlord shall not be liable for any consequential damages or interruption or loss of business, income or profits, or claims of constructive eviction, nor shall Landlord be liable for loss of or damage to artwork, currency, jewelry, bullion, unique or valuable documents, securities or other valuables, or for other property not in the nature of ordinary fixtures, furnishings and equipment used in general administrative and executive office activities and functions (all of the foregoing, collectively, "Special Claims"). Wherever in this Lease Tenant (a) releases Landlord from any claim or liability, (b) waives or limits any right of Tenant to assert any claim against Landlord or to seek recourse against any property of Landlord or (c) agrees to indemnify Landlord against any matters, the relevant release, waiver, limitation or indemnity shall run in favor of and apply to Landlord, the constituent shareholders, partners, members, or other owners of Landlord, and the directors, officers, employees and agents of Landlord and each such constituent shareholder, partner, member or other owner.

29. Estoppel Certificates. At any time and from time to time, upon not less than ten (10) Business Days' prior notice from Landlord, Tenant shall execute, acknowledge and deliver to Landlord a statement certifying the commencement date of this Lease, stating that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and the date and nature of each such modification), that to the best of Tenant's knowledge, Landlord is not in default under this Lease (or, if Landlord is in default, specifying the nature of such default), that Tenant is not in default under this Lease (or, if Tenant is in default, specifying the nature of such default), the current amounts of and the dates to which the Monthly Rent and Additional Rent has been paid, and setting forth such other matters as may be reasonably requested by Landlord. Any such statement may be conclusively relied upon by a prospective purchaser of the Real Property or by a lender obtaining a lien on the Real Property as security. If Tenant fails to deliver such statement within the time required hereunder, such failure shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) there are no uncured defaults in Landlord's performance of its obligations hereunder, (iii) not more than one month's installment of Monthly Rent has been paid in advance, and (iv) any other statements of fact included by Landlord in such statement are correct. Tenant acknowledges and agrees that its failure to execute such certificate may cause Landlord serious financial damage by causing the failure of a sale or financing transaction and giving Landlord all of its rights and remedies under Paragraph 25 above, including its right to damages caused by the loss of such sale or financing.

30. Right of Landlord to Perform. If Tenant fails to make any payment required hereunder (other than Monthly Rent and Additional Rent) or fails to perform any other of its obligations hereunder, Landlord may, but shall not be obliged to, and without waiving any default of Tenant or releasing Tenant from any obligations to Landlord hereunder, make any such payment or perform any other such obligation on Tenant's behalf. All sums so paid by Landlord and all necessary incidental costs in connection with the performance by Landlord of an obligation of Tenant (together with interest thereon from the date of such payment by Landlord until paid at the Interest Rate) shall be payable by Tenant to Landlord upon demand, and Tenant's failure to make such payment upon demand shall entitle Landlord to the same rights and remedies provided Landlord in the event of non-payment of rent.

31. Late Charge. Tenant acknowledges that late payment of any installment of Monthly Rent or Additional Rent or any other amount required under this Lease will cause Landlord to incur costs not contemplated by this Lease and that the exact amount of such costs would be extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, late charges that may be imposed on Landlord by the terms of any encumbrance or note secured by the Real Property and the loss of the use of the delinquent funds. Therefore, if any installment of Monthly Rent or Additional Rent or any other amount due from Tenant is not received when due, Tenant shall pay to Landlord on demand, on account of the delinquent payment, an additional sum equal to the greater of (i) five percent (5%) of the overdue amount, or (ii) One Hundred Dollars (\$100.00), which additional sum represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue amount, nor prevent Landlord from exercising its right to collect interest as provided above, rent, or any other damages, or from exercising any of the other rights and remedies available to Landlord.

32. Attorneys' Fees; Waiver of Jury Trial. In the event of any action or proceeding between Landlord and Tenant (including an action or proceeding between Landlord and the trustee or debtor in possession while Tenant is a debtor in a proceeding under any bankruptcy law) to enforce any provision of this Lease, the losing party shall pay to the prevailing party all costs and expenses, including, without limitation, reasonable attorneys' fees and expenses, incurred in such action and in any appeal in connection therewith by such prevailing party. The "prevailing party" will be determined by the court before whom the action was brought based upon an assessment of which party's major arguments or positions taken in the suit or proceeding could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues in the court's decision. Notwithstanding the foregoing, however, Landlord shall be deemed the prevailing party in any unlawful detainer or other action or proceeding instituted by Landlord based upon any default or alleged default of Tenant hereunder if (i) judgment is entered in favor of Landlord, or (ii) prior to trial or judgment Tenant pays all or any portion of the rent claimed by Landlord, vacates the Premises, or otherwise cures the default claimed by Landlord.

If Landlord becomes involved in any litigation or dispute, threatened or actual, by or against anyone not a party to this Lease, but arising by reason of or related to any act or omission of Tenant or any Tenant Party, Tenant agrees to pay Landlord's reasonable attorneys' fees and other costs incurred in connection with the litigation or dispute, regardless of whether a lawsuit is actually filed.



IF ANY ACTION OR PROCEEDING BETWEEN LANDLORD AND TENANT TO ENFORCE THE PROVISIONS OF THIS LEASE (INCLUDING AN ACTION OR PROCEEDING BETWEEN LANDLORD AND THE TRUSTEE OR DEBTOR IN POSSESSION WHILE TENANT IS A DEBTOR IN A PROCEEDING UNDER ANY BANKRUPTCY LAW) PROCEEDS TO TRIAL, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, LANDLORD AND TENANT HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY IN SUCH TRIAL. Landlord and Tenant agree that this paragraph constitutes a written consent to waiver of trial by jury within the meaning of California Code of Civil Procedure Section 631(d)(2), and each party does hereby authorize and empower the other party to file this paragraph and/or this Lease, as required, with the clerk or judge of any court of competent jurisdiction as a written consent to waiver of jury trial.

33. Waiver. No provisions of this Lease shall be deemed waived by Landlord unless such waiver is in a writing signed by Landlord. The waiver by Landlord of any breach of any provision of this Lease shall not be deemed a waiver of any subsequent breach of the same or any other provision of this Lease. No delay or omission in the exercise of any right or remedy of Landlord upon any default by Tenant shall impair such right or remedy or be construed as a waiver. Landlord's acceptance of any payments of rent due under this Lease shall not be deemed a waiver of any default by Tenant under this Lease (including Tenant's recurrent failure to timely pay rent) other than Tenant's nonpayment of the accepted sums, and no endorsement or statement on any check or accompanying any check or payment shall be deemed an accord and satisfaction. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

34. Notices. All notices and demands which may or are required to be given by either party to the other hereunder shall be in writing. All notices and demands by Landlord to Tenant shall be delivered personally or sent by United States mail, postage prepaid, or by any reputable overnight or same-day courier, addressed to Tenant at the Premises, or to such other place as Tenant may from time to time designate by notice to Landlord hereunder. All notices and demands by Tenant to Landlord shall be sent by United States mail, postage prepaid, or by any reputable overnight or same-day courier, addressed to Landlord in care of Sumitomo Corporation Of America, 600 Third Avenue, New York, NY 10016, Attention: General Manager, Real Estate Unit, with a copy to the management office of the Building, or to such other place as Landlord may from time to time designate by notice to Tenant hereunder. Notices delivered personally or sent same-day courier will be effective immediately upon delivery to the addressee at the designated address; notices sent by overnight courier will be effective one (1) Business Day after acceptance by the service for delivery; notices sent by mail will be effective two (2) Business Days after mailing. In the event Tenant requests multiple notices hereunder, Tenant will be bound by such notice from the earlier of the effective times of the multiple notices.

35. Notice of Surrender. At least ninety (90) days before the last day of the term hereof, Tenant shall give to Landlord a written notice of intention to surrender the Premises on that date, but neither this paragraph nor any failure by Landlord to protest the lack of such notice by Tenant shall be construed as an extension of the term or as a consent by Landlord to any holding over by Tenant.

36. Defined Terms and Marginal Headings. When required by the context of this Lease, the singular includes the plural. If more than one person or entity signs this Lease as Tenant, the obligations hereunder imposed upon Tenant shall be joint and several, and the act of, written notice to or from, refund to, or signature of, any Tenant signatory to this Lease (including, without limitation, modifications of this Lease made by fewer than all such Tenant signatories) shall bind every other Tenant signatory as though every other Tenant signatory had so acted, or received or given the written notice or refund, or signed. The headings and titles to the paragraphs of this Lease are for convenience only and are not to be used to interpret or construe this Lease. Wherever the term "including" or "includes" is used in this Lease it shall be construed as if followed by the phrase "without limitation." Whenever in this Lease a right, option or privilege of Tenant is conditioned upon Tenant (or any affiliate thereof or successor thereto) being in "occupancy" of a specified portion or percentage of the Premises, for such purposes "occupancy" shall mean Tenant's (or such affiliate's or successor's) physical occupancy of the space for the conduct of such party's business, and shall not include any space that is subject to a sublease or that has been vacated by such party, other than a vacation of the space as reasonably necessary in connection with the performance of approved Alterations or by reason of a fire or other casualty or a taking. The language in all parts of this Lease shall in all cases be construed as a whole and in accordance with its fair meaning and not construed for or against any party simply because one party was the drafter thereof.

37. Time and Applicable Law. Time is of the essence of this Lease and of each and all of its provisions, except as to the conditions relating to the delivery of possession of the Premises to Tenant. This Lease shall be governed by and construed in accordance with the laws of the State of California, and the venue of any action or proceeding under this Lease shall be the City and County of San Francisco, California.

38. Successors. Subject to the provisions of Paragraphs 13 and 28 above, the covenants and conditions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, executors, administrators and assigns.

39. Entire Agreement; Modifications. This Lease (including any exhibit, rider or attachment hereto) constitutes the entire agreement between Landlord and Tenant with respect to Tenant's lease of the Premises. No provision of this Lease may be amended or otherwise modified except by an agreement in writing signed by the parties hereto. Neither Landlord nor Landlord's agents have made any representations or warranties with respect to the Premises, the Building, the Real Property or this Lease except as expressly set forth herein, including without limitation any representations or warranties as to the suitability or fitness of the Premises for the conduct of Tenant's business or for any other purpose, nor has Landlord or its agents agreed to undertake any alterations or construct any improvements to the Premises except those, if any, expressly provided in this Lease, and no rights, easements or licenses shall be acquired by Tenant by implication or otherwise unless expressly set forth herein. Neither this Lease nor any memorandum hereof shall be recorded by Tenant.

40. Light and Air. Tenant agrees that no diminution of light, air or view by any structure which may hereafter be erected (whether or not by Landlord) shall entitle Tenant to any reduction of rent hereunder, result in any liability of Landlord to Tenant, or in any other way affect this Lease.

41. Name of Building. Tenant shall not use the name of the Building for any purpose other than as the address of the business conducted by Tenant in the Premises without the written consent of Landlord. Landlord reserves the right to change the name of the Building at any time in its sole discretion by written notice to Tenant and Landlord shall not be liable to Tenant for any loss, cost or expense on account of any such change of name.

42. Severability. If any provision of this Lease or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

43. Authority. If Tenant is a corporation, partnership, trust, association or other entity, Tenant and each person executing this Lease on behalf of Tenant, hereby covenants and warrants that (a) Tenant is duly incorporated or otherwise established or formed and validly existing under the laws of its state of incorporation, establishment or formation, (b) Tenant has and is duly qualified to do business in the state in which the Real Property is located, (c) Tenant has full corporate, partnership, trust, association or other appropriate power and authority to enter into this Lease and to perform all Tenant's obligations hereunder, and (d) each person (and all of the persons if more than one signs) signing this Lease on behalf of Tenant is duly and validly authorized to do so.

44. No Offer. Submission of this instrument for examination and signature by Tenant does not constitute an offer to lease or a reservation of or option for lease, and is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

45. Real Estate Brokers. Tenant represents and warrants that it has negotiated this Lease directly with the real estate broker(s) identified in Paragraph 2 and has not authorized or employed, or acted by implication to authorize or to employ, any other real estate broker or salesman to act for Tenant in connection with this Lease. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all Claims by any real estate broker or salesman other than the real estate broker(s) identified in Paragraph 2 for a commission, finder's fee or other compensation as a result of Tenant's entering into this Lease.

46. Consents and Approvals. Wherever the consent, approval, judgment or determination of Landlord is required or permitted under this Lease, Landlord may exercise its sole discretion in granting or withholding such consent or approval or in making such judgment or determination without reference to any extrinsic standard of reasonableness, unless the provision providing for such consent, approval, judgment or determination specifies that Landlord's consent or approval is not to be unreasonably withheld, or that the standard for such consent, approval, judgment or determination is to be reasonable, or otherwise specifies the standards under which Landlord may withhold its consent. Whenever Tenant requests Landlord to take any action or give any consent or approval, Tenant shall reimburse Landlord for all of Landlord's reasonable costs incurred in reviewing the proposed action or consent (whether or not Landlord consents to any such proposed action), including without limitation reasonable attorneys' or consultants' fees and expenses, within ten (10) days after Landlord's delivery to Tenant of a statement of such costs. If it is determined that Landlord failed to give its consent or approval where it was required to do so under this Lease, Tenant's sole remedy will be an order of specific performance or mandatory injunction of the Landlord's agreement to give its consent or approval. The review and/or approval by Landlord of any item shall not impose upon Landlord any liability for accuracy or sufficiency of any such item or the quality or suitability of such item for its intended use. Any such review or approval is for the sole purpose of protecting Landlord's interest in the Real Property, and neither Tenant nor any Tenant Party nor any person or entity claiming by, through or under Tenant, nor any other third party shall have any rights hereunder by virtue of such review and/or approval by Landlord.

47. Reserved Rights. Landlord retains and shall have the rights set forth below, exercisable without notice and without liability to Tenant for damage or injury to property, person or business and without effecting an eviction, constructive or actual, or disturbance of Tenant's use or possession of the Premises or giving rise to any claim for rent abatement:

- a. To grant to anyone the exclusive right to conduct any business or render any service in or to the Building and its tenants, provided that such exclusive right shall not operate to require Tenant to use or patronize such business or service or to exclude Tenant from its use of the Premises expressly permitted herein.
- b. To perform, or cause or permit to be performed, at any time and from time to time, including during Business Hours, construction in the common areas and facilities or other leased areas in the Real Property.
- c. To reduce, increase, enclose or otherwise change at any time and from time to time the size, number, location, lay-out and nature of the common areas and facilities and other tenancies and premises in the Real Property and to create additional rentable areas through use or enclosure of common areas.

48. Financial Statements. Upon submission of this Lease to Landlord and at any time thereafter within thirty (30) days after Landlord's request therefor, but not more often than one (1) time during any given calendar year unless required by Landlord in connection with a proposed sale or financing of the Real Property or any direct or indirect interest therein or in Landlord, Tenant shall furnish to Landlord copies of true and accurate financial statements reflecting Tenant's then current financial situation (including without limitation balance sheets, statements of profit and loss, and changes in financial condition), Tenant's most recent audited or certified annual financial statements, and Tenant's federal income tax returns pertaining to Tenant's business, and in addition shall cause to be furnished to Landlord similar financial statements and tax returns for any guarantor(s) of this Lease. Tenant agrees to deliver to any lender, prospective lender, purchaser or prospective purchaser designated by Landlord such financial statements of Tenant as may be reasonably requested by such lender or purchaser. Landlord shall use reasonable efforts to keep such information received from Tenant confidential, except that Landlord may disclose such financial information received from Tenant to any lender or prospective lender for, or purchaser or prospective purchaser of, the Real Property or any direct or indirect interest therein or in Landlord (provided in each such case that Landlord shall inform such party of the confidential nature of such information and obtain reasonable assurances from such party that it will keep such information confidential), as reasonably necessary in the course of any dispute or litigation arising out of or concerning this Lease, or as required by applicable law, and provided however that the foregoing confidentiality requirement shall be inapplicable in the event the subject financial information is publicly available.

49. Deleted.

50. Nondisclosure of Lease Terms. Tenant agrees that the terms of this Lease are confidential and constitute proprietary information of Landlord, and that disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate with other tenants. Tenant hereby agrees that Tenant and its partners, officers, directors, employees, agents, real estate brokers and sales persons and attorneys shall not disclose the terms of this Lease to any other person without Landlord's prior written consent, except to any accountants of Tenant in connection with the preparation of Tenant's financial statements or tax returns, to an assignee of this Lease or sublessee of the Premises, or to an entity or person to whom disclosure is required by applicable law or in connection with any action brought to enforce this Lease.

51. Hazardous Substance Disclosure. California law requires landlords to disclose to tenants the existence of certain hazardous substances. Accordingly, the existence of gasoline and other automotive fluids, maintenance fluids, copying fluids and other office supplies and equipment, certain construction and finish materials, tobacco smoke, and cosmetics and other personal items, and asbestos-containing materials ("ACM") must be disclosed. Gasoline and other automotive fluids are found in the garage area of the Building. Cleaning, lubricating and hydraulic fluids used in the operation and maintenance of the Building are found in the utility areas of the Building not generally accessible to Building occupants or the public. Many Building occupants use copy machines and printers with associated fluids and toners, and pens, markers, inks, and office equipment that may contain hazardous substances. Certain adhesives, paints and other construction materials and finishes used in portions of the Building may contain hazardous substances. Although smoking is prohibited in the public areas of the Building, these areas may, from time to time, be exposed to tobacco smoke. Building occupants and other persons entering the Building from time-to-time may use or carry prescription and non-prescription drugs, perfumes, cosmetics and other toiletries, and foods and beverages, some of which may contain hazardous substances. Landlord has made no special investigation of the Premises with respect to any hazardous substances.

