Glu Mobile Inc.

Combined Proxy Statement & Annual Report
for the 2018 Annual Meeting of Stockholders

glu

April 26, 2018

Dear Stockholders,

The completion of 2017 signaled a year of profound change at Glu. Change in our processes, change in our structure, change in our financial performance and most importantly, change in our company culture. Our mission at Glu is to create top grossing games that feature compelling experiences and grow revenues and profit year over year. These changes, especially our new cultural foundation, will be instrumental in helping us achieve that.

For the past 12 months, we have been highly focused on executing the three pillars of our growth strategy: emphasizing internally-generated creative IP, instilling disciplined game prototyping and launch decision-making, and striving for operating excellence and financial discipline. This focus allowed us to achieve profitability in the 4th quarter of 2017 on an Adjusted EBITDA basis, excluding non-cash royalty impairments, well ahead of schedule. In addition, we increased year over year bookings in each quarter of 2017, with annual bookings growing by approximately 50% compared to 2016.

In late 2016 we set, and are still following, a 3-pronged strategy focused on hiring proven creative leaders, who will lead the creation of growth games in highly creative environments. To that end, we have been recruiting proven creative leadership who know how to foster a culture that inspires innovative, successful titles, and to arm them with world-class infrastructure, tools, funding and support to create polished products with outstanding market potential. We now have 5 strong, proven Creative Leaders presiding over 5 internal studios, working on a combination of live and new games and apps.

Our key Evergreen games – games that are slightly declining, flat or growing quarter over quarter – have contributed significantly to Glu's recent success. We have learned much in the art and science of live operations, and this has really helped deliver significant positive variance to plan. We have been able to increase the lifetime value (LTV) of many of our key Evergreen titles, like *Kim Kardashian: Hollywood*, which has experienced recent bookings growth despite heading into its fourth year.

We also are actively managing and operating our 3 Growth games. These are games that are growing year over year and include *Tap Sports Baseball*, *Covet Fashion* and *Design Home*. All together, we anticipate that our live Evergreen and Growth games will account for a substantial majority of our bookings in 2018. Furthermore, we anticipate that we would be profitable on an Adjusted EBITDA basis in 2018 without launching any new games, which is a significant operational improvement from previous years.

On the game development side, we have revamped our approach and implemented more rigorous and less costly prototyping and greenlighting processes built around smaller, more cost efficient and nimble creative teams. This now has us expecting to launch at least two new games this year on top of our profitable live game portfolio, as well as be in a position to launch at least two new games in 2019.

MLB Tap Sports Baseball '18, grouped in the Growth category, launched at the very end of Q1-2018 and we expect this title to build on the success we have seen over the past 4 years. This year's version includes deeper social features as well as being the team's 2nd year working with the more robust elder game economy that has meaningfully improved the title's monetization. As for new game launches, *WWE: Universe* is now in beta testing and we anticipate global launch to occur in the summer. The game leverages the deep meta and social functionality from the TSB engine. Unlike baseball, however, it's important to note that the WWE franchise isn't seasonal and primarily limited to the U.S.; it has both year-round and global appeal.

We also just began beta testing *Titan World*, an original IP, real-time player versus player game with a CCG metagame. Players collect and upgrade units, abilities and bases with the goal of reaching the top of the Titan league. This game is being developed by the recently acquired Dairy Free studio team. If beta goes well, our timeline currently calls for a late summer 2018 launch.

Additionally, *DASH Town* is planned to launch worldwide in late 2018. This is another original IP game based on the Dash franchise and brings together the best of the DASH franchise gameplay, but with a much more accessible core loop. Finally, our pipeline calls for the potential launch of a Social Casino game, which in addition to being a popular format, would have the added potential value to Glu of enabling us to harvest select legacy celebrity licenses we retain.

As for 2019, we recently announced that our creative leader, Mike Olsen, and his talented team are working with Disney to develop an exciting new game that is in the early stages of development. The new game will include characters and stories across Disney and Pixar franchises, and will combine these iconic brands with Glu's creative approach to game development.