52. Signage.

a. Standard Signage. Tenant may, at Tenant's expense, install a sign identifying Tenant's business at the entrance to the Premises, provided that the design, size, color and location of the sign shall be subject to Landlord's prior reasonable approval and consistent with the Building's standard signage criteria, if any. Tenant shall be entitled, at no cost to Tenant, to have the name of Tenant's company listed on the Tenant directory in the lobby of each multi-tenant floor (if any) on which any portion of the Premises is located. If, subsequent to the time Tenant's name is initially listed on the directory, Tenant requests a change in Tenant's name as printed thereon, Tenant shall pay Landlord's standard charge as in effect from time to time for any such change.

b. Building Lobby Signage. So long as (i) Tenant hereunder shall be the Tenant originally named in this Lease or an Affiliate thereof (collectively, "Original Tenant"), (ii) no Event of Default has occurred and is continuing under this Lease, and (iii) Original Tenant shall be in occupancy of all of the Premises then demised under this Lease, then Tenant shall have the right to display Original Tenant's Name (as defined in Paragraph 52.h. below) on one (1) sign on the east wall of the ground floor main lobby of the Building. Tenant's signage rights on such wall shall be non-exclusive.

c. Signage Criteria. Tenant's signage pursuant to Paragraph 52.b. above (the "Above Standard Signage") shall be subject to Landlord's approval in its sole and absolute discretion exercised in good faith as to the design, size, color, material, content, location and illumination, shall be appropriate for a first class high rise office building in the San Francisco financial district, shall be and in conformity with the overall design and ambiance of the Real Property, and shall comply with all applicable Legal Requirements. Landlord's approval shall be granted or denied in writing within thirty (30) days after Tenant's written request therefor accompanied by the details with respect to Tenant's proposed signage. Tenant shall be responsible for obtaining any governmental permits or approvals required for the Above Standard Signage, all at Tenant's sole cost and expense. Landlord makes no representation or warranty whatsoever that such permits will be obtainable or issued. Tenant's design and installation of the Above Standard Signage shall be at its sole cost and expense and shall comply with all applicable Legal Requirements, the requirements applicable to construction of Alterations pursuant to Paragraph 9 above, and such other reasonable rules, procedures and requirements as Landlord shall impose with respect to such work, including insurance coverage in connection therewith. Tenant shall maintain the Above Standard Signage at its sole cost and expense. Notwithstanding the foregoing, at Landlord's election, Landlord may install and/or maintain all or any of the Above Standard Signage and Tenant shall pay Landlord the reasonable out of pocket costs thereof within thirty (30) days after Landlord's demand from time to time together with reasonable supporting documentation. Whether or not Landlord elects to install, maintain and/or remove the Above Standard Signage, the costs reimbursable by Tenant to Landlord in connection with the Above Standard Signage shall include, without limitation, reasonable costs of retaining engineers or other consultants to review the design, weight, construction, and/or manner of installation and removal of the Above Standard Signage, and costs incurred by Landlord in connection with the application for and/or issuance of any permits or approvals required in connection with the Above Standard Signage. Tenant's access to the Above Standard Signage for purposes of installing, maintaining and/or removing the same shall be in accordance with Landlord's reasonable requirements and procedures regarding such access. Any cost or reimbursement obligations of Tenant under this Paragraph 52, including with respect to the installation, maintenance or removal of the Above Standard Signage, shall survive the expiration or earlier termination of this Lease.

d. Removal of Above Standard Signage. Upon the expiration or earlier termination of this Lease, or the earlier termination of Tenant's Above Standard Signage rights by Landlord's written notice to Tenant by reason of Tenant's failure to meet the occupancy or other requirements applicable thereto pursuant to the foregoing, Tenant shall remove the Above Standard Signage at Tenant's sole cost and expense, and repair and restore to good condition the areas of the Building on which the signage was located or that were otherwise affected by such signage or the removal thereof, or at Landlord's election, Landlord may perform any such removal and/or repair and restoration and Tenant shall pay Landlord the reasonable cost thereof within thirty (30) days after Landlord's demand from time to time. If Tenant shall at any time fail to meet the requirements of this Paragraph 52 applicable to Tenant's Above Standard Signage rights hereunder, at Landlord's election by written notice to Tenant, such signage rights shall thereupon immediately forever cease and terminate, and Tenant shall not regain any of such rights even if it shall thereafter meet the requirements applicable thereto. Nothing contained herein shall preclude Tenant from electing to remove the Above Standard Signage prior to the expiration or earlier termination of this Lease, subject to Landlord's right, in such case, to perform the work at Tenant's expense as provided above.

e. Waiver and Indemnification. Landlord and the holders of any Superior Interests (as defined in Paragraph 2l(c) above) shall not be liable to Tenant and Tenant hereby waives all claims against such parties for any loss, injury or other damage to the Above Standard Signage from any cause whatsoever, including without limitation, water leakage of any character from the roof or walls, or gas, fire, explosion, or any malfunction within the Real Property, or acts of other tenants of, or persons entering, the Building or roof of the Building.

f. Original Tenant's Name. For purposes of this Paragraph 52, "Original Tenant's Name" shall mean and be limited to "Marin Software", and shall not include any other name (nor any logo) without Landlord's prior written consent in its sole and absolute discretion exercised in good faith, notwithstanding that Original Tenant shall change its name and/or adopt any other name for the conduct of its business.

53. Quiet Enjoyment. If, and so long as, Tenant pays the Monthly Rent, Additional Rent and other rent hereunder and keeps, observes and performs each and every term, covenant and condition of this Lease on the part or on behalf of Tenant to be kept, observed and performed, Tenant shall peaceably and quietly enjoy the Premises throughout the term without hindrance by Landlord or any person lawfully claiming through or under Landlord, subject to the provisions of this Lease.

54. Telecommunications Equipment.

a. Limitation of Responsibility. Tenant acknowledges and agrees that all telephone and telecommunications services desired by Tenant shall be ordered and utilized at the sole cost and expense of Tenant. Unless Landlord otherwise requests or consents in writing, all of Tenant's telecommunications equipment shall be and remain solely in the Tenant's Premises and, in accordance with reasonable rules and regulations adopted by Landlord from time to time, the telephone closet(s) on the floor(s) on which the Premises is located, except that Tenant may utilize the Building's risers, shafts conduits and similar areas as reasonably necessary for its wiring and cabling and other telecommunications equipment, subject to Landlord's approval in accordance with Paragraph 9 above and subject to all other provisions of Paragraph 9 above applicable to Alterations. Landlord shall have no responsibility for the maintenance of Tenant's telecommunications equipment, including wiring and cabling, nor for any wiring, cabling or other infrastructure to which Tenant's telecommunications equipment may be connected. Without limitation of the provisions of Paragraph 17.e. above, Tenant agrees that to the extent any such service is interrupted, curtailed or discontinued, Landlord shall have no obligation or liability with respect thereto and it shall be the sole obligation of Tenant at its expense to obtain substitute service.

b. Necessary Service Interruptions. Without limitation of the provisions of Paragraph 17.e. above, Landlord shall have the right to interrupt or turn off telecommunications facilities in the event of emergency or as necessary in connection with repairs to the Building or installation of telecommunications equipment for other tenants of the Building. Landlord shall use its good faith efforts to minimize noise and disruption to Tenant's business and access to the Premises by reason of the matters described in this Paragraph 60.b., and, without limitation, Landlord shall perform any extraordinarily noisy or disruptive work after Business Hours or on weekends to the extent such procedures would be generally followed by managers of other first class high rise office buildings in the San Francisco financial district (except to the extent an emergency and/or Legal Requirements require otherwise, as determined by Landlord in good faith).

c. Removal of Equipment, Wiring and Other Facilities. Any and all telecommunications equipment installed in the Premises or elsewhere in the Building by or on behalf of Tenant, including wiring, cabling, or other facilities for telecommunications transmittal, shall be subject to Landlord's approval in accordance with Paragraph 9 above, and shall be subject to all other provisions of Paragraph 9 above applicable to Alterations. All such equipment shall be removed prior to the expiration or earlier termination of the Lease term, by Tenant at its sole cost or, at Landlord's election by written notice to Tenant given no later than thirty (30) days prior to the expiration or earlier termination of the Lease term, by Landlord at Tenant's sole cost, with the cost thereof to be paid by Tenant as additional rent. Landlord shall have the right, however, upon written notice to Tenant given no later than thirty (30) days prior to the expiration or earlier termination of the Lease term, to require Tenant to abandon and leave in place without additional payment to Tenant or credit against rent, any and all telecommunications wiring, cabling and related infrastructure, or selected portions thereof, whether located in the Premises or elsewhere in the Building.

d. New Provider Installations. In the event that Tenant wishes at any time to utilize the services of a telephone or telecommunications provider, no such provider shall be permitted to install its lines or other equipment within the Building without first securing the prior written approval of the Landlord, which approval shall not be unreasonably withheld or delayed. Landlord's approval shall not be deemed any kind of warranty or representation by Landlord, including without limitation, any warranty or representation as to the suitability, competence, or financial strength of the provider. Without limitation of the foregoing standard, unless all of the following conditions are satisfied to Landlord's satisfaction, it shall be reasonable for Landlord to refuse to give its approval: (i) Landlord shall incur no expense whatsoever with respect to any aspect of the provider's provision of its services, including without limitation, the costs of installation, materials and services; (ii) prior to commencement of any work in or about the Building by the provider, the provider shall supply Landlord with such written indemnities, insurance, financial statements, and such other items as Landlord reasonably determines to be necessary to protect its financial interests and the interests of the Building relating to the proposed activities of the provider; (iii) the provider agrees in writing to abide by such rules and regulations, building and other codes, job site rules and such other requirements as are reasonably determined by Landlord to be necessary to protect the interests of the Building, the tenants in the Building and Landlord; (iv) Landlord reasonably determines that there is sufficient space in the Building for the placement of all of the provider's equipment and materials; (v) Landlord receives from the provider such compensation as is reasonably determined by

Landlord to compensate it for space used in the Building for the storage and maintenance of the provider's equipment if such space is not located in the Premises; and (vi) all of the foregoing matters are documented in a written agreement between Landlord and the provider, the form and content of which is reasonably satisfactory to Landlord.

55. Parking.

a. Commencing as of the Commencement Date, Landlord shall provide Tenant with valet-type parking for eight (8) automobiles in the garage of the Building. Tenant shall pay for all parking at Landlord's regular rate or charge from time to time in effect for parking in the Building. Tenant shall provide Landlord with written notice of the names of each party to whom Tenant from time to time distributes Tenant's parking rights hereunder (all of whom must be employees, partners, members and/or shareholders, as applicable, of Tenant), and shall cause each such party to execute Landlord's standard contract and waiver form for garage users. If the parking charge is not paid when due, and such failure continues for five (5) days after written notice thereof from Landlord to Tenant, Landlord may terminate Tenant's rights under this Paragraph 55 as to the number of spaces as to which the parking charge has not been paid in full. Tenant may transfer all or any of the parking rights set forth in this Paragraph 55 to its permitted assignees, but not to any other parties, and in no event shall the parking rights of Tenant hereunder be assigned separate and apart from this Lease. In the event of any assignment or sublease of parking space rights that is permitted hereunder or otherwise approved by Landlord (provided, however, that such approval may be granted or withheld by Landlord in its sole and absolute discretion), Landlord shall be entitled to receive one hundred percent (100%) of any profit received by Tenant in connection with such assignment or sublease. Further, if at any time during the term hereof, Tenant releases to Landlord any parking space provided for in this paragraph, then Tenant's right under this paragraph to use such released parking space shall terminate for the balance of the term of this Lease.

b. At Landlord's election from time to time, Landlord may alternate the parking made available hereunder between valet-type parking and self-parking, on an unassigned, non-exclusive and unlabelled basis. In addition, at Landlord's election from time to time, Landlord may change the parking hereunder to self parking on an assigned basis (subject to Landlord's right from time to time thereafter to return to valet-type parking or unassigned self-parking). In any case where self-parking shall be in effect, the parking spaces to be made available to Tenant hereunder may contain a reasonable mix of spaces for compact cars. Landlord shall take reasonable actions to ensure the availability of the parking spaces leased by Tenant, but Landlord does not guarantee the availability of those spaces at all times against the actions of other tenants of the Building and users of the parking facility. Without limiting the foregoing, in no event shall this Lease be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage, nor shall there be any abatement of rent hereunder (other than the parking charge paid hereunder for any parking space no longer made available), by reason of any reduction in Tenant's parking rights hereunder by reason of strikes, lock-outs, labor disputes, shortages of material or labor, fire, earthquake, flood or other casualty, acts of terror, acts of God, or any other cause (other than financial inability) beyond the reasonable control of Landlord ("Force Majeure"). Access to the parking spaces to be made available to Tenant shall, at Landlord's option, be by card, pass, bumper sticker, decal or other appropriate identification issued by Landlord, and Tenant's right to use the parking facility is conditioned on Tenant's abiding by and shall otherwise be subject to such reasonable rules and regulations as may be promulgated by Landlord from time to time for the parking facility.

THIS LEASE IS EXECUTED by Landlord and Tenant as of the date set forth at the top of page 1 hereof.

Landlord:

123 MISSION, LLC,  
a Delaware limited liability company

By: /s/ Yukinari Shiraishi  
Name: Yukinari Shiraishi  
Title: Vice President

Tenant:

MARIN SOFTWARE,  
a Delaware corporation

By: /s/ Chris Lien  
Name: Chris Lien  
Title: CEO

**EXHIBIT B**

**RULES AND REGULATIONS**

**123 MISSION STREET**

1. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building or any part of the Premises visible from the exterior of the Premises without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion. Landlord shall have the right to remove, at Tenant's expense and without notice to Tenant, any such sign, placard, picture, advertisement, name or notice that has not been approved by Landlord.

All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.

If Landlord notifies Tenant in writing that Landlord objects to any curtains, blinds, shades or screens attached to or hung in or used in connection with any window or door of the Premises, such use of such curtains, blinds, shades or screens shall be removed immediately by Tenant. No awning shall be permitted on any part of the Premises.

2. No ice, drinking water, towel, barbering or bootblacking, shoeshining or repair services, or other similar services shall be provided to the Premises, except from persons authorized by Landlord and at the hours and under regulations fixed by Landlord.

3. The bulletin board or directory of the Building will be provided exclusively for the display of the name and location of tenants only and Landlord reserves the right to exclude any other names therefrom.

4. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the Tenant Parties or used by Tenant for any purpose other than for ingress to and egress from its Premises. The halls, passages, exits, entrances, elevators, stairways, balconies and roof are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants. No tenant and no employees or invitees of any tenant shall go upon the roof of the Building.

5. Tenant shall not alter any lock or install any new or additional locks or any bolts on any interior or exterior door of the Premises without the prior written consent of Landlord.

6. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or invitees, shall have caused it.

7. Tenant shall not overload the floor of the Premises or mark, drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof.

8. No furniture, freight or equipment of any kind shall be brought into the Building without the consent of Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on a platform of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause, and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant. The elevator designated for freight by Landlord shall be available for use by all tenants in the Building during the hours and pursuant to such procedures as Landlord may determine from time to time. The persons employed to move Tenant's equipment, material, furniture or other property in or out of the Building must be acceptable to Landlord. The moving company must be a locally recognized professional mover, whose primary business is the performing of relocation services, and must be bonded and fully insured. In no event shall Tenant employ any person or company whose presence may give rise to a labor or other disturbance in the Real Property. A certificate or other verification of such insurance must be received and approved by Landlord prior to the start of any moving operations. Insurance must be sufficient in Landlord's sole opinion, to cover all personal liability, theft or damage to the Real Property, including, but not limited to, floor coverings, doors, walls, elevators, stairs, foliage and landscaping. Special care must be taken to prevent damage to foliage and landscaping during adverse weather. All moving operations shall be conducted at such times and in such a manner as Landlord shall direct, and all moving shall take place during non-business hours unless Landlord agrees in writing otherwise.

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9. Tenant shall not employ any person or persons other than the janitor of Landlord for the purpose of cleaning the Premises, unless otherwise agreed to by Landlord. Except with the written consent of Landlord, no person or persons other than those approved by Landlord shall be permitted to enter the Building for the purpose of cleaning the Building or the Premises. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness.

10. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building. In no event shall Tenant keep, use, or permit to be used in the Premises or the Building any guns, firearm, explosive devices or ammunition.

11. No cooking shall be done or permitted by Tenant in the Premises, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, however, Tenant may maintain and use microwave ovens and equipment for brewing coffee, tea, hot chocolate and similar beverages, provided that Tenant shall (i) prevent the emission of any food or cooking odor from leaving the Premises, (ii) be solely responsible for cleaning the areas where such equipment is located and removing food-related waste from the Premises and the Building, or shall pay Landlord's standard rate for such service as an addition to cleaning services ordinarily provided, (iii) maintain and use such areas solely for Tenant's employees and business invitees, not as public facilities, and (iv) keep the Premises free of vermin and other pest infestation and shall exterminate, as needed, in a manner and through contractors reasonably approved by Landlord, preventing any emission of odors, due to extermination, from leaving the Premises. Notwithstanding clause (ii) above, Landlord shall, without special charge, empty and remove the contents of one (1) 15-gallon (or smaller) waste container from the food preparation area so long as such container is fully lined with, and the contents can be removed in, a waterproof plastic liner or bag, supplied by Tenant, which will prevent any leakage of food related waste or odors; provided, however, that if at any time Landlord must pay a premium or special charge to Landlord's cleaning or scavenger contractors for the handling of food-related or so-called "wet" refuse, Landlord's obligation to provide such removal, without special charge, shall cease.

12. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline, or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.

13. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced into the Premises and the Building. No boring or cutting for wires will be allowed without the prior consent of Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the prior approval of Landlord.

14. Upon the expiration or earlier termination of the Lease, Tenant shall deliver to Landlord the keys of offices, rooms and toilet rooms which have been furnished by Landlord to Tenant and any copies of such keys which Tenant has made. In the event Tenant has lost any keys furnished by Landlord, Tenant shall pay Landlord for such keys.

15. Tenant shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises, except to the extent and in the manner approved in advance by Landlord. The expense of repairing any damage resulting from a violation of this rule or removal of any floor covering shall be borne by the tenant by whom, or by whose contractors, employees or invitees, the damage shall have been caused.

16. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours and in such elevators as shall be designated by Landlord, which elevator usage shall be subject to the Building's customary charge therefor as established from time to time by Landlord.

17. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 P.M. and 8:00 A.M., access to the Building, or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building during the continuance of the same by closing the doors or otherwise, for the safety of the tenants and protection of property in the Building.



18. Tenant shall be responsible for insuring that the doors of the Premises are closed and securely locked before leaving the Building and must observe strict care and caution that all water faucets or water apparatus are entirely shut off before Tenant or Tenant's employees leave the Building, and that all electricity, gas or air shall likewise be carefully shut off, so as to prevent waste or damage, and for any default or carelessness Tenant shall make good all injuries sustained by other tenants or occupants of the Building or Landlord. Landlord shall not be responsible to Tenant for loss of property on the Premises, however occurring, or for any damage to the property of Tenant caused by the employees or independent contractors of Landlord or by any other person.

19. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.

20. The requirements of any tenant will be attended to only upon application at the office of the Building. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord, and no employee will admit any person (tenant or otherwise) to any office without specific instructions from Landlord.

21. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the prior written consent of Landlord.

22. Subject to Tenant's right of access to the Premises in accordance with Building security procedures, Landlord reserves the right to close and keep locked all entrance and exit doors of the Building on Saturdays, Sundays and legal holidays and on other days between the hours of 6:00 P.M. and 8:00 A.M., and during such further hours as Landlord may deem advisable for the adequate protection of the Building and the property of its tenants.

**EXHIBIT C**

**FORM OF COMMENCEMENT DATE LETTER**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: Lease dated as of \_\_\_\_\_, 2010 (the "Lease") between 123 Mission, LLC, a Delaware limited liability company ("Landlord"), and \_\_\_\_\_("Tenant"), for premises located on the \_\_\_\_\_ floor(s) of the building located at 123 Mission Street, San Francisco, California.

Ladies and Gentlemen:

This letter is given pursuant to Paragraph 3.a. of the Lease. Capitalized terms not otherwise defined herein are used herein as defined in the Lease.

The Commencement Date under the Lease occurred on \_\_\_\_\_, which is the date Landlord delivered the Premises to Tenant, and the Expiration Date under the Lease is \_\_\_\_\_.

Please sign and return the enclosed copy of this letter evidencing your agreement with the foregoing. If we do not receive the countersigned letter from you within ten (10) days of the date hereof, or your letter disagreeing with the foregoing with such ten (10) day period, you will be deemed to have agreed to the dates set forth in this letter.

Landlord:

123 MISSION, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Tenant:

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_

**EXHIBIT D**

**TENANT'S ADDITIONAL REMOVAL AND RESTORATION OBLIGATIONS**

25<sup>th</sup> Floor

Remove Tenant's Furniture.

Remove the electrical feeds for Tenant's electrified furniture systems.

Paint blue walls and doors to a neutral bldg standard color as determined by Landlord.

Paint elevator doors using Landlord's Building Standard Manufacturer and paint color. (Landlord's current standard is Scuffmaster Paints).

Remove three (3) Supplemental HVAC units (One serving IDF Room, two serving open plan office area), associated duct work and any electrical feeds serving the supplemental HVAC unit(s).

Patch ceiling and walls as needed to repair finishes that were a result of Tenant's restoration work.

27<sup>th</sup> Floor

Remove Tenant's Furniture.

Remove the electrical feeds for Tenant's electrified furniture systems.

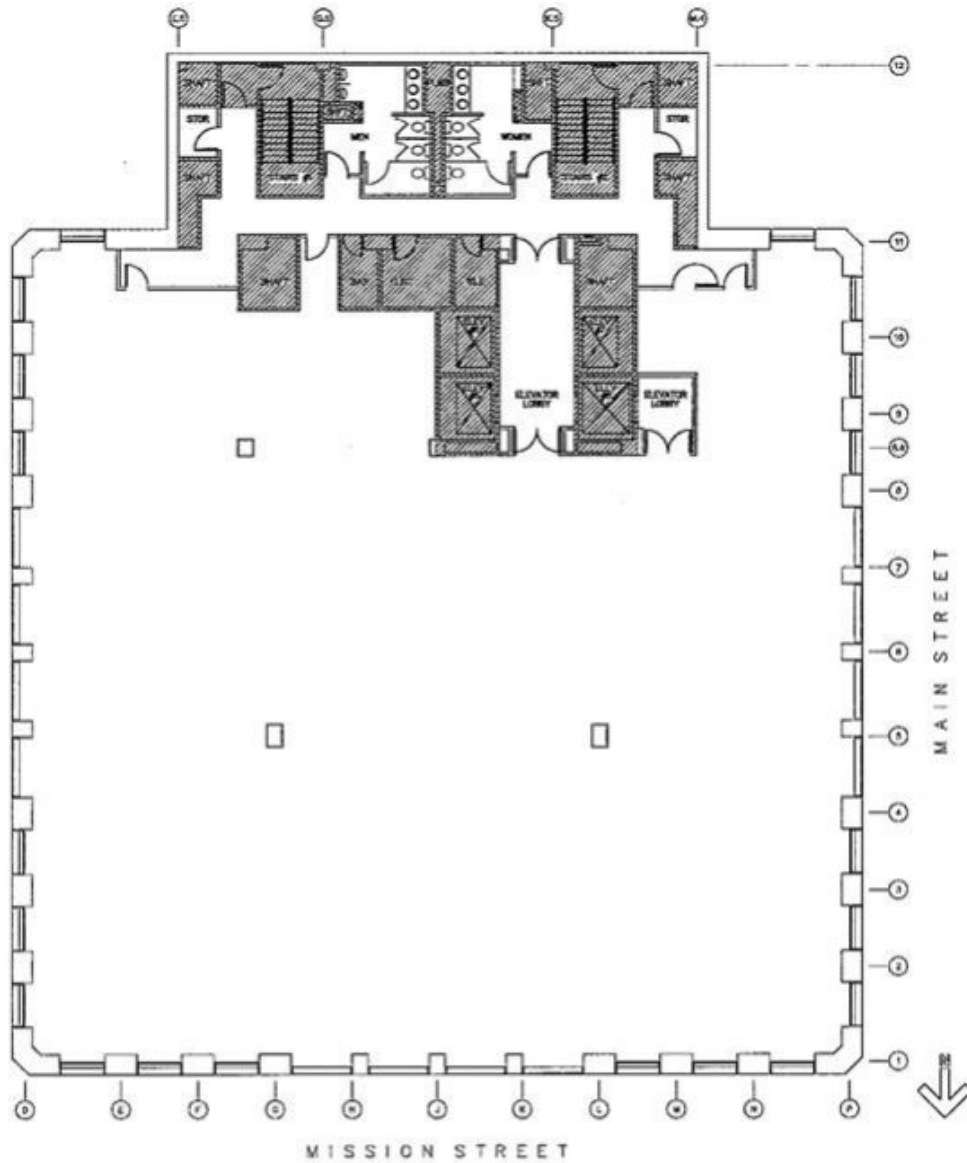
Paint blue walls and doors to a neutral bldg standard color as determined by Landlord.

Paint elevator doors using Landlord's Building Standard Manufacturer and paint color. (Landlord's current standard is Scuffmaster Paints).

Remove two (2) Supplemental HVAC units serving the open plan office area, associated duct work and any electrical feeds serving the supplemental HVAC unit(s).

Patch ceiling and walls as needed to repair finishes that were a result of Tenant's restoration work.


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**123 MISSION STREET  
FLOOR 25**

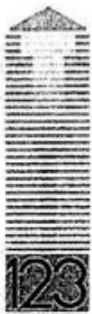
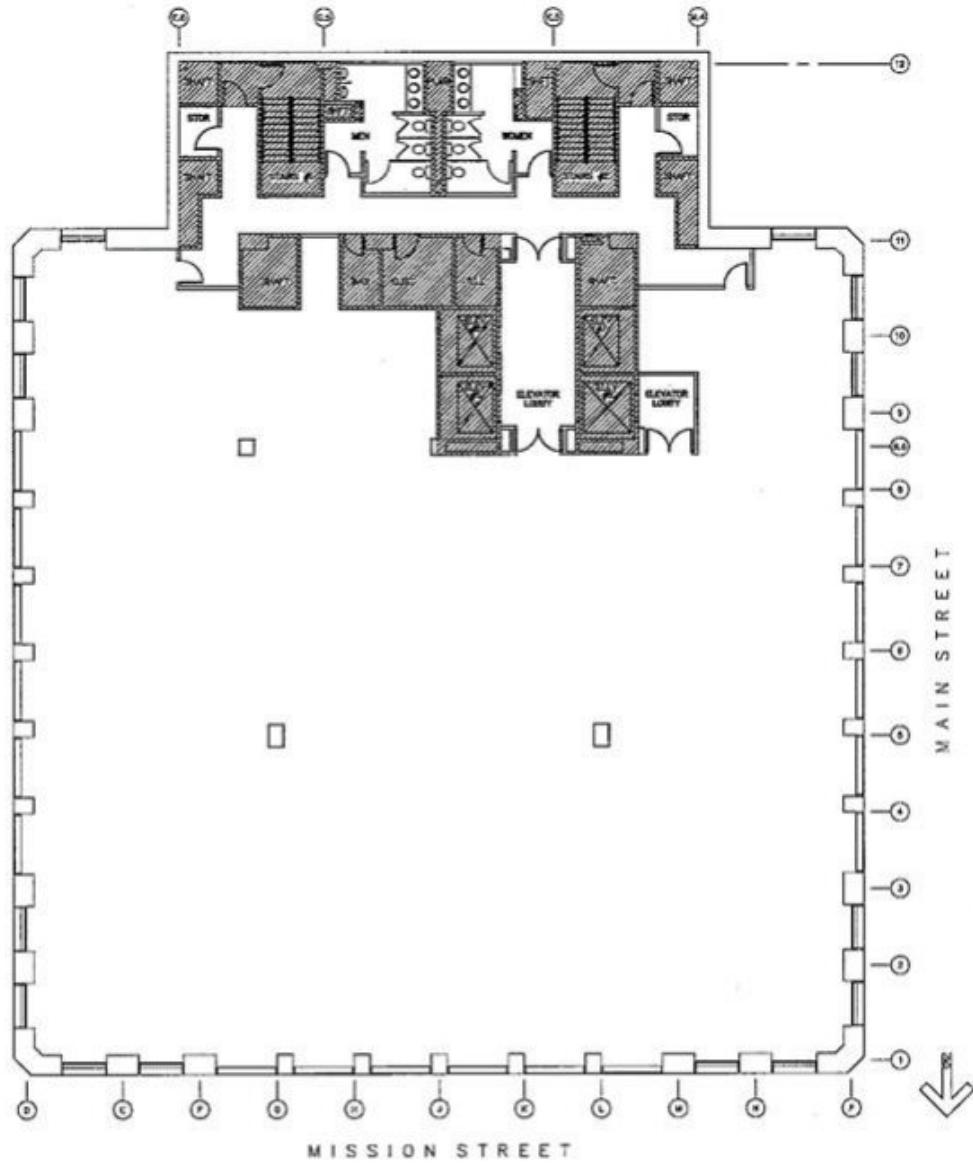


**LEASE EXHIBIT A**

 Premises Not Included




CONDITIONS AND DIMENSIONS PICTURED MAY BE APPROXIMATE OR PROPOSED. VERIFY ALL CONDITIONS AND DIMENSIONS IN THE FIELD.



**123 MISSION STREET  
FLOOR 27**



**LEASE EXHIBIT A**

 Premises Not Included

CONDITIONS AND DIMENSIONS PICTURED MAY BE APPROXIMATE OR PROPOSED. VERIFY ALL CONDITIONS AND DIMENSIONS IN THE FIELD.

FIRST AMENDMENT TO LEASE  
(Extension of Lease Term and Adding Additional Premises)

THIS FIRST AMENDMENT TO LEASE ("Amendment") is dated as of the 13th day of February, 2012, between 123 MISSION, LLC, a Delaware limited liability company ("Landlord"), and MARIN SOFTWARE INCORPORATED, a Delaware corporation ("Tenant").

RECITALS

A. Landlord and Tenant (incorrectly referred to as Marin Software, rather than Marin Software Incorporated) are parties to a lease, dated as of January 7, 2011 (the "Original Lease"), pursuant to which Tenant leases from Landlord certain premises on the 25th and 27th floors (the "Existing Premises") of the building (the "Building") located at 123 Mission Street, San Francisco, California. Capitalized terms not otherwise defined herein shall have the meanings given them in the Lease.

B. The term of the Original Lease is presently scheduled to expire on January 31, 2014.

C. Landlord and Tenant presently desire to amend the Original Lease to (i) add additional premises on the 26th floor of the Building to the Original Lease, (ii) extend the term of the Original Lease as respects such additional premises and the Existing Premises one (1) year through January 31, 2015, (iii) grant Tenant a right of first offer to lease the certain premises on the 24th floor of the Building, (iv) grant Tenant a conditional right to renew the term of the Original Lease as amended hereby (the "Lease"), and (v) otherwise modify the Original Lease, all on the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. Additional Premises. Effective as of the Additional Premises Commencement Date (as defined below), the space located on the 26th floor of the Building and shown outlined on the attached Exhibit A (the "Additional Premises") and known as Suite 2600 shall be added to the premises covered by the Lease. Commencing on the Additional Premises Commencement Date, and for the balance of the term of the Lease, as extended pursuant to Paragraph 7 below or otherwise, all references in the Lease to the "Premises" shall be deemed to include the Existing Premises and the Additional Premises. Except as set forth herein, all terms, covenants and conditions in the Original Lease applicable to the Existing Premises shall apply to the Additional Premises. Landlord and Tenant hereby stipulate for all purposes of the Lease that the Additional Premises contains 14,380 rentable square feet of space.

The "Additional Premises Commencement Date" shall mean the date on which Landlord shall deliver the Additional Premises to Tenant in its then as-is condition, free of all tenancies. The scheduled Additional Premises Commencement Date is on or about the date of this Amendment. If Landlord is unable to deliver possession of the Additional Premises to Tenant on or before the scheduled Additional Premises Commencement Date for any reason whatsoever, neither this Amendment nor the Lease shall be void or voidable, nor shall any such delay in delivery of possession of the Additional Premises operate to extend the term of the Lease beyond the New Expiration Date (as defined in Paragraph 7 below) or amend Tenant's obligations hereunder or under the Original Lease, but Tenant's obligations under this Amendment with respect to the Additional Premises shall not commence until the actual Additional Premises Commencement Date.

Notwithstanding the foregoing, if the Additional Premises Commencement Date does not occur on or before April 1, 2012, as such date shall be extended for delays in the Additional Premises Commencement Date caused by Force Majeure (as defined in Paragraph 55.b. of the Lease) (such date, as so extended, the "Trigger Date"), then Tenant may terminate this Amendment (in whole and not in part) upon written notice to Landlord given within ten (10) Business Days after the Trigger Date; provided, however, that Tenant's termination notice shall be void and of no force or effect if the Additional Premises Commencement Date shall occur within ten (10) Business Days after Landlord's receipt of Tenant's termination notice. The foregoing right of Tenant to terminate this Amendment shall be Tenant's sole remedy for such delay in the Additional Premises Commencement Date, except that Landlord shall promptly return to Tenant the additional Security Deposit made by Tenant on account of the Additional Premises pursuant to Paragraph 12 below.

Upon either party's request, Landlord and Tenant shall execute a letter in substantially the form of Exhibit B attached hereto confirming the Additional Premises Commencement Date and the Additional Premises Rent Commencement Date (as defined in Paragraph 3 below).

2. Additional Premises As-Is. Landlord shall deliver the Additional Premises to Tenant in its then as-is condition, and, except as provided in Paragraph 5 below, Landlord shall have no obligation to make or pay for any alterations, additions, improvements or renovations to the Additional Premises to prepare the same for Tenant's occupancy.

3. Monthly Rent. Commencing as of the Additional Premises Rent Commencement Date, and continuing through the New Expiration Date, Tenant shall pay Monthly Rent for the Additional Premises pursuant to Paragraphs 2.c. and 5 of the Lease in the following amounts:

Additional Premises Rent Commencement Date - 3/31/13:	\$	57,520.00
4/01/13 - 3/31/14:	\$	58,718.33
4/01/14 - 3/31/15:	\$	59,916.67

The "Additional Premises Rent Commencement Date" shall be April 1, 2012.

The foregoing Monthly Rent amount payable by Tenant for the Additional Premises shall be in addition to the Monthly Rent payable by Tenant under the Lease for the Existing Premises.

4. Additional Rent for the Additional Premises. To reflect the lease by Tenant of the Additional Premises, effective as of the Additional Premises Commencement Date and continuing through the New Expiration Date, the provisions of Paragraph 7 of the Lease shall apply to the Additional Premises, and for such purposes (i) Tenant's Share, as set forth in Paragraph 2.e. of the Lease, shall be 4.14% with respect to the Additional Premises, (ii) the Base Year, as set forth in Paragraph 2.f. of the Lease shall be the calendar year 2012 as respects the Additional Premises, and (iii) the Base Tax Year, as set forth in Paragraph 2.g. of the Lease, shall be the fiscal tax year ending June 30, 2012 as respects the Additional Premises. The foregoing amounts payable by Tenant pursuant to Paragraph 7 of the Lease for the Additional Premises shall be in addition to the amounts payable by Tenant pursuant to Paragraph 7 of the Lease for the Existing Premises.

5. Initial Alterations; Landlord's Allowance; Landlord's Work.

a. Initial Alterations. The parties acknowledge that Tenant intends to make certain Alterations, additions and improvements (the "Initial Alterations") to the Additional Premises after the Additional Premises Commencement Date to make the same more suitable for Tenant's occupancy during the balance of the Lease term. The construction of the Initial Alterations shall be subject to Landlord's approval in accordance with Paragraph 9 of the Lease and otherwise governed by Paragraph 9 of the Lease, except as expressly set forth in this Amendment, and except further that the Alteration Operations Fee set forth in Paragraph 9 of the Lease shall be calculated for the Initial Alterations using a percentage factor of one and one-half percent (1 1/2%) rather than five percent (5%). The general contractor selected by Tenant and approved by Landlord in accordance with Paragraph 9 of the Lease to construct the Initial Alterations is referred to hereinafter as "Contractor". If so requested by Tenant in writing at the time Tenant requests Landlord's approval of the Initial Alterations, and provided that Tenant shall expressly reference this Paragraph 5 of this Amendment, Landlord shall advise Tenant in writing at the time of Landlord's approval of the Initial Alterations as to whether Landlord will waive its right pursuant to Paragraph 9.b. of the Lease to require that Tenant remove the Initial Alterations from the Premises at the expiration or sooner termination of the Lease and restore the Additional Premises to their prior condition, ordinary wear and tear excepted. Landlord's failure to expressly waive such requirement in writing shall preserve Landlord's right to exercise the foregoing election as respects the Initial Alterations.

b. Landlord's Allowance. Landlord shall contribute toward the cost of the design, construction and installation of the Initial Alterations (including, without limitation, Contractor's fee and the Alteration Operations Fee) an aggregate amount not to exceed One Hundred Forty-Three Thousand Eighth Hundred Dollars (\$143,800.00) (which equals \$10.00 per rentable square foot of the Additional Premises ("Landlord's Allowance")); provided, however, that not more than Fifty-Seven Thousand Five Hundred Twenty Dollars (\$57,520.00) of Landlord's Allowance (which equals \$4.00 per rentable square foot of the Additional Premises) may be used towards the costs of space planning, architectural and engineering costs for the design of the Initial Alterations, and/or the cost of personal property, equipment, trade fixtures, moving expenses, furniture (including work stations and modular office furniture, regardless of the method of attachment to walls and/or floors), signage, voice, data or other cabling. Except as set forth in the preceding sentence, no portion of Landlord's Allowance may be applied to the cost of personal property, equipment, trade fixtures, moving expenses, furniture (including work stations and modular office furniture, regardless of the method of attachment to walls and/or floors), signage, voice, data or other cabling, or Monthly Rent, Additional Rent or other charges payable pursuant to the Lease. Notwithstanding anything to the contrary in this Paragraph 5.b., Landlord's Allowance shall be available for disbursement pursuant to the terms hereof only for Initial Alterations performed by Tenant during the nine (9) month period following the Additional Premises Commencement Date. Accordingly, if Tenant fails to request any portion of Landlord's Allowance, and satisfy all conditions and requirements with respect to disbursement thereof, prior to the expiration of such nine (9) month period, such unused portion shall be forfeited by Tenant.

If the cost of construction of the Initial Alterations (including the Alteration Operations Fee) exceeds the funds available therefor from Landlord's Allowance, then Tenant shall pay all such excess (the "Excess Cost"). Based on the estimated cost (the "Estimated Costs") of the construction of the Initial Alterations, the prorata share of the Estimated Costs payable by Landlord and Tenant shall be determined and an appropriate percentage share established for each (a "Share of Costs"). Tenant and Landlord shall fund the cost of such work as the same is performed, in accordance with their respective Share of Costs for such work. At such time as Landlord's Allowance has been entirely disbursed, Tenant shall pay the remaining Excess Cost, if any, which payments shall be made in installments as construction progresses in the same manner as Tenant's payments of Tenant's Share of Costs were paid.