Design Home continues to be our largest Growth title. We believe that our mid-year decision to double down on our user acquisition investment positions us to generate growth for *Design Home* in 2018 and beyond. We are planning key updates for the title such as language localization, creating an augmented reality mode, and delivering deeper meta game play and a richer social experience. We also recently introduced a 6th daily event, which has helped drive strong daily revenues since its introduction.

As we move down our new strategic path, we are instilling a creative-led approach throughout the company. We have realigned our studio footprint, consolidated teams in fewer locations, including a state-of-the-art mega-studio in San Francisco that we believe is optimal for the creation of innovative designs and high quality games. We believe that our approach is drawing broad interest from the development community and we will continue seeking to attract the industry's finest talent, letting them do what they do best while we leverage our world-class infrastructure that enables us to quickly and efficiently launch select titles. Ultimately, we intend for Glu to be a place where top gaming talent has the freedom to create new concepts as quickly and easily as an independent studio would, but without the risk of going at it alone.

We believe we are making great strides in pivoting Glu Mobile into a company positioned to generate new hits while better managing its catalog for enhanced performance. The combination of stronger revenue performance from our catalog, Evergreen and Growth games as well as our disciplined approach and focus on generating future hits creates the opportunity to build significant value over the long term for all of our stakeholders. We believe the future looks very bright for Glu and we thank you for your continued support.

Sincerely yours,

Nick Earl
President and Chief Executive Officer

These proxy materials contain forward-looking statements, including those statements in this Letter to Stockholders, that are not historical or are described on the page facing the inside back cover of these proxy materials. Forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially. Investors should consider important risk factors, which include those listed on the page facing the inside back cover of these proxy materials and those detailed under the caption "Risk Factors" beginning on page 17 of our 2017 Annual Report on Form 10-K included with these proxy materials and the risk factors described in our other SEC filings.

GLU MOBILE INC.
875 Howard Street, Suite 100
San Francisco, California 94103

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that an Annual Meeting of Stockholders of Glu Mobile Inc., a Delaware corporation ("Glu," "we," "our" and similar terms), will be held on Thursday, June 7, 2018, at 10:00 a.m. Pacific Time, at 875 Howard Street, Suite 100, San Francisco, California (the "Annual Meeting"). At the Annual Meeting, our stockholders will be asked to consider and vote upon:

1. The election of three Class II directors to Glu's Board of Directors (the "Board"), each to serve until Glu's annual meeting of stockholders to be held in 2021 and until his or her successor is elected and qualified, or until his or her death, resignation or removal.

2. Approval of the amendment and restatement of our 2007 Equity Incentive Plan to increase the aggregate number of shares of common stock authorized for issuance under the plan by 10,000,000 shares and make certain other changes as described in more detail in the proxy statement.

3. An advisory vote to approve the compensation paid to Glu's named executive officers.

4. The ratification of the appointment of PricewaterhouseCoopers LLP as Glu's independent registered public accounting firm for the year ending December 31, 2018.

5. The transaction of such other business as may properly come before the Annual Meeting or before any adjournment(s) or postponement(s) thereof.

Proposals 1 through 4 are more fully described in the attached proxy statement. We have not received notice of other matters that may be properly brought before the Annual Meeting.

Only stockholders who owned our common stock at the close of business on April 11, 2018 may vote at the Annual Meeting, or at any adjournment or postponement of the meeting.

This year, we are again using the Internet as our primary means of furnishing proxy materials to stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials and voting via the Internet. The Notice also provides information on how stockholders can obtain paper copies of our proxy materials if they so choose.

Your vote is important. Whether or not you plan to attend the Annual Meeting, please cast your vote, as instructed in the Notice of Internet Availability of Proxy Materials, over the Internet or by telephone, as promptly as possible. You may also request a paper proxy card to submit your vote by mail, if you prefer. **We encourage you to vote via the Internet**. We believe it is convenient for our stockholders, while significantly lowering the cost of our Annual Meeting and conserving natural resources.

By Order of the Board,

Scott J. Leichtner
Vice President, General Counsel and Corporate Secretary

San Francisco, California
April 26, 2018

IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS:

Glu