Landlord shall disburse the Landlord's Allowance directly to Tenant, unless Tenant is then in breach of or default under the Lease, in which case Landlord shall disburse Landlord's Allowance directly to Contractor, and/or to the applicable subcontractors, and/or to Tenant, as Landlord shall reasonably determine, within thirty (30) days after Landlord's receipt of (A) invoices of Contractor furnished to Landlord by Tenant covering work actually performed, construction in place and materials delivered to the site (as may be applicable) describing in reasonable detail such work, construction and/or materials, (B) conditional lien waivers executed by Contractor, subcontractors or suppliers, as applicable, for their portion of the work covered by the requested disbursement, and (C) unconditional lien waivers executed by Contractor and the persons and entities performing the work or supplying the materials covered by Landlord's previous disbursements for the work or materials covered by such previous disbursements (all such waivers to be in the forms prescribed by California Civil Code Section 3262). No payment will be made for materials or supplies not incorporated into the construction, regardless of whether the materials or supplies are located on the Premises. Landlord may withhold the amount of any and all retentions provided for in original contracts or subcontracts until expiration of the applicable lien periods or Landlord's receipt of unconditional lien waivers and full releases upon final payment (in the form prescribed by California Civil Code Section 3262) from Tenant's Contractor and all subcontractors and suppliers involved in the Initial Alterations. Notwithstanding anything to the contrary contained herein, in no event shall Landlord be obligated to disburse any portion of Landlord's Allowance during any period that Tenant is in breach of or in default under the Lease (but the foregoing shall not relieve Landlord from its obligation to make such disbursement after such breach or default is timely cured by Tenant).

At the time Landlord makes any disbursement of Landlord's Allowance, Landlord shall retain from Landlord's Allowance, as a partial payment of the Alteration Operations Fee, a proportionate amount of the Alteration Operations Fee based upon Landlord's reasonable estimation of the amount required to be withheld from each disbursement in order to ensure that the entire Alteration Operations Fee is retained over the course of construction on a prorata basis. At such time as Landlord's Allowance has been entirely disbursed, Tenant shall, within thirty (30) days of written demand, pay to Landlord the remainder, if any, of the Alteration Operations Fee theretofore due and not yet paid to Landlord. Within forty-five (45) days after completion of the Initial Alterations, Tenant shall furnish Landlord with invoices and other documentation reasonably required by Landlord to evidence the total cost of the Initial Alterations so that the final amount of the Alteration Operations Fee can be determined by Landlord and paid by Tenant within thirty (30) days after Landlord's written demand.

c. Landlord's Work. In addition to Landlord's Allowance, Landlord shall cause its contractor to perform all work necessary within the finished walls of the existing core area restrooms on the 26th floor of the Building to cause such restrooms to comply with Legal Requirements regarding handicap access and use (using Building standard plans, materials, equipment, and finishes), to the extent such compliance work is required as of the Additional Premises Commencement Date under Legal Requirements that are applicable as of the Additional Premises Commencement Date ("Landlord's Work"). Landlord's Work shall be performed prior to and/or during and/or after Tenant's completion of construction of the Initial Alterations, as Landlord shall elect, but Landlord shall in any event Substantially Complete Landlord's Work prior to the later of (i) Tenant's completion of the Initial Alterations, (ii) one hundred twenty (120) days after the Additional Premises Commencement Date, or (iii) Tenant's commencement of the conduct of business in the Additional Premises. Landlord's Work shall be deemed "Substantially Completed" when it has been completed in a good and workmanlike manner, subject only to Punch List Items, and the restrooms that are the subject of Landlord's Work may be lawfully used for their intended purposes. "Punch List Items" mean shall mean incomplete or defective work or materials in Landlord's Work which do not materially impair Tenant's use of the subject restrooms for their intended purposes. Following Substantial Completion of Landlord's Work, Landlord and Tenant shall jointly inspect Landlord's Work and prepare a list of Punch List Items with respect thereto. Landlord shall diligently correct or complete any Punch List Items with respect to Landlord's Work. Further, Landlord shall, at Landlord's sole cost and expense, repair any defect in the construction of Landlord's Work that exists as of the date Landlord Substantially Completes Landlord's Work and is of a nature which would not normally be discoverable by Tenant in the exercise of reasonable diligence in inspecting the subject restrooms as of the date Tenant commences use of the subject restrooms, provided Tenant gives prompt notice of such matter to Landlord promptly upon discovery and no later than thirty (30) days after the date Tenant commences use of the subject restrooms. In no event shall Landlord be liable for any delay in completion of Landlord's Work caused by Force Majeure, or any interference or by Tenant or its contractors in the performance of Landlord's Work (including any failure by Tenant or its contractors to cooperate with the construction of Landlord's Work as set forth below). To the extent Landlord's Work is performed during the period of construction of the Initial Alterations, Landlord and Tenant shall cause their respective contractors to cooperate with each other in the coordination of the construction of Landlord's Work and the



construction of the Initial Alterations, and the utilization of the Building's freight elevator(s), loading dock(s), and other Building systems and facilities, so as to ensure the efficient and timely progress to completion of all such work.

6. Parking. Effective as of the Additional Premises Commencement Date, to take into account the Additional Premises Landlord shall provide Tenant with parking for an additional four (4) automobiles (so that Landlord shall provide Tenant with parking for a total of twelve (12) automobiles). The provisions of Paragraph 55 shall remain applicable to all such parking, including Tenant's obligation to pay for the same as set forth therein.

7. Extension of Term. The term of the Lease is hereby extended as to the Existing Premises and the Additional Premises for a period (the "Extension Term") of one (1) year and two (2) months, commencing February 1, 2014 and ending March 31, 2015 (the "New Expiration Date"). Effective as of the date hereof, all references in the Lease to the "Expiration Date" or otherwise to the expiration date thereof shall be deemed to be references to the New Expiration Date. During the Extension Term, all of the terms, covenants and conditions of the Lease shall be applicable, except as set forth in this Amendment. Tenant shall accept the Existing Premises and the Additional Premises as of the commencement of the Extension Term in its then as-is condition, and Landlord shall have no obligation to make or pay for any Alterations, additions, improvements or renovations to the same to prepare the same for Tenant's occupancy during the Extension Term. Except as set forth in Paragraphs 10 and 11 below, Tenant shall not have any option or right to extend the term of the Lease beyond the New Expiration Date.

8. Monthly Rent. During the Extension Term, the Monthly Rent payable by Tenant pursuant to Paragraphs 2.c. and 5 of the Lease for the Existing Premises shall be \$119,629.17. The foregoing Monthly Rent amount payable by Tenant for the Existing Premises shall be in addition to the Monthly Rent payable by Tenant for the Additional Premises during the Extension Term pursuant to Paragraph 3 above.

9. Additional Rent for Existing Premises During Extension Term. During the Extension Term, the provisions of Paragraph 7 of the Lease shall continue to apply to the Existing Premises on the terms and conditions set forth in the Lease, and Tenant's Share, the Base Year and the Base Tax Year shall remain as set forth in the Lease with respect to the Existing Premises. The Additional Rent payable by Tenant for the Existing Premises shall be in addition to the Additional Rent payable by Tenant for the Additional Premises during the Extension Term pursuant to Paragraph 4 above.

10. Right of First Offer.

a. First Offer Right. Tenant shall have a one time right of first offer (the "Right of First Offer") to lease the entire rentable area of the twenty-fourth (24th) floor of the Building (the "First Offer Space") for a term commencing on Landlord's delivery of the First Offer Space to Tenant, and ending on the expiration or earlier termination of the Lease as applicable to the Premises then demised thereunder, if the First Offer Space shall first become "available for lease" as of a date occurring during the period (the "First Offer Period") commencing on the First Offer Commencement Date (as defined below) and ending on January 31, 2014; provided, however, that if as of January 31, 2014 Landlord shall not have entered into a lease commencing on or after February 1, 2015 with any party (other than Tenant) for all or any portion of the Existing Premises or the Additional Premises, then the First Offer Period shall be extended to end on such first date, if any, as Landlord shall enter into any such lease, but in no event shall the First Offer Period extend beyond the New Expiration Date. The "First Offer Commencement Date" shall mean the date of this Amendment. The First Offer Space shall not be deemed "available for lease" if the tenant under an expiring lease of such space desires to renew or extend its lease (whether pursuant to a right or option or pursuant to new arrangements entered into with Landlord) or if any tenant of the Building exercises an option or right of first offer or refusal or other right to lease such space, which option or right has been granted prior to the date of this Amendment. After Landlord has notice that the First Offer Space will become available for lease, Landlord shall notify Tenant in writing of such availability ("Landlord's ROFO Notice") prior to leasing the space to any other party, which notice shall State the actual or estimated availability date of the First Offer Space and which date shall be at least one hundred eighty (180) days from the date of Landlord's ROFO Notice; provided, however, that Landlord shall have no obligation to deliver any such availability notice and Tenant shall have no rights pursuant to this Paragraph 10 (i) prior to the First Offer Commencement Date, or (ii) prior to one (1) year prior to the estimated availability date, or (iii) if the estimated availability date is after the expiration of the First Offer Period, or (iv) as to less than all of the rentable area on the twenty-fourth (24th) floor of the Building. For a period of ten (10) Business Days after receipt of Landlord's ROFO Notice, Tenant shall have a right to elect to lease the First Offer Space in its entirety (and not in part). If Tenant does not timely exercise the Right of First Offer when the First Offer Space offered to Tenant in accordance with the foregoing, the Right of First Offer shall expire and be of no force or effect, Tenant shall have no further rights pursuant to this Paragraph 10, and Landlord shall have the right to lease (and re-lease) the First Offer Space to any third party or parties for a term and on such other conditions as Landlord may determine in Landlord's sole discretion.

For the avoidance of doubt, Landlord and Tenant acknowledge and agree that pursuant to the preceding provisions, Tenant's Right of First Offer shall not apply, and Tenant shall have no right to lease the First Offer Space or to extend the term of the Lease as set forth below by reason thereof, if the First Offer Space Target Delivery Date (as defined below) is on or after February 1, 2014 and prior to Landlord sending Tenant Landlord's ROFO Notice, Landlord shall enter into a lease with any party (other than Tenant) with a commencement date on or after February 1, 2015 for all or any portion of the Existing Premises or the Additional Premises.

If Tenant exercises the Right of First Offer, Landlord shall use reasonable efforts to deliver the First Offer Space to Tenant in the condition required by Paragraph 10.c. below on or about the anticipated delivery date set forth in Landlord's ROFO Notice (the "First Offer Space Target Delivery Date"). Tenant agrees that if Landlord is unable to deliver Tenant possession of First Offer Space on the First Offer Space Target Delivery Date, because the then existing occupants of the First Offer Space shall hold over, or delivery is delayed for any other reason beyond Landlord's reasonable control, Landlord shall not be liable for any damage thereby, nor shall the Lease or Tenant's lease of the First Offer Space or any portion thereof be void or voidable, but the term of the Lease shall not commence as to the First Offer Space until the date (the "First Offer Space Commencement Date") Landlord delivers possession of the First Offer Space to Tenant in the condition required by Paragraph 10.c. below.

Notwithstanding the foregoing, if Landlord does not deliver the First Offer Space to Tenant in the condition required by Paragraph 10.c. below within ninety (90) days after the First Offer Space Target Delivery Date, as such date shall be extended for delays in the delivery date caused by Force Majeure (such date, as so extended, the "ROFO Trigger Date") then Tenant may terminate this Amendment as respects the First Offer Space (only) upon written notice to Landlord given within ten (10) Business Days after the ROFO Trigger Date; provided, however, that Tenant's termination notice shall be void and of no force or effect if the delivery date shall occur within ten (10) Business Days after Landlord's receipt of Tenant's termination notice. The foregoing right of Tenant to terminate this Amendment as respects the First Offer Space (only) shall be Tenant's sole remedy for such delay in delivery of the First Offer Space, except that Landlord shall promptly return to Tenant the additional Security Deposit made by Tenant on account of the First Offer Space pursuant to Paragraph 10.d. below.

b. Prerequisite to Exercise of Right. Notwithstanding the foregoing, if on the date of Tenant's exercise of the Right of First Offer, or the date immediately preceding the date the Lease term for the First Offer Space is to commence, (i) the Tenant named in this Amendment or an Affiliate thereof ("Original Tenant") is not in physical occupancy of at least seventy-five percent (75%) of the Premises then demised pursuant to the Lease, or Original Tenant does not intend to continue to remain in such occupancy together with physical occupancy of the entire First Offer Space (but intends to assign this Lease or sublet or vacate the space in whole or in part such that the foregoing occupancy threshold will not be met), or (ii) an Event of Default (or a default that subsequently matures into an Event of Default) shall have occurred and be continuing under the Lease, then, at Landlord's election, Tenant shall have no right to lease the First Offer Space and Tenant's exercise of the Right of First Offer shall be null and void, and all of Tenant's rights to lease the First Offer Space shall terminate and be extinguished.

c. Terms and Conditions. If Tenant leases the First Offer Space pursuant to this Paragraph 10, then Landlord and Tenant shall enter into a written amendment to the Lease adding the First Offer Space to the Premises on all of the terms and conditions set forth in the Lease as to the Premises originally demised thereunder, except as set forth below in this Paragraph 10.c. and except further that (i) the term of the lease of the First Offer Space, and Tenant's obligation to pay Monthly Rent with respect thereto, shall commence on the date possession of the First Offer Space is delivered to Tenant and shall continue co-terminously with the remaining term of the Lease as applicable to the Premises then demised thereunder, as extended pursuant clause (vi) or (vii) below, and any further extension thereof pursuant to Paragraph 11 below or otherwise, (ii) Tenant shall take the First Offer Space in its then "as-is" condition and Landlord shall have no obligation to make or pay for any alterations, improvements or renovations in or to the First Offer Space or to otherwise prepare the First Offer Space for Tenant's occupancy, (iii) the Monthly Rent payable by Tenant for the First Offer Space shall be the fair market rent for the First Offer Space, as defined and determined below, (iv) the Base Year for the First Offer Space shall be the calendar year in which the First Offer Space is added to this Lease, and the Base Tax Year for the First Offer Space shall be the fiscal tax year in which the First Offer Space is added to this Lease, (v) the First Offer Space shall be deemed to contain 14,380 rentable square feet and Tenant's Share under Paragraph 7 hereof with respect to the First Offer Space shall be 4.14%, (vi) if the First Offer Space Target Delivery Date is on or prior to January 31, 2014, then the term of the Lease, as respects the Existing Premises, the Additional Premises, and the First Offer Space, shall be extended for a period of three (3) years, commencing February 1, 2015 and ending January 31, 2018, (vii) if the First Offer Space Target Delivery Date is on or after February 1, 2014, then the term of the Lease, as respects the Existing Premises, the Additional Premises, and the First Offer Space, shall be extended for a period of five (5) years, commencing February 1, 2015 and ending January 31, 2020, (viii) the Monthly Rent payable by Tenant for the Existing Premises and the Additional Premises during the ROFO Extension Term (as hereinafter defined) shall be the fair market rent for the First Offer Space, as defined and determined below, and (ix) during the ROFO Extension Term, the Base Year, the Base Tax Year, Tenant's Share and the rentable square footage applicable to the Existing Premises and the Additional Premises, respectively, shall remain as then set forth in the Lease. The period that the term of the Lease is extended pursuant to clause (vi) or (vii) above is referred to herein as the "ROFO Extension Term".

The fair market rent for the First Offer Space, and for the Existing Premises and the Additional Premises during the ROFO Extension Term, shall be mutually agreed upon by Landlord and Tenant in writing within the thirty (30) day period commencing with Tenant's exercise of the Right of First Offer, but commencing no sooner than six (6) months prior to the date the First Offer Space Target Delivery Date unless less than six (6) months remain between the expiration of such thirty (30) day period and the First Offer Space Target Delivery Date. For purposes of this Paragraph 10, the term "fair market rent" shall have the meaning set forth in Paragraph 11.b. below, taking into account the terms of the Lease as applicable to the First Offer Space, the Existing Premises and the Additional Premises, as set forth in the preceding paragraph. If Landlord and Tenant are unable to agree upon the fair market monthly rent within such thirty (30) day period, then the fair market monthly rent shall be established by appraisal in accordance with the procedures set forth in Exhibit C. If the fair market rent for the First Offer Space has not been established prior to the date the First Offer Space is to be added to the Lease, then Tenant shall pay as minimum Monthly Rent for the First Offer Space the Monthly Rent applicable to the Additional Premises (as calculated on a per rentable square foot basis) for the corresponding period. If the fair market rent, as subsequently determined, exceeds the rent paid by Tenant for the First Offer Space during the period prior to the date the fair market rent was determined, Tenant shall pay the deficiency to Landlord within thirty (30) days after such determination, and if the fair market rent, as subsequently determined, is less than the rent so paid by Tenant, Landlord shall credit Tenant's overpayment against Tenant's next accruing Monthly Rent obligations with respect to the Premises.

d. Increase Security Deposit. In the event that Tenant shall exercise the Right of First Offer pursuant to this Paragraph 10, the amount of the Security Deposit required pursuant to Paragraphs 2.d. and 6 of the Lease shall be increased by the amount of \$48,458.00 to take into account the First Offer Space (to a total of \$193,831.33, after taking into account the Security Deposit increase on account of the Additional Premises pursuant to Paragraph 12 below). Tenant shall deliver the aforesaid additional amount of the Security Deposit to Landlord within ten (10) days after the date Tenant shall exercise the Right of First Offer.

#### 11. Option to Renew.

a. Option to Renew. If, and only if, Tenant shall have theretofore exercised its Right of First Offer pursuant to Paragraph 10 above and leased the First Offer Space pursuant thereto, and the term of the Lease as respects the First Offer Space shall have theretofore commenced, and the Extension Term shall have been extended by reason thereof as set forth in Paragraph 10 above, Tenant shall have the option to renew the term of the Lease for one (1) additional term of five (5) years, commencing upon the expiration of the ROFO Extension Term, as set forth in Paragraph 10 above. The renewal option must be exercised, if at all, by written notice given by Tenant to Landlord not later than one (1) year prior to the then scheduled expiration date of the Lease. Notwithstanding the foregoing, at Landlord's election, the renewal option shall be null and void and Tenant shall have no right to renew the term of the Lease pursuant thereto if (I) as of the date Tenant exercises the renewal option the term of the Lease as respects the First Offer Space shall not have theretofore commenced by reason of Tenant's prior exercise of its Right of First Offer pursuant to Paragraph 10 above, or (II) on the date Tenant exercises the option or on the date immediately preceding the commencement of the renewal period (i) Original Tenant is not in physical occupancy of at least seventy-five percent (75%) of the Premises then demised pursuant to the Lease or Original Tenant does not intend to continue to physically occupy at least seventy-five percent (75%) of the Premises then demised pursuant to the Lease (but intends to assign the Lease or sublet or vacate the Premises in whole or in part such that the foregoing occupancy threshold will not be met), or (ii) an Event of Default (or a default that subsequently matures into an Event of Default) shall have occurred and be continuing under the Lease.

b. Terms and Conditions. If Tenant exercises the renewal option, then all of the terms and conditions set forth in the Lease as applicable to the Premises during the initial term thereof shall apply during the renewal term, except that (i) Tenant shall have no further right to renew the term of the Lease, (ii) Tenant shall take the Premises in their then "as-is" State and condition, (iii) the Monthly Rent payable by Tenant for the Premises shall be the then-fair market rent for the Premises based upon the terms of the Lease, as renewed, (iv) the Base Year for the Premises shall be the calendar year in which the renewal term commences, and (v) the Base Tax Year shall be the fiscal tax year in which the renewal term commences. Fair market rent shall include the periodic rental increases, if any, that would be included for space leased for the period the space will be covered by the Lease. For purposes of this Paragraph 11, the term "fair market rent" shall mean the rental rate for comparable space under primary lease (and not sublease) to renewal and new tenants (giving more weight to renewal tenancies), taking into consideration the quality and prestige of the Building and such amenities as existing improvements, view, floor on which the Premises are situated and the like, situated in comparable first-class, reputable, established high-rise office buildings in comparable locations in the San Francisco financial district, in comparable physical and economic condition, taking into consideration then prevailing ordinary rental market practices with respect to free rent periods, tenant improvement allowances and other tenant concessions (if any) (e.g., not offering extraordinary rental, promotional deals and other concessions to tenants which deviate from what is the then-prevailing ordinary practice in an effort to alleviate cash flow problems, difficulties in meeting loan obligations or other financial distress, or in response to a greater than average vacancy rate). The fair market rent shall be mutually agreed upon by Landlord and Tenant in writing within the thirty (30) calendar day period commencing six (6) months prior to commencement of the renewal period. If Landlord and Tenant are unable to agree upon the fair market monthly rent within said thirty (30)-day period, then the fair market rent shall be established by appraisal in accordance with the procedures set forth in Exhibit C attached hereto.

c. Minimum Rental. Notwithstanding anything in the foregoing or Exhibit C attached hereto to the contrary, in no event shall the Monthly Rent during the renewal period be less than the sum of the Monthly Rent and Additional Rent payable by Tenant for all of the Premises for the calendar month immediately preceding the commencement of the renewal period (without taking into account any temporary rental abatements then in effect).

12. Security Deposit. To take into account Tenant's lease of the Additional Premises, effective as of the date of this Amendment the Security Deposit required pursuant to Paragraphs 2.d. and 6 of the Lease shall be increased by the amount of \$48,458.00 to a total amount of \$145,373.33; provided, however, that until the term of the Lease shall have commenced as respects the 27th Floor Premises, the Security Deposit shall be \$96,228.00.

13. Repair. Effective as of the date hereof, the following paragraph is hereby added to Paragraph 10 of the Lease as the second paragraph thereof:

"Landlord shall repair and maintain in good condition and repair all Building systems, including, without limitation, elevator, plumbing, heating, electrical, security, life safety and power; except those special or supplemental systems (including air-conditioning systems), and equipment used in connection therewith, and non-Building standard lighting and electrical wiring, installed specifically for Tenant or any other tenants, and except further the portions of Building systems that are Tenant's responsibility to maintain and repair pursuant to the preceding provisions of this Paragraph 10); provided, however, that, subject to Paragraph 16 below, to the extent repairs which Landlord is required to make pursuant to this sentence are necessitated by the negligence or willful misconduct of Tenant or Tenant's agents, employees or contractors, then Tenant shall reimburse Landlord for the reasonable cost of such repair. Landlord shall in no event be obligated to repair any wear and tear to the Premises."

14. Subordination, Non-Disturbance and Attornment Agreement. Landlord represents and warrants to Tenant that TIAA-CREF ("Teachers") is the holder of the only Superior Interest in place as of the date of this Amendment. Landlord shall use its good faith efforts to obtain from Teachers within sixty (60) days after the date of this Amendment, a written "non-disturbance agreement" in such holder's commercially reasonable form in favor of Tenant providing that if Tenant is not in default under the Lease beyond any applicable grace period, such party will recognize the Lease and Tenant's rights thereunder, and will not disturb Tenant's possession thereunder, and if the Lease is by operation of law terminated in a foreclosure, that a new lease will be entered into on the same terms as the Lease for the remaining term thereof. The failure of Teachers to execute and deliver such a non-disturbance agreement upon Landlord's request shall not constitute a default hereunder by Landlord or negate the subordination of the Lease to the Superior Interest held by Teachers as set forth in Paragraph 21 of the Lease, it being understood that Landlord's sole obligation is to use good faith efforts to cause Teachers to execute and deliver such agreement.

15. Real Estate Brokers. Tenant represents and warrants to Landlord that it has negotiated this Amendment directly with Cornish & Carey Commercial, acting on behalf of Landlord, and CB Richard Ellis, Inc., acting on behalf of Tenant, and that Tenant has not authorized or employed, or acted by implication to authorize or to employ, any other real estate broker or salesman to act for Tenant in connection with this Amendment. Tenant shall hold Landlord harmless from and indemnify and defend Landlord against any and all claims by any real estate broker or salesman other than the foregoing brokers for a commission, finder's fee or other compensation as a result of Tenant's entering into this Amendment. Pursuant to separate agreement(s), Landlord shall pay any commissions owing to the brokers specified above by reason of this Amendment, and shall hold Tenant harmless from and indemnify and defend Tenant against any and all claims by the brokers specified above or by any real estate broker or salesman engaged by Landlord in connection with this Amendment for a commission, finder's fee or other compensation as a result of Tenant's entering into this Amendment.

16. No Offer. Submission of this instrument for examination and signature by Tenant does not constitute an offer to amend the Lease or a reservation of or option to amend the Lease, and this instrument is not effective as a lease amendment or otherwise until executed and delivered by both Landlord and Tenant.

17. Authority. Tenant and each person executing this Amendment on behalf of Tenant hereby covenants and warrants that (a) Tenant is duly incorporated or otherwise established or formed and validly existing under the laws of its State of incorporation, establishment or formation, (b) Tenant has and is duly qualified to do business in the State in which the Real Property is located, (c) Tenant has full corporate, partnership, trust, association or other appropriate power and authority to enter into this Amendment and to perform all Tenant's obligations hereunder, and (d) each person (and all of the persons if more than one signs) signing this Amendment on behalf of Tenant is duly and validly authorized to do so. Tenant further represents and warrants to Landlord that Tenant, as identified herein, is one and the same entity as the entity that originally entered into the Lease, and the omission of the word "Incorporated" from Tenant's name as originally set forth in the Lease was simply an inadvertent typographical error.

Land lord and each person executing this Amendment on behalf of Landlord hereby covenants and warrants that (a) Landlord is duly incorporated or otherwise established or formed and validly existing under the laws of its state of incorporation, establishment or formation, (b) Landlord has and is duly qualified to do business in the state in which the Real Property is located, to the extent such qualification is required by applicable law, (c) Landlord has full corporate, partnership, trust, association or other appropriate power and authority to enter into this Amendment and to perform all Landlord's obligations hereunder, and (d) each person (and all of the persons if more than one signs) signing this Amendment on behalf of Landlord is duly and validly authorized to do so.

18. Lease in Full Force and Effect. Except as provided above, the Lease is unmodified hereby and remains in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this document as of the date and year first above written.

Landlord:

123 MISSION, LLC,  
a Delaware limited liability company

By: /s/ Yukinari Shiraishi

Name: Yukinari Shiraishi

Title: Vice President

Tenant:

MARIN SOFTWARE INCORPORATED,  
a Delaware corporation

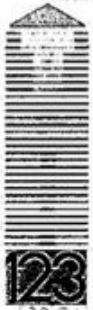
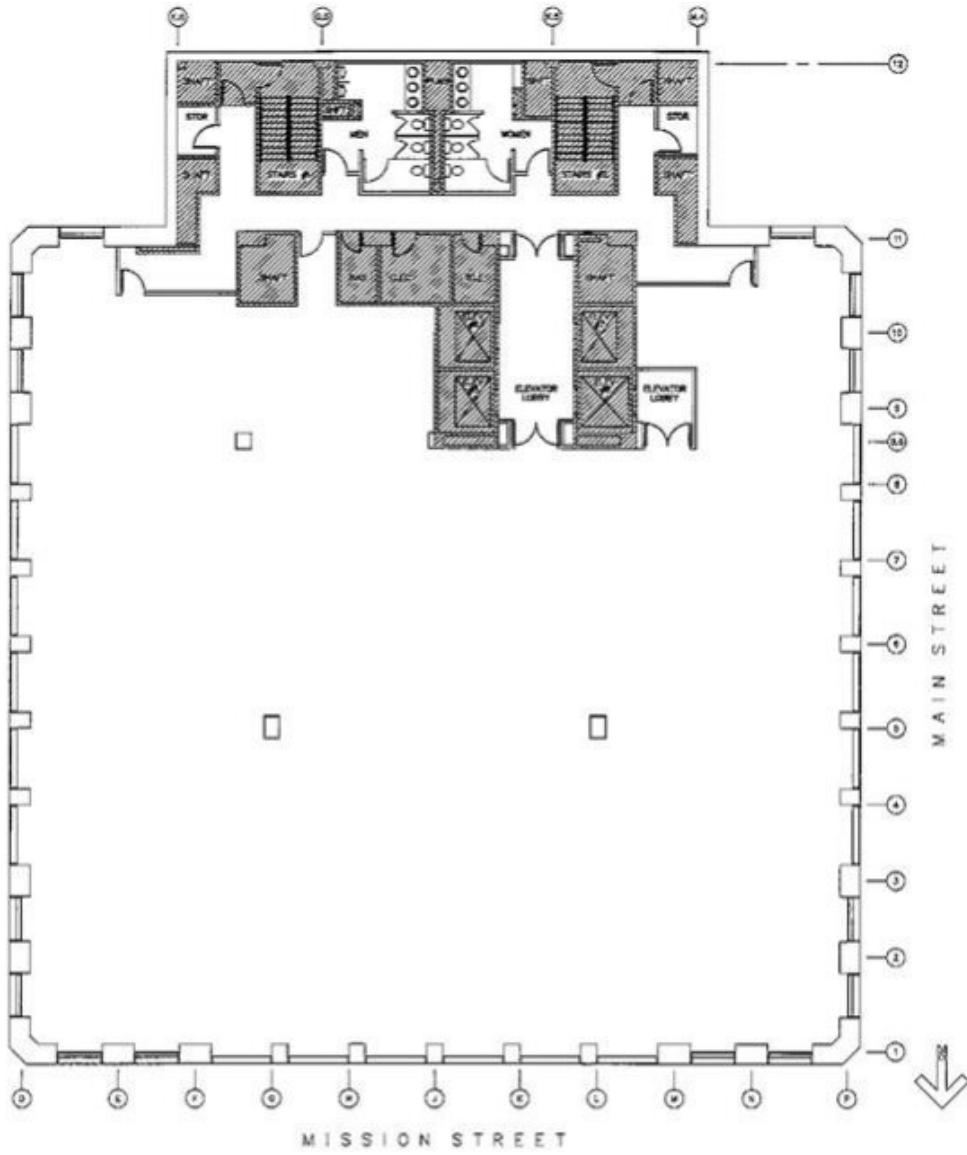
By: /s/ Chris Lien

Name: Chris Lien

Title: CEO

EXHIBIT A


OUTLINE OF ADDITIONAL PREMISES



**123 MISSION STREET  
FLOOR 26**



**Exhibit A**

 Premises Not Included

CONDITIONS AND DIMENSIONS PICTURED MAY BE APPROXIMATE OR PROPOSED. VERIFY ALL CONDITIONS AND DIMENSIONS IN THE FIELD.

EXHIBIT B

FORM OF COMMENCEMENT DATE LETTER

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: First Amendment to Lease, dated as of \_\_\_\_\_ (the "Amendment") between 123 Mission, LLC, a Delaware limited liability company ("Landlord") and Marin Software Incorporated ("Tenant"), for additional premises located on the 26th floor of the building located at 123 Mission Street, San Francisco, California.

Ladies and Gentlemen:

This letter is given pursuant to Paragraph 1 of the Amendment. Capitalized terms not otherwise defined herein are used herein as defined in the Lease.

The Additional Premises Commencement Date under the Amendment occurred on \_\_\_\_\_, which is the date Landlord delivered the Additional Premises to Tenant in the condition required by the Lease. The Additional Premises Rent Commencement Date under the Amendment shall be April 1, 2012, which is the date fixed as such under the Amendment.

Please sign and return the enclosed copy of this letter evidencing your agreement with the foregoing. If we do not receive the countersigned letter from you within ten (10) days of the date hereof, or your letter disagreeing with the foregoing with such ten (10) day period, you will be deemed to have agreed to the dates set forth in this letter.

123 MISSION, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Name:  
Title:

AGREED:

MARIN SOFTWARE INCORPORATED,  
a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_



## EXHIBIT C

### APPRAISAL PROCEDURE

Within fifteen (15) days after the expiration of the thirty (30)-day period set forth in Paragraph 10 or Paragraph 11 of the Amendment for the mutual agreement of Landlord and Tenant as to the fair market monthly rental, each party hereto, at its cost, shall engage a real estate broker to act on its behalf in determining the fair market monthly rental. The brokers each shall have at least ten (10) years' experience with leases in first-class high-rise office buildings in the San Francisco financial district and shall submit to Landlord and Tenant in advance for Landlord's and Tenant's reasonable approval the appraisal methods to be used. If a party does not appoint a broker within such fifteen (15)-day period but a broker is appointed by the other respective party, the single broker appointed shall be the sole broker and shall set the fair market monthly rental. Except in the case of death or other mental or physical disability verified by medical documentation from a licensed medical doctor, once a party appoints a broker to act on its behalf, it shall not have the right to replace such broker with another broker unless the other party shall consent thereto in its sole and absolute discretion, and if the broker appointed by a party shall withdraw in violation of the foregoing, the single broker appointed by the other party shall be the sole broker and shall set the fair market monthly rental. If the two brokers are appointed by the parties as stated in this paragraph, such brokers shall meet promptly and attempt to set the fair market monthly rental. If such brokers are unable to agree within thirty (30) days after appointment of the second broker, the brokers shall elect a third broker meeting the qualifications stated in this paragraph within ten (10) days after the last date the two brokers are given to set the fair market monthly rental. Each of the parties hereto shall bear one-half (1/2) the cost of appointing the third broker and of the third broker's fee. The third broker shall be a person who has not previously acted in any capacity for either party.

The third broker shall conduct his own investigation of the fair market monthly rent (utilizing the appraisal methods approved by the parties for the first two brokers, except as otherwise agreed by the parties in writing), and shall be instructed not to advise either party of his determination of the fair market monthly rent except as follows: When the third broker has made his determination, he shall so advise Landlord and Tenant and shall establish a date, at least five (5) days after the giving of notice by the third broker to Landlord and Tenant, on which he shall disclose his determination of the fair market monthly rent. Such meeting shall take place in the third broker's office unless otherwise agreed by the parties. After having initialed a paper on which his determination of fair market monthly rent is set forth, the third broker shall place his determination of the fair market monthly rent in a sealed envelope. Landlord's broker and Tenant's broker shall each set forth their determination of fair market monthly rent on a paper, initial the same and place them in sealed envelopes. Each of the three envelopes shall be marked with the name of the party whose determination is inside the envelope.

In the presence of the third broker, the determination of the fair market monthly rent by Landlord's broker and Tenant's broker shall be opened and examined. If the higher of the two determinations is one hundred five percent (105%) or less of the amount set forth in the lower determination, the average of the two (2) determinations shall be the fair market monthly rent, the envelope containing the determination of the fair market monthly rent by the third broker shall be destroyed and the third broker shall be instructed not to disclose his determination. If either party's envelope is blank, or does not set forth a determination of fair market monthly rent, the determination of the other party shall prevail and be treated as the fair market monthly rent. If the higher of the (2) two determinations is more than one hundred five percent (105%) of the amount of the lower determination, the envelope containing the third broker's determination shall be opened. If the value determined by the third broker is the average of the values proposed by Landlord's broker and Tenant's broker, the third broker's determination of fair market monthly rent shall be the fair market monthly rent. If such is not the case, fair market monthly rent shall be the rent proposed by whichever of Landlord's broker or Tenant's broker is closest to the determination of fair market monthly rent by the third broker.

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SECOND AMENDMENT TO LEASE

(Adding Temporary Premises and Extension of Lease Term)

THIS SECOND AMENDMENT TO LEASE ("Amendment") is dated as of the 10th day of December, 2014, between PACIFIC MISSION CORPORATION, a Delaware corporation ("Landlord"), and MARIN SOFTWARE INCORPORATED, a Delaware corporation ("Tenant").

RECITALS

A. Landlord (as successor-in-interest to 123 Mission, LLC) and Tenant are parties to a lease, dated as of January 7, 2011, as amended by First Amendment to Lease dated as of February 13, 2012 (the "First Amendment") (as so amended, the "Lease"), pursuant to which Tenant leases from Landlord certain premises on the 25th, 26th and 27th floors (the "Premises") of the building (the "Building") located at 123 Mission Street, San Francisco, California. Capitalized terms not otherwise defined herein shall have the meanings given them in the Lease.

B. The term of the Lease is presently scheduled to expire on March 31, 2015.

C. Landlord and Tenant presently desire to amend the Lease to (i) add additional premises on the 24th floor of the Building to the Lease on a temporary basis, (ii) extend the term of the for a period of seven (7) years and four (4) months through July 31, 2022, (iii) modify the existing Right of First Offer in Tenant's favor in the Lease, (iv) modify the existing renewal option in Tenant's favor in the Lease, and (iv) otherwise modify the Lease, all on the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. Temporary Premises. Effective as of January 1, 2015 (the "Temporary Premises Commencement Date"), the space located on the 24th floor of the Building shown outlined on the attached Exhibit A (the "Temporary Premises") and known as Suite 2400 shall be added to the premises covered by the Lease. Landlord and Tenant hereby stipulate for all purposes of the Lease that the Temporary Premises contains 14,331 rentable square feet of space. Tenant's lease of the Temporary Premises shall be on all of the terms, covenants and conditions contained in the Lease applicable to the Premises, except as follows: (i) the term of the Temporary Premises lease shall commence on the Temporary Premises Commencement Date and expire on the date (the "Temporary Premises Expiration Date") that is the earlier of July 31, 2015 or ten (10) days after the date on which Tenant shall substantially complete the Initial Alterations (as defined in Paragraph 6 below), and Tenant shall not have any right to renew or further extend the term of its lease of the Temporary Premises; (ii) the Temporary Premises shall be delivered to Tenant in its as-is condition, and Landlord shall have no obligation to make or pay for any alterations, additions, improvements or renovations thereto to prepare the same for Tenant's occupancy; (iii) unless Tenant shall holdover in the Temporary Premises beyond the Temporary Premises Expiration Date, in which case the provisions of the following paragraph shall apply, Tenant shall have no obligation to pay Monthly Rent for the Temporary Premises, (iv) Tenant shall not have any right to make any Alterations to the Temporary Premises except with Landlord's prior written consent in Landlord's sole and absolute discretion, (v) on or prior to the Temporary Premises Expiration Date, Tenant shall vacate the Temporary Premises and surrender the same to Landlord in the condition required by Paragraph 20.a. of the Lease (and for purposes of this clause (v) all references in said Paragraph 20.a. to the "Premises" shall be deemed references to the Temporary Premises as defined herein), (vi) Tenant shall pay for electricity furnished to the Temporary Premises in the same manner as Tenant pays for electricity furnished to the Premises in accordance with Paragraph 5 below, and (vii) during the term of the Tenant's lease of the Temporary Premises, Tenant shall pay Additional Rent for the Temporary Premises pursuant to Paragraph 7 of the Lease, except that the Additional Rent payable by Tenant for the Temporary Premises shall be calculated on a net basis rather than by reference to a Base Year or Base Tax Year (i.e., Tenant shall pay Tenant's Share (as defined below) of the Operating Expenses and Tax Expenses incurred by Landlord during the Lease term of the Temporary Premises, without regard to any increases therein over Base Year or Base Tax Year amounts thereof). For purposes of the foregoing, "Tenant's Share" with respect to the Temporary Premises shall be 4.15%.

Notwithstanding the foregoing, if Tenant shall fail to surrender possession of the Temporary Premises to Landlord in the condition required hereunder on or prior to the Temporary Premises Expiration Date, the provisions of Paragraph 20 of the Lease regarding a holdover without Landlord's consent shall be applicable, and Tenant shall pay Monthly Rent for the Temporary Premises during such holdover period in the amount of \$107,482.50 per month, as prorated on a daily basis on the basis of a thirty (30) day month. The foregoing shall not imply any right of Tenant to remain in possession of the Temporary Premises beyond the Temporary Premises Expiration Date, and Landlord reserves all other rights and remedies pursuant to the Lease (including pursuant to Paragraph 20.c. of the Lease) and applicable law if Tenant shall fail to timely surrender the Temporary Premises as required hereunder.

Upon either party's request, Landlord and Tenant shall execute a letter in substantially the form of Exhibit B attached hereto confirming the Temporary Premises Commencement Date and the Temporary Premises Expiration Date.

2. Extension of Term. The term of the Lease is hereby extended as respects the Premises for a period (the "Extension Term") of seven (7) years and four (4) months, commencing April 1, 2015 and ending July 31, 2022 (the "New Expiration Date"). Effective as of the date hereof, all references in the Lease to the "Expiration Date", the "New Expiration Date" or otherwise to the expiration date thereof shall be deemed to be references to the "New Expiration Date" as defined herein. During the Extension Term, all of the terms, covenants and conditions of the Lease shall be applicable, except as set forth in this Amendment. Tenant shall accept the Premises as of the commencement of the Extension Term in its then as-is condition, and except as set forth in Paragraph 6 below, Landlord shall have no obligation to make or pay for any alterations, additions, improvements or renovations to the same to prepare the same for Tenant's occupancy during the Extension Term. Except as set forth in Paragraph 9 below, Tenant shall not have any option or right to extend the term of the Lease beyond the New Expiration Date. Landlord and Tenant hereby stipulate that during the Extension Term the rentable square footage of each floor of the Premises shall remain as presently set forth in the Lease, and that the aggregate square footage of the Premises shall therefore remain 43,091 rentable square feet for all purposes of the Lease during the Extension Term.

3. Monthly Rent. During the Extension Term, Tenant shall pay Monthly Rent for the Premises pursuant to Paragraphs 2.c. and 5 of the Lease in the following amounts:

4/01/15 - 7/31/15:	\$0.00
8/01/15 - 3/31/16:	\$215,455.00
4/01/16 - 3/31/17:	\$221,918.65
4/01/17 - 3/31/18:	\$228,576.21
4/01/18 - 3/31/19:	\$235,433.50
4/01/19 - 3/31/20:	\$242,496.50
4/01/20 - 3/31/21:	\$249,771.40
4/01/21 - 3/31/22:	\$257,264.54
4/01/22 - 7/31/22:	\$264,982.48

As set forth above, Monthly Rent for the first four (4) months of the Extension Term shall be fully abated.

4. Additional Rent. During the Extension Term, the provisions of Paragraph 7 of the Lease shall continue to apply to the Premises on the terms and conditions set forth in the Lease, except that the Base Year, as set forth in Paragraph 2.f. of the Lease shall be the calendar year 2015, (ii) the Base Tax Year, as set forth in Paragraph 2.g. of the Lease, shall be the fiscal tax year ending June 30, 2015, and (iii) Tenant's Share set forth in Paragraph 2.e. of the Lease shall be 12.41% (being 4.13% as respects the 25th floor, and 4.14% as respects each of the 26th floor and 27th floor). During the Extension Term, Landlord's annual statement delivered to Tenant pursuant to Paragraph 7.f. of the Lease shall be based on the results of an audit of the operations of the Building prepared for the applicable year by a nationally recognized certified public accounting firm selected by Landlord (and for so long as all of the so-called "Big 4" accounting firms continue to exist as such, it shall be one of such accounting firms), and upon Tenant's request, Landlord shall promptly deliver to Tenant a copy of the auditor's statement on which Landlord's annual statement is based.

5. Electricity. Notwithstanding anything to the contrary in Paragraph 17 of the Lease, during the Extension Term, electricity furnished to the Premises shall not be included in Operating Expenses, and shall instead be separately paid for by Tenant as hereafter provided. In addition to the Monthly Rent, Additional Rent, and other charges payable under the Lease for the Premises, effective as of the commencement of the Extension Term, and continuing for the balance of the Lease term, Tenant shall pay Landlord for all electricity supplied to the Premises as measured by the existing electrical submeters dedicated to each floor of the Premises (the "Submetering Equipment"). Landlord shall operate, maintain and repair the Submetering Equipment throughout the term of the Lease at its sole cost and expense. The data from all Submetering Equipment readings documenting Tenant's electrical use shall be shared on a monthly basis with Tenant. Tenant shall pay Landlord for all electricity supplied to the Premises, as rent, on a monthly basis,

within thirty (30) days after Landlord's delivery of an invoice and reasonable supporting documentation to Tenant. The electricity shall be billed to and paid by Tenant at Landlord's actual cost thereof (calculated at the average rate per kilowatt hour charged to Landlord for electricity supplied to the Building). The parties acknowledge that the electricity paid for by Tenant pursuant to this Paragraph 5 does not include electricity required to supply Basic HVAC Service to the Premises pursuant to Paragraph 17.a.(ii) of the Lease, and the cost thereof shall be included in Operating Expenses.

6. Initial Alterations; Landlord's Allowance; Landlord's Work.

a. Initial Alterations. The parties acknowledge that Tenant intends to make certain alterations, additions and improvements (the "Initial Alterations") to the Premises to make the same more suitable for Tenant's occupancy during the Extension Term. The construction of the Initial Alterations shall be subject to Landlord's approval in accordance with Paragraph 9 of the Lease and otherwise governed by Paragraph 9 of the Lease, except as expressly set forth in this Amendment, and except further that the Alteration Operations Fee set forth in Paragraph 9 of the Lease for the Initial Alterations shall be an amount equal to the sum of (i) three percent (3%) of the first \$500,000.00 of Landlord's Allowance disbursed hereunder, (ii) two percent (2%) of the next Five Hundred Thousand Dollars (\$500,000.00) of Landlord's Allowance disbursed hereunder, and (iii) one percent (1%) of the balance of Landlord's Allowance disbursed hereunder. The general contractor, subcontractors and architect selected by Tenant for the Initial Alterations shall be subject to Landlord's reasonable approval in accordance with Paragraph 9 of the Lease. Such approved general contractor is referred to hereinafter as "Contractor". Notwithstanding the foregoing, Tenant acknowledges that it shall be required to use the Building's approved MEP contractors for any MEP work that is included in the Initial Alterations. Landlord hereby approves Associated Space Designs, Inc. as Tenant's architect for the Initial Alterations.

Notwithstanding anything to the contrary in Paragraph 9.b. or 20 of the Lease, Tenant shall not be required to remove any of the Initial Alterations from the Premises upon the expiration or earlier termination of the Lease except those Initial Alterations which are Specialty Improvements (as defined below). If so requested by Tenant in writing at the time Tenant requests Landlord's approval of the Initial Alterations, and provided that Tenant shall expressly reference this Paragraph 5 of this Amendment, Landlord shall advise Tenant in writing at the time of Landlord's approval of the Initial Alterations as to whether any of the Initial Alterations are Specialty Improvements, and, if so, whether Landlord will waive its right to require that such Specialty Improvements be removed by Tenant from the Premises and the Premises be restored to their prior condition, ordinary wear and tear excepted. Landlord's failure to expressly waive such requirement in writing shall preserve Landlord's right to exercise the foregoing election as respects such Specialty Improvements. As used herein, "Specialty Improvements" mean any Alterations that are not normal and customary general office improvements in a first class high-rise office building in the San Francisco financial district. Landlord and Tenant agree that, without limitation, the following constitute Specialty Improvements: internal stairwells; raised floors; voice, data and other cabling; library or computer rooms; file or meeting rooms (other than file or meeting rooms similar in size and number as those existing in the Premises as of the date of this Amendment); classroom facilities; any areas requiring floor reinforcement or enhanced systems requirements; any supplemental HVAC or other special or supplemental systems and equipment used in connection therewith; non-Building standard lighting and electrical wiring installed specifically for Tenant; and any Alterations made to configure the Premises for an occupancy density greater than the density set forth in clause (ii) of Paragraph 17.d. of the Lease.

b. Landlord's Allowance. Landlord shall contribute toward the cost of the design, construction and installation of the Initial Alterations (including, without limitation, Contractor's fee and the Alteration Operations Fee) an aggregate amount not to exceed One Million Two Hundred Ninety-Two Thousand Seven Hundred Thirty Dollars (\$1,292,730.00) (which equals \$30.00 per rentable square foot of the Premises ("Landlord's Allowance")); provided, however, that not more than Two Hundred Fifteen Thousand Four Hundred Fifty-Five Dollars (\$215,455.00) of Landlord's Allowance (which equals \$5.00 per rentable square foot of the Premises) may be used towards the costs of space planning, architectural and engineering costs for the design of the Initial Alterations, and for costs of voice, data or other cabling; and provided, further, however, that although Tenant shall have no obligation to utilize Landlord's Allowance evenly throughout the entire Premises, the portion of Landlord's Allowance utilized towards the hard construction costs of the Initial Alterations on the 25th floor of the Building shall be equal to at least Twenty Dollars (\$20.00) per rentable square foot of such floor, the portion of Landlord's Allowance utilized towards the hard construction costs of the Initial Alterations on the 27th floor of the Building shall be equal to at least Twenty Dollars (\$20.00) per rentable square foot of such floor, and the hard construction costs of the Initial Alterations on the 26th floor of the Building shall be equal to at least Ten Dollars (\$10.00) per rentable square foot of such floor. No portion of Landlord's Allowance may be applied to the cost of personal property, equipment, trade fixtures, moving expenses, furniture (including work stations and modular office furniture, regardless of the method of attachment to walls and/or floors), signage, voice, data or other cabling, or Monthly Rent, Additional Rent or other charges payable pursuant to the Lease. Notwithstanding anything to the contrary in this Paragraph 6.b., Landlord's Allowance shall be available for disbursement pursuant to the terms hereof only for Initial Alterations performed by Tenant during the period from the date of this Amendment through March 31, 2017 and for soft costs incurred by Tenant during the period from November 1, 2014 through March 31, 2017. Accordingly, if Tenant fails to request any portion of Landlord's Allowance, and satisfy all conditions and requirements with respect to disbursement thereof, prior to March 31, 2017, such unused portion shall be forfeited by Tenant.

If the cost of construction of the Initial Alterations (including the Alteration Operations Fee) exceeds the funds available therefor from Landlord's Allowance, then Tenant shall pay all such excess (the "Excess Cost"). Based on the estimated cost (the "Estimated Costs") of the construction of the Initial Alterations, as reasonably agreed by Landlord and Tenant, the prorata share of the Estimated Costs payable by Landlord and Tenant shall be determined and an appropriate percentage share established for each (a "Share of Costs"). Tenant and Landlord shall fund the cost of such work as the same is performed, in accordance with their respective Share of Costs for such work. At such time as Landlord's Allowance has been entirely disbursed, Tenant shall pay the remaining Excess Cost, if any, which payments shall be made in installments as construction progresses in the same manner as Tenant's payments of Tenant's Share of Costs were paid.

Landlord shall disburse the Landlord's Allowance directly to Tenant, unless Tenant is then in breach of or default under the Lease, in which case Landlord shall disburse Landlord's Allowance directly to Contractor, and/or to the applicable subcontractors, and/or to Tenant, as Landlord shall reasonably determine, within thirty (30) days after Landlord's receipt of (A) invoices of Contractor furnished to Landlord by Tenant covering work actually performed, construction in place and materials delivered to the site (as may be applicable) describing in reasonable detail such work, construction and/or materials, (B) conditional lien waivers executed by Contractor, subcontractors or suppliers, as applicable, for their portion of the work covered by the requested disbursement, and (C) unconditional lien waivers executed by Contractor and the persons and entities performing the work or supplying the materials covered by Landlord's previous disbursements for the work or materials covered by such previous disbursements (all such waivers to be in the forms prescribed by California Civil Code Sections 8132 and 8134). No payment will be made for materials or supplies not incorporated into the construction, regardless of whether the materials or supplies are located on the Premises. Landlord may withhold the amount of any and all retentions provided for in original contracts or subcontracts until expiration of the applicable lien periods or Landlord's receipt of unconditional lien waivers and full releases upon final payment (in the form prescribed by California Civil Code Section 8138) from Tenant's Contractor and all subcontractors and suppliers involved in the Initial Alterations. Notwithstanding anything to the contrary contained herein, in no event shall Landlord be obligated to disburse any portion of Landlord's Allowance (i) during any period that Tenant is in breach of or in default under the Lease (but the foregoing shall not relieve Landlord from its obligation to make such disbursement after such breach or default is timely cured by Tenant), or (ii) prior to January 1, 2015.

At the time Landlord makes any disbursement of Landlord's Allowance, Landlord shall retain from Landlord's Allowance, as a partial payment of the Alteration Operations Fee, a proportionate amount of the Alteration Operations Fee based upon Landlord's reasonable estimation of the amount required to be withheld from each disbursement in order to ensure that the entire Alteration Operations Fee is retained over the course of construction on a prorata basis. At such time as Landlord's Allowance has been entirely disbursed, Tenant shall, within thirty (30) days of written demand, pay to Landlord the remainder, if any, of the Alteration Operations Fee theretofore due and not yet paid to Landlord. Within forty-five (45) days after completion of the Initial Alterations, Tenant shall furnish Landlord with invoices and other documentation reasonably required by Landlord to evidence the total cost of the Initial Alterations.

c. Title 24 Allowance. Landlord and Tenant acknowledge that certain costs of the Initial Alterations may include costs of work that is directly and solely attributable Title 24 upgrade work mandated by the changes to the Title 24 Energy Standards that were effective July 1, 2014. Such costs are hereinafter referred to as the "Title 24 Upgrade Costs". To the extent that the amount of Landlord's Allowance is not sufficient to fully pay for the Title 24 Upgrade Costs (after utilizing Landlord's Allowance for the other costs of the Initial Alterations as permitted pursuant to this Amendment), the remaining Title 24 Upgrade Costs shall be equally split (50/50) between Landlord and Tenant, until each party has paid an amount equal to Eight and 50/100 Dollars (\$8.50) per rentable square foot of the Premises for Title 24 Upgrade Costs. Any additional Title 24 Upgrade Costs shall be paid entirely (100%) by Tenant. In no event shall Landlord be obligated to pay more than Eight and 50/100 Dollars (\$8.50) per rentable square foot of the Premises for Title 24 Upgrade Costs. The contractor performing the Title 24 upgrade work shall be mutually approved by Landlord and Tenant from the Building's list of approved contractors, and the bidding process for award of the Title 24 upgrade work shall be fully transparent to both parties hereto.

d. Landlord's Work. In addition to Landlord's Allowance, prior to the commencement of the Extension Term, Landlord shall cause its contractor to (i) cosmetically upgrade the Building's freight elevator cab (using Building standard plans and finishes), so that it can be used as a passenger elevator cab during peak operating hours of the Building, as determined by Landlord (but in all events (subject to Paragraph 17.e. of the Lease) from 8:30 A.M. to 9:30 A.M., and from 11:45 A.M. to 1:15 P.M., on Business Days), and (ii) perform all work necessary (if any) to cause the common areas of the Building that are reasonably anticipated to be in Tenant's path of travel to the Premises to comply with Legal Requirements (including Title 24 requirements) regarding handicap access and use and fire and life safety (using Building standard plans and finishes), to the extent such work is required as of the commencement of the Extension Term under Legal Requirements that are applicable as of the commencement of the Extension Term in order for Tenant to lawfully access and occupy the Premises as permitted by the Lease. Landlord and Tenant acknowledge that Landlord is currently considering a renovation of the Building's ground floor lobby and plaza, but whether Landlord proceeds

with such renovation shall be determined by Landlord in its sole and absolute discretion. In the event that Landlord elects to proceed with such renovation, (X) Landlord shall have the right, at Landlord's sole cost and expense, to relocate Tenant's Above Standard Signage (as defined in Paragraph 52.c. of the Lease) to a location designated by Landlord in the ground floor main lobby of the Building, provided that such relocated Tenant's Above Standard Signage is not smaller than the existing Tenant's Above Standard Signage and provided further that the new location of Tenant's Above Standard Signage is of generally equal prominence (as reasonably determined by Landlord) as the location of the main Building lobby signage of McKesson attributable to McKesson's premises in the Building as of the date of this Amendment (i.e., if McKesson leases additional premises in the Building after the date of this Amendment, and Landlord grants McKesson more prominent signage rights or location(s) by reason thereof, Tenant's signage rights hereunder (and the prominence of the location thereof) shall not be expanded or increased by reason thereof), (Y) Landlord shall use its reasonable efforts to complete the renovation work within eighteen (18) months from the commencement thereof, subject to delays caused by Force Majeure, and (Z) during the renovation period, to the extent practicable, and so long as it does not interfere with Landlord's work or increase the cost of Landlord's work, or create a safety hazard, Tenant shall have the right, at Tenant's sole cost and expense, to maintain temporary identification signage consistent with the temporary identification signage of other major tenants of the Building and reasonably approved by Landlord, in the main Building lobby. Landlord agrees to consider in good faith any additional reasonable branding or identity signage proposed by Tenant in the so renovated Building lobby. In the event that Landlord, in its sole and absolute discretion, grants Tenant rights to any such additional signage, the same shall be on the terms and conditions set forth in an amendment to the Lease executed by Landlord and Tenant.

7. Parking. The provisions of Paragraph 55 of the Lease, as amended by Paragraph 6 of the First Amendment, shall remain applicable during the Extension Term.

8. Right of First Offer.

a. First Offer Right. Tenant's Right of First Offer as set forth in Paragraph 10 of the First Amendment is hereby deleted, and in lieu thereof Tenant shall have the Right of First Offer hereinafter set forth in this Paragraph 8. Tenant shall have a one-time right of first offer (the "Right of First Offer") to lease the entire rentable area of each of the eighth (8th), twenty-fourth (24th) and twenty-eighth (28th) floors of the Building (each referred to herein as the "First Offer Space") for a term commencing on Landlord's delivery of the First Offer Space to Tenant, and ending on the expiration or earlier termination of the Lease as applicable to the Premises then demised thereunder, if the First Offer Space shall become "available for lease" and delivery to Tenant as of a date occurring during the period (the "First Offer Period") commencing on the First Offer Commencement Date (as defined below) and ending on the date that is one (1) year prior to the New Expiration Date. The "First Offer Commencement Date" shall mean April 1, 2015. The First Offer Space shall not be deemed "available for lease" if the tenant under an expiring lease of such space desires to renew or extend its lease (whether pursuant to a right or option or pursuant to new arrangements entered into with Landlord) or if any tenant of the Building exercises an option or right of first offer or refusal or other right to lease such space, which option or right has been granted prior to the date of this Amendment. After Landlord has notice that the First Offer Space will become available for lease, Landlord shall notify Tenant in writing of such availability ("Landlord's ROFO Notice") prior to leasing the space to any other party, which notice shall state the actual or estimated availability date of the First Offer Space and the terms and conditions upon which Landlord would be willing to lease the First Offer Space to Tenant, which terms and conditions shall be Landlord's then good faith estimate of the fair market rent for the First Offer Space; provided, however, that Landlord shall have no obligation to deliver any such availability notice and Tenant shall have no rights pursuant to this Paragraph 8, (i) prior to the First Offer Commencement Date, or (ii) prior to one (1) year prior to the estimated availability date, or (iii) if the estimated availability date is after the expiration of the First Offer Period, or (iv) as to less than all of the rentable area on the applicable floor(s) of the First Offer Space. For a period of ten (10) Business Days after receipt of Landlord's ROFO Notice, Tenant shall have a right to elect to lease all of the First Offer Space identified in Landlord's ROFO Notice in its entirety (and not in part). If Tenant does not timely exercise the Right of First Offer when the First Offer Space offered to Tenant in accordance with the foregoing, the Right of First Offer shall expire and be of no force or effect as respects the First Offer Space offered to Tenant in Landlord's ROFO Notice, Tenant shall have no further rights pursuant to this Paragraph 8 with respect to such First Offer Space, and Landlord shall have the right to lease (and re-lease) such First Offer Space to any third party or parties for a term and on such other conditions as Landlord may determine in Landlord's sole discretion; provided, however, that if Landlord shall not enter into a lease for such First Offer Space within one (1) year after the date of Landlord's ROFO Notice, the provisions of this Paragraph 8 shall apply anew to such First Offer Space prior to Landlord leasing the same to any other party.

If Tenant exercises the Right of First Offer, Landlord shall use reasonable efforts to deliver the First Offer Space to Tenant in the condition required by Paragraph 8.c. below on or about the anticipated delivery date set forth in Landlord's ROFO Notice (the "First Offer Space Target Delivery Date"). Tenant agrees that if Landlord is unable to deliver Tenant possession of First Offer Space on the First Offer Space Target Delivery Date, because the then existing occupants of the First Offer Space shall hold over, or delivery is delayed for any other reason beyond Landlord's reasonable control, Landlord shall not be liable for any damage thereby, nor shall the Lease or Tenant's lease of the First Offer Space or any portion thereof be void or voidable, but the term of the

Lease shall not commence as to the First Offer Space until the date (the “First Offer Space Commencement Date”) Landlord delivers possession of the First Offer Space to Tenant in the condition required by Paragraph 8.c. below.

Notwithstanding the foregoing, if Landlord does not deliver any First Offer Space to Tenant within one hundred twenty (120) days after the First Offer Space Target Delivery Date applicable thereto, as such date shall be extended for delays in the delivery date caused by Force Majeure (such date, as so extended, the “ROFO Trigger Date”) then Tenant may terminate this Amendment as respects such First Offer Space (only) upon written notice to Landlord given within ten (10) Business Days after the ROFO Trigger Date; provided, however, that Tenant’s termination notice shall be void and of no force or effect if the delivery date shall occur within ten (10) Business Days after Landlord’s receipt of Tenant’s termination notice. The foregoing right of Tenant to terminate this Amendment as respects such First Offer Space (only) shall be Tenant’s sole remedy for such delay in delivery of such First Offer Space, except that Landlord shall cooperate with Tenant to reverse the increase in the amount of the Letter of Credit made on account of the First Offer Space pursuant to Paragraph 8.d. below

b. Prerequisite to Exercise of Right. Notwithstanding the foregoing, if on the date of Tenant’s exercise of the Right of First Offer, or the date immediately preceding the date the Lease term for the First Offer Space is to commence, (i) the Tenant named in this Amendment or an Affiliate thereof (“Original Tenant”) is not in compliance with the Occupancy Threshold (as defined below), or Original Tenant does not intend to continue to remain in compliance with the Occupancy Threshold and also in physical occupancy of the entire First Offer Space (but intends to assign this Lease or sublet or vacate the space in whole or in part **such that the foregoing occupancy thresholds will not be met** ), or (ii) an Event of Default (or a default that subsequently matures into an Event of Default) shall have occurred and be continuing under the Lease, then, at Landlord’s election, Tenant shall have no right to lease the First Offer Space offered to Tenant in Landlord’s ROFO Notice and Tenant’s exercise of the Right of First Offer as respects such First Offer Space shall be null and void, and all of Tenant’s rights to lease such First Offer Space shall terminate and be extinguished. As used in this Paragraph 8, the term the “Lease” means the Lease (as defined in Recital A above), as amended by this Amendment and as further amended from time to time. If the Premises then demised under the Lease consists three (3) full floors of the Building (or less), the “Occupancy Threshold” means **physical occupancy of at least two (2) full floors of the Building, and if the Premises then demised under the Lease consists of more than three (3) full floors of the Building, the “Occupancy Threshold” means seventy-five percent (75%) of the Premises then demised under the Lease.**

c. Terms and Conditions. If Tenant leases the First Offer Space pursuant to this Paragraph 8, then Landlord and Tenant shall enter into a written amendment to the Lease adding the First Offer Space to the Premises on all of the terms and conditions set forth in the Lease as to the Premises then demised thereunder, except as set forth below in this Paragraph 8.c. and except further that (i) the term of the lease of the First Offer Space, and Tenant’s obligation to pay Monthly Rent with respect thereto, shall commence on the date possession of the First Offer Space is delivered to Tenant and shall continue co-terminously with the remaining term of the Lease as applicable to the Premises then demised thereunder, extended pursuant clause (vi) below if applicable, and any further extension thereof pursuant to Paragraph 9 below or otherwise, (ii) Tenant shall take the First Offer Space in its then “as-is” condition and Landlord shall have no obligation to make or pay for any alterations, improvements or renovations in or to the First Offer Space or to otherwise prepare the First Offer Space for Tenant’s occupancy, (iii) the Monthly Rent payable by Tenant for the First Offer Space shall be the fair market rent for the First Offer Space, as defined and determined below, (iv) the Base Year for the First Offer Space shall be the calendar year in which the First Offer Space is added to this Lease, and the Base Tax Year for the First Offer Space shall be the fiscal tax year in which the First Offer Space is added to this Lease, (v) the First Offer Space shall be deemed to contain the rentable square footage set forth in Landlord’s ROFO Notice (as determined pursuant to Landlord’s then applicable space measurement standard for the Building), Tenant’s Share under Paragraph 7 hereof with respect to the First Offer Space shall be as set forth in Landlord’s ROFO Notice (as determined pursuant to Landlord’s then applicable space measurement standard for the Building), and the additional amount of the Letter of Credit required on account of the First Offer Space, as reasonably agreed by Landlord and Tenant, shall be as set forth in Landlord’s ROFO Notice, (vi) if the First Offer Space Target Delivery Date is on or after August 1, 2019, then the term of the Lease, as respects the Premises and the First Offer Space, shall be extended for a period of three (3) years, commencing August 1, 2022 and ending July 31, 2025, (vii) the Monthly Rent payable by Tenant for the Premises during the ROFO Extension Term (as hereinafter defined) shall be the fair market rent thereof, as defined and determined below, and (viii) during the ROFO Extension Term, the Base Year, the Base Tax Year, Tenant’s Share and the rentable square footage applicable to the Premises shall remain as then set forth in the Lease. The period that the term of the Lease is extended pursuant to clause (vi) above is referred to herein as the “ROFO Extension Term”.

The fair market rent for the First Offer Space, and for Premises during the ROFO Extension Term if applicable, shall be as set forth in Landlord’s ROFO Notice if Tenant shall expressly accept the same in its notice to Landlord exercising its Right of First Offer. If Tenant shall not expressly so accept the fair market rent determination set forth in Landlord’s ROFO Notice, then the fair market rent shall be as mutually agreed upon by Landlord and Tenant in writing within the thirty (30) day period commencing with Tenant’s exercise of the Right of First Offer, but commencing no sooner than six (6) months prior to the date the First Offer Space Target Delivery Date unless less than six (6) months remain between the expiration of such thirty (30) day period and the First

Offer Space Target Delivery Date. For purposes of this Paragraph 8, the term “fair market rent” shall have the meaning set forth in Paragraph 9.b. below, taking into account the terms of the Lease as applicable to the First Offer Space and the Premises, as set forth in the preceding paragraph. If Landlord and Tenant are unable to agree upon the fair market monthly rent within such thirty (30) day period, then the fair market monthly rent shall be established by appraisal in accordance with the procedures set forth in Exhibit C attached hereto. If the fair market rent for the First Offer Space has not been established prior to the date the First Offer Space is to be added to the Lease, then Tenant shall pay as Monthly Rent for the First Offer Space the Monthly Rent for the First Offer Space set forth in Landlord’s ROFO Notice. If the fair market rent, as subsequently determined, exceeds the rent paid by Tenant for the First Offer Space during the period prior to the date the fair market rent was determined, Tenant shall pay the deficiency to Landlord within thirty (30) days after such determination, and if the fair market rent, as subsequently determined, is less than the rent so paid by Tenant, Landlord shall credit Tenant’s overpayment against Tenant’s next accruing Monthly Rent obligations with respect to the Premises.

d. Increase in Letter of Credit Amount. In the event that Tenant shall exercise the Right of First Offer pursuant to this Paragraph 8, the amount of the Letter of Credit required pursuant to Paragraph 10 below shall be increased by the reasonable amount agreed to by Landlord and Tenant (as expressed in terms of a stated number of months of Monthly Rent for the First Offer Space) to take into account the First Offer Space. Landlord and Tenant shall also agree to reasonable reductions, if any, in the increased amount of the Letter of Credit on account of the First Offer Space. Within ten (10) days after the date Tenant shall exercise the Right of First Offer, or, if later, within ten (10) days after the date that the fair market rent for the First Offer Space has been determined in accordance with this Paragraph 8 (and Exhibit C attached hereto, if applicable), Tenant shall deliver to Landlord an amendment to the Letter of Credit implementing the aforesaid increase in the amount thereof.

9. Option to Renew.

a. Option to Renew. Tenant’s option to renew the term of the Lease as set forth in Paragraph 11 of the First Amendment is hereby deleted, and in lieu thereof Tenant shall have the renewal option hereinafter set forth in this Paragraph 9. Tenant shall have the option to renew the term of the Lease for one (1) additional term of five (5) years, commencing upon the expiration of the Extension Term (or the ROFO Extension Term, if applicable). The renewal option must be exercised, if at all, by written notice given by Tenant to Landlord not later than one (1) year prior to the expiration of the Extension Term (or the ROFO Extension Term, if applicable). Notwithstanding the foregoing, at Landlord’s election, the renewal option shall be null and void and Tenant shall have no right to renew the term of the Lease pursuant thereto if on the date Tenant exercises the option or on the date immediately preceding the commencement of the renewal period (i) Original Tenant is not in compliance with the Occupancy Threshold (as defined in Paragraph 8.b. above), or Original Tenant does not intend to continue to comply with the Occupancy Threshold (but intends to assign the Lease or sublet or vacate the Premises in whole or in part such that the foregoing occupancy threshold will not be met), or (ii) an Event of Default (or a default that subsequently matures into an Event of Default) shall have occurred and be continuing under the Lease.

b. Terms and Conditions. If Tenant exercises the renewal option, then all of the terms and conditions set forth in the Lease as applicable to the Premises during the Extension Term shall apply during the renewal term, except that (i) Tenant shall have no further right to renew the term of the Lease, (ii) Tenant shall take the Premises in their then “as-is” state and condition, (iii) the Monthly Rent payable by Tenant for the Premises shall be the then-fair market rent for the Premises based upon the terms of the Lease, as renewed, (iv) the Base Year for the Premises shall be the calendar year in which the renewal term commences, and (v) the Base Tax Year shall be the fiscal tax year in which the renewal term commences. Fair market rent shall include the periodic rental increases, if any, that would be included for space leased for the period the space will be covered by the Lease. For purposes of this Paragraph 9, the term “fair market rent” shall mean the rental rate for comparable space under primary lease (and not sublease) to renewal and new tenants (giving more weight to renewal tenancies), taking into consideration the quality and prestige of the Building and such amenities as existing improvements, view, floor on which the Premises are situated and the like, situated in comparable first-class, reputable, established high-rise office buildings in comparable locations in the San Francisco financial district, in comparable physical and economic condition, taking into consideration then prevailing ordinary rental market practices with respect to free rent periods, tenant improvement allowances and other tenant concessions (if any) (e.g., not offering extraordinary rental, promotional deals and other concessions to tenants which deviate from what is the then-prevailing ordinary practice in an effort to alleviate cash flow problems, difficulties in meeting loan obligations or other financial distress, or in response to a greater than average vacancy rate). The fair market rent shall be mutually agreed upon by Landlord and Tenant in writing within the thirty (30) calendar day period commencing six (6) months prior to commencement of the renewal period. If Landlord and Tenant are unable to agree upon the fair market monthly rent within said thirty (30)-day period, then the fair market rent shall be established by appraisal in accordance with the procedures set forth in Exhibit C attached hereto. As used above in this Paragraph 9 and in Paragraph 10 below, the term the “Lease” means the Lease (as defined in Recital A above), as amended by this Amendment and as further amended from time to time.



10. Letter of Credit: Return of Security Deposit. Tenant shall deliver to Landlord concurrently with its execution of this Amendment, as security for the performance of Tenant's covenants and obligations under the Lease, an original irrevocable standby letter of credit (the "Letter of Credit") in the amount of One Million Two Hundred Ninety-Two Thousand Seven Hundred Thirty Dollars (\$1,292,730.00), naming Landlord as beneficiary, which Landlord may draw upon to cure any Event of Default under the Lease (or any breach under the Lease where there exist circumstances under which Landlord is enjoined or otherwise prevented by operation of law from giving to Tenant a written notice which would be necessary for such failure of performance to constitute an Event of Default under the Lease), or to compensate Landlord for any damage Landlord incurs as a result of Tenant's failure to perform any of its obligations under the Lease. Any such draw on the Letter of Credit shall not constitute a waiver of any other rights of Landlord with respect to such Event of Default, breach or failure to perform. The Letter of Credit shall be issued by a major commercial bank reasonably acceptable to Landlord, with a service and claim point for the Letter of Credit in New York, New York, or in San Francisco County or Santa Clara County, California, have an expiration date not earlier than the sixtieth (60th) day after then applicable expiration date under the Lease (or, in the alternative, have a term of not less than one (1) year and be automatically renewable for an additional one (1) year period unless notice of non-renewal is given by the issuer to Landlord not later than sixty (60) days prior to the expiration thereof) and shall provide that Landlord may make partial and multiple draws thereunder, up to the face amount thereof. In addition, the Letter of Credit shall provide that, in the event of Landlord's assignment or other transfer of its interest in the Lease, the Letter of Credit shall be freely transferable by Landlord, without charge and without recourse, to the assignee or transferee of such interest and the bank shall confirm the same to Landlord and such assignee or transferee. Landlord hereby approves Silicon Valley Bank as the initial issuer of the Letter of Credit, but the foregoing shall not diminish Landlord's right to subsequently disapprove of Silicon Valley Bank as the issuer of the Letter of Credit in the event of any material adverse change affecting Silicon Valley Bank. The Letter of Credit shall provide for payment to Landlord upon the issuer's receipt of a sight draft from Landlord together with a statement by Landlord that the requested sum is due and payable from Tenant to Landlord in accordance with the provisions of this Lease, shall be in the form attached hereto as Exhibit D, and otherwise be in form and content reasonably satisfactory to Landlord. If the Letter of Credit has an expiration date earlier than sixty (60) days after the then applicable expiration date under the Lease, then throughout the term of the Lease (including any renewal or extension of the term) Tenant shall provide evidence of renewal of the Letter of Credit to Landlord at least thirty (30) days prior to the date the Letter of Credit expires. If Landlord draws on the Letter of Credit pursuant to the terms hereof, Tenant shall within five (5) Business Days after notice thereof from Landlord replenish the Letter of Credit or provide Landlord with an additional or amended letter of credit conforming to the requirements of this paragraph so that the amount available to Landlord from the Letter of Credit(s) provided hereunder is the amount specified in this Amendment. Tenant's failure to deliver any replacement, additional or extension of the Letter of Credit, or evidence of renewal of the Letter of Credit, within the time specified under the Lease shall entitle Landlord to draw upon the Letter of Credit then in effect. If Landlord liquidates the Letter of Credit as provided in the preceding sentence, Landlord shall hold the funds received from the Letter of Credit as security for Tenant's performance under the Lease, this Paragraph 10 shall be deemed a security agreement for such purposes and for purposes of Division 9 of the California Uniform Commercial Code, Landlord shall be deemed to hold a perfected, first priority security interest in such funds, and Tenant does hereby authorize Landlord to file such financing statements or other instruments as Landlord shall deem advisable to further evidence and/or perfect such security interest. Landlord shall not be required to segregate such security deposit from its other funds and no interest shall accrue or be payable to Tenant with respect thereto. No holder of a Superior Interest, nor any purchaser at any judicial or private foreclosure sale of the Real Property or any portion thereof, shall be responsible to Tenant for such security deposit unless and only to the extent such holder or purchaser shall have actually received the same. If Tenant is not in default at the expiration or termination of the Lease, within sixty (60) days thereafter Landlord shall return to Tenant the Letter of Credit or the balance of the security deposit then held by Landlord, as applicable; provided, however, that in no event shall any such return be construed as an admission by Landlord that Tenant has performed all of its covenants and obligations hereunder. Tenant hereby unconditionally and irrevocably waives the benefits and protections of California Civil Code Section 1950.7, and, without limitation of the scope of such waiver, acknowledges that Landlord may use all or any part of the Letter of Credit or the proceeds thereof to compensate Landlord for damages resulting from termination of this Lease and the tenancy created hereunder (including, without limitation, damages recoverable under California Civil Code Section 1951.2).

Notwithstanding the foregoing, provided that no Event of Default, or a default that subsequently matures into an Event of Default (or any monetary breach under this Lease where there exist circumstances under which Landlord is enjoined or otherwise prevented by operation of law from giving to Tenant a written notice which would be necessary for such monetary breach to constitute an Event of Default under the Lease), by Tenant under the Lease has occurred on or prior to August 1, 2017, or on or prior to any annual anniversary of such date through and including August 1, 2021 (each such date, a "Reduction Date"), then effective as of the applicable Reduction Date, the Letter of Credit amount required hereunder shall reduce by one sixth (1/6) of its original amount (i.e., by Two Hundred Fifteen Thousand Four Hundred Fifty-Five Dollars (\$215,455.00); provided, however, that in no event shall the Letter of Credit reduce below the amount of Two Hundred Fifteen Thousand Four Hundred Fifty-Five Dollars (\$215,455.00), as such minimum amount may be increased by reason of any First Offer Space leased by Tenant pursuant to Paragraph 8 above. If Tenant is entitled to the foregoing reduction, Landlord shall cooperate with Tenant upon Tenant's request to replace or amend the then existing

Letter of Credit to reflect such reduced amount required hereunder; provided, however, that in no event shall any such reduction be construed as an admission by Landlord that Tenant has performed all of its covenants and obligations under the Lease.

The amount of the Letter of Credit shall be increased to take into account any First Offer Space leased by Tenant, as more particularly set forth in Paragraph 8 above. In the event that the terms of any First Offer Space, as set forth in Landlord's ROFO Notice, include a reduction in the increased amount of the Letter of Credit on account of such First Offer Space, then, subject to the reduction conditions set forth in the preceding paragraph, the amount of the Letter of Credit shall be so reduced.

Promptly after Tenant's delivery of the Letter of Credit to Landlord as provided above, Landlord shall return to Tenant the Security Deposit currently held by Landlord pursuant to the Lease; provided, however, that in no event shall any such return be construed as an admission by Landlord that Tenant has performed all of its covenants and obligations under the Lease.

11. Subordination, Non-Disturbance and Attornment Agreement. Landlord represents and warrants to Tenant that TIAA-CREF ("Teachers") is the holder of the only Superior Interest in place as of the date of this Amendment. Teachers has heretofore entered into a Subordination, Non-Disturbance and Attornment Agreement with Landlord and Tenant dated as of January [illegible], 2011 (the "Existing SNDA") with respect to the Lease. Landlord shall use its good faith efforts to obtain from Teachers within sixty (60) days after the date of this Amendment, written confirmation from Teachers that the Existing SNDA applies to the Lease as amended hereby, or, in lieu of such confirmation, an amendment to the Existing SNDA executed by Teachers which expressly states that the Existing SNDA applies to the Lease as amended hereby. The failure of Teachers to execute and deliver such confirmation or amendment upon Landlord's request shall not constitute a default hereunder by Landlord or negate the subordination of the Lease to the Superior Interest held by Teachers as set forth in Paragraph 21 of the Lease, it being understood that Landlord's sole obligation is to use commercially reasonable efforts to cause Teachers to execute and deliver such confirmation or amendment.

12. Real Estate Brokers. Tenant represents and warrants to Landlord that it has negotiated this Amendment directly with Avison Young, acting on behalf of Landlord, and CBRE, Inc., acting on behalf of Tenant, and that Tenant has not authorized or employed, or acted by implication to authorize or to employ, any other real estate broker or salesman to act for Tenant in connection with this Amendment. Tenant shall hold Landlord harmless from and indemnify and defend Landlord against any and all claims by any real estate broker or salesman other than the foregoing brokers for a commission, finder's fee or other compensation as a result of Tenant's entering into this Amendment. Pursuant to separate agreement(s), Landlord shall pay any commissions owing to the brokers specified above by reason of this Amendment, and shall hold Tenant harmless from and indemnify and defend Tenant against any and all claims by the brokers specified above or by any real estate broker or salesman engaged by Landlord in connection with this Amendment for a commission, finder's fee or other compensation as a result of Tenant's entering into this Amendment.

13. No Offer. Submission of this instrument for examination and signature by Tenant does not constitute an offer to amend the Lease or a reservation of or option to amend the Lease, and this instrument is not effective as a lease amendment or otherwise until executed and delivered by both Landlord and Tenant.

14. Authority. Tenant and each person executing this Amendment on behalf of Tenant hereby covenants and warrants that (a) Tenant is duly incorporated or otherwise established or formed and validly existing under the laws of its state of incorporation, establishment or formation, (b) Tenant has and is duly qualified to do business in the state in which the Real Property is located, (c) Tenant has full corporate, partnership, trust, association or other appropriate power and authority to enter into this Amendment and to perform all Tenant's obligations hereunder, and (d) each person (and all of the persons if more than one signs) signing this Amendment on behalf of Tenant is duly and validly authorized to do so. Tenant further represents and warrants to Landlord that Tenant, as identified herein, is one and the same entity as the entity that originally entered into the Lease, and the omission of the word "Incorporated" from Tenant's name as originally set forth in the Lease was simply an inadvertent typographical error.

Landlord and each person executing this Amendment on behalf of Landlord hereby covenants and warrants that (a) Landlord is duly incorporated or otherwise established or formed and validly existing under the laws of its state of incorporation, establishment or formation, (b) Landlord has and is duly qualified to do business in the state in which the Real Property is located, to the extent such qualification is required by applicable law, (c) Landlord has full corporate, partnership, trust, association or other appropriate power and authority to enter into this Amendment and to perform all Landlord's obligations hereunder, and (d) each person (and all of the persons if more than one signs) signing this Amendment on behalf of Landlord is duly and validly authorized to do so.

15. Lease in Full Force and Effect. Except as provided above, the Lease is unmodified hereby and remains in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this document as of the date and year first above written.

Landlord:

PACIFIC MISSION CORPORATION,  
a Delaware corporation

By: /s/ Joyce Yonce

Name: Joyce Yonce

Title: Assistant Secretary

Tenant:

MARIN SOFTWARE INCORPORATED,  
a Delaware corporation

By: /s/ Dave Yovanno

Name: Dave Yovanno

Title: Chief Executive Officer

EXHIBIT A

OUTLINE OF TEMPORARY PREMISES

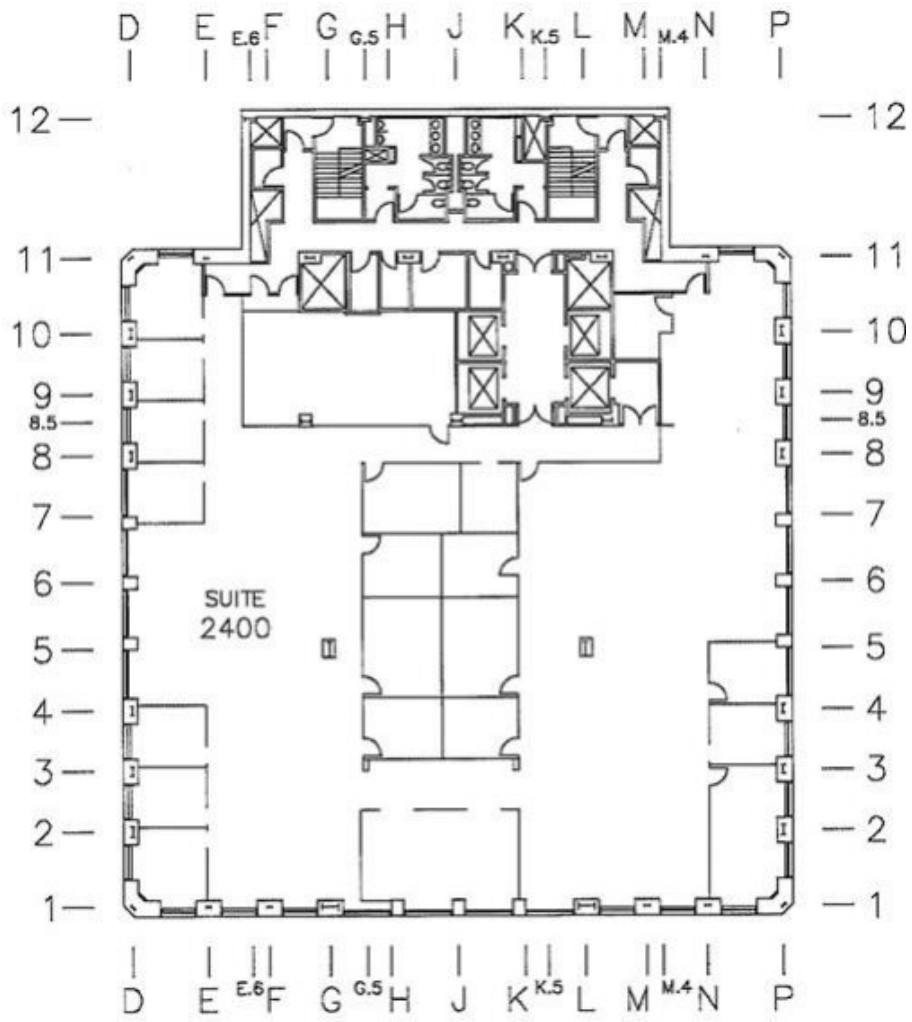


EXHIBIT B

FORM OF TEMPORARY PREMISES COMMENCEMENT DATE LETTER

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\_\_\_\_\_  
\_\_\_\_\_

Re: Second Amendment to Lease, dated as of December \_\_\_\_, 2014 (the "Amendment") between PACIFIC MISSION CORPORATION, a Delaware corporation ("Landlord"), and Marin Software Incorporated, a Delaware corporation ("Tenant"), for, inter alia, temporary premises located on the 24th floor of the building located at 123 Mission Street, San Francisco, California.

Ladies and Gentlemen:

This letter is given pursuant to Paragraph 1 of the Amendment. Capitalized terms not otherwise defined herein are used herein as defined in the Lease.

The Temporary Premises Commencement Date under the Amendment occurred on \_\_\_\_\_, which is the date Landlord delivered the Temporary Premises to Tenant in the condition required by the Lease. The Temporary Premises Expiration Date under the Amendment shall be July 31, 2015, or such earlier date as shall be ten (10) days after the date on which Tenant shall substantially complete the Initial Alterations to the Premises (as such terms are defined in the Amendment).

Please sign and return the enclosed copy of this letter evidencing your agreement with the foregoing. If we do not receive the countersigned letter from you within ten (10) days of the date hereof, or your letter disagreeing with the foregoing with such ten (10) day period, you will be deemed to have agreed to the dates set forth in this letter.

PACIFIC MISSION CORPORATION,  
a Delaware corporation

By: Pacific Eagle Holdings Corporation,  
a California corporation, its Manager

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED:

MARIN SOFTWARE INCORPORATED,  
a Delaware corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title:



## EXHIBIT C

### APPRAISAL PROCEDURE

Within fifteen (15) days after the expiration of the thirty (30)-day period set forth in Paragraph 8 or Paragraph 9 of the Amendment for the mutual agreement of Landlord and Tenant as to the fair market monthly rental, each party hereto, at its cost, shall engage a real estate broker to act on its behalf in determining the fair market monthly rental. The brokers each shall have at least ten (10) years' experience with leases in first-class high-rise office buildings in the San Francisco financial district and shall submit to Landlord and Tenant in advance for Landlord's and Tenant's reasonable approval the appraisal methods to be used. If a party does not appoint a broker within such fifteen (15)-day period but a broker is appointed by the other respective party, the single broker appointed shall be the sole broker and shall set the fair market monthly rental. Except in the case of death or other mental or physical disability verified by medical documentation from a licensed medical doctor, once a party appoints a broker to act on its behalf, it shall not have the right to replace such broker with another broker unless the other party shall consent thereto in its sole and absolute discretion, and if the broker appointed by a party shall withdraw in violation of the foregoing, the single broker appointed by the other party shall be the sole broker and shall set the fair market monthly rental. If the two brokers are appointed by the parties as stated in this paragraph, such brokers shall meet promptly and attempt to set the fair market monthly rental. If such brokers are unable to agree within thirty (30) days after appointment of the second broker, the brokers shall elect a third broker meeting the qualifications stated in this paragraph within ten (10) days after the last date the two brokers are given to set the fair market monthly rental. Each of the parties hereto shall bear one-half (1/2) the cost of appointing the third broker and of the third broker's fee. The third broker shall be a person who has not previously acted in any capacity for either party.

The third broker shall conduct his own investigation of the fair market monthly rent (utilizing the appraisal methods approved by the parties for the first two brokers, except as otherwise agreed by the parties in writing), and shall be instructed not to advise either party of his determination of the fair market monthly rent except as follows: When the third broker has made his determination, he shall so advise Landlord and Tenant and shall establish a date, at least five (5) days after the giving of notice by the third broker to Landlord and Tenant, on which he shall disclose his determination of the fair market monthly rent. Such meeting shall take place in the third broker's office unless otherwise agreed by the parties. After having initialed a paper on which his determination of fair market monthly rent is set forth, the third broker shall place his determination of the fair market monthly rent in a sealed envelope. Landlord's broker and Tenant's broker shall each set forth their determination of fair market monthly rent on a paper, initial the same and place them in sealed envelopes. Each of the three envelopes shall be marked with the name of the party whose determination is inside the envelope.

In the presence of the third broker, the determination of the fair market monthly rent by Landlord's broker and Tenant's broker shall be opened and examined. If the higher of the two determinations is one hundred five percent (105%) or less of the amount set forth in the lower determination, the average of the two (2) determinations shall be the fair market monthly rent, the envelope containing the determination of the fair market monthly rent by the third broker shall be destroyed and the third broker shall be instructed not to disclose his determination. If either party's envelope is blank, or does not set forth a determination of fair market monthly rent, the determination of the other party shall prevail and be treated as the fair market monthly rent. If the higher of the (2) two determinations is more than one hundred five percent (105%) of the amount of the lower determination, the envelope containing the third broker's determination shall be opened. If the value determined by the third broker is the average of the values proposed by Landlord's broker and Tenant's broker, the third broker's determination of fair market monthly rent shall be the fair market monthly rent. If such is not the case, fair market monthly rent shall be the rent proposed by whichever of Landlord's broker or Tenant's broker is closest to the determination of fair market monthly rent by the third broker.

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EXHIBIT D  
LETTER OF CREDIT  
[Date]

**Beneficiary:**

[NAME AND ADDRESS OF LANDLORD]

**Applicant:**

[NAME AND ADDRESS OF TENANT]

IRREVOCABLE STANDBY LETTER OF CREDIT NO. \_\_\_\_\_

We hereby establish our Irrevocable Letter of Credit in your favor available by your drafts drawn on [NAME OF BANK] , at sight, for any sum or sums not exceeding \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), for account of [NAME OF TENANT] at [TENANT'S ADDRESS] . Draft(s) must be accompanied by supporting documents as described below:

A written statement to [INSERT NAME OF BANK] stating that "The principal amount [or the portion requested] of this Letter of Credit is due and payable to Beneficiary in accordance with the provisions of that certain Office Lease dated as of \_\_\_\_\_, between Beneficiary and Applicant, as such lease may be amended from time to time (the "Office Lease")."

The written statement shall be accompanied by this Letter of Credit for surrender; provided, however, that if less than the balance of the Letter of Credit is drawn, this Letter of Credit need not be surrendered and shall continue in full force and effect with respect to the unused balance of this Letter of Credit. We are not required to inquire as to the accuracy of the matters recited in the written statement or as to the authority of the person signing the written statement and may take the act of signing as conclusive evidence of such accuracy and his or her authority to do so. The obligation of [BANK] under this Letter of Credit is the individual obligation of [BANK] , and is in no way contingent upon reimbursement with respect thereto.

Each draft must bear upon its face the clause "Drawn under Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, of [BANK] ."

This Letter of Credit shall be automatically extended for an additional period of one year from the present or each future expiration date unless we have notified you in writing delivered via U.S. registered mail, return receipt requested, or nationally recognized overnight courier service (with signature required on delivery), to your address stated above, or to such other address as you shall have furnished to us for such purpose (whereupon we shall issue an amendment to this Letter of Credit showing such other address), not less than sixty (60) days before such expiration date, that we elect not to extend this Letter of Credit. Upon your receipt of such notification, you may draw your sight draft on us prior to the then applicable expiration date for the unused balance of the Letter of Credit, which shall be accompanied by your signed written statement that you received notification of our election not to extend.

Except so far as otherwise expressly stated herein, this Letter of Credit is subject to the "Uniform Customs and Practices for Documentary Credits (2007 Revision), International Chamber of Commerce - Publication No. 600, subject to the following: (a) if this Letter of Credit expires during an interruption of business as described in Article 36 of the UCP, we hereby specifically agree to effect payment if this Letter of Credit is drawn against within 30 days after the resumption of business; and (b) notwithstanding Article 14 or any other provision of the UCP, and regardless of whether the words "strict", "exact" or "identical" or similar words are used in this Letter of Credit, a document presented under this Letter of Credit need not reproduce the wording in this Letter of Credit exactly, including typographical errors, punctuation, spacing, blank lines and spaces (or the completion or deletion thereof), and the like.

We hereby agree with you that drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored if presented to us at our offices at [ADDRESS] on or before \_\_\_\_\_ PM [TIME ZONE] Time on [INITIAL EXPIRATION DATE] , or such later expiration date to which this Letter of Credit is extended pursuant to the terms hereof.

If at any time Beneficiary or its authorized transferee is not in possession of the original of this letter of credit (together with all amendments, if any) because such original has been delivered to us as required hereunder for a draw thereon or transfer thereof, our obligations as set forth in this letter of credit shall continue in full force and effect as if Beneficiary or such authorized transferee still held such original, and any previous delivery to us, without return by us, of such original shall be deemed to have satisfied any requirement that such original be delivered to us for a subsequent draw hereunder or transfer hereof.

This Letter of Credit may be transferred in whole to, and shall inure to the benefit of, any transferee who you certify is a successor in interest to [LANDLORD] , under the Office Lease. Transfer charges, if any, are for the account of the applicant.

Sincerely, [BANK]



## List of Subsidiaries of Marin Software Incorporated as of December 31, 2015

<u>Wholly-Owned Subsidiary</u>	<u>Jurisdiction</u>
Marin Software Irish Holding Limited	Ireland
Marin Software Limited	Ireland
Marin Software Limited (United Kingdom)	United Kingdom
Marin Software GmbH	Germany
Marin Software SARL	France
Marin Software K.K.	Japan
Marin Software Pte. Ltd.	Singapore
Marin Software Pty Ltd.	Australia
Marin Software (Shanghai) Co., Ltd.	People's Republic of China
NowSpots, Inc.	United States of America
SocialMoov S.A.S.	France
SocialMoov Limited	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-196818 and 333-202240) and Form S-8 (No. 333-187459, 333-194250 and 333-202223) of Marin Software Incorporated of our report dated February 22, 2016 relating to the financial statements, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP  
San Jose, California  
February 22, 2016

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, David A. Yovanno, certify that:

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

Date: February 22, 2016

/s/ David A. Yovanno  
\_\_\_\_\_  
David A. Yovanno  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Catriona M. Fallon, certify that:

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

Date: February 22, 2016

/s/ Catriona M. Fallon

\_\_\_\_\_  
Catriona M. Fallon

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**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**

I, David A. Yovanno, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report of Marin Software Incorporated on Form 10-K for the fiscal year ended December 31, 2015 (the “*Report*”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Marin Software Incorporated for the periods presented therein.

Date: February 22, 2016

By: /s/ David A. Yovanno  
David A. Yovanno  
Chief Executive Officer  
(Principal Executive Officer)

**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**

I, Catriona M. Fallon, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report of Marin Software Incorporated on Form 10-K for the fiscal year ended December 31, 2015 (the “*Report*”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Marin Software Incorporated for the periods presented therein.

Date: February 22, 2016

By: /s/ Catriona M. Fallon  
Catriona M. Fallon  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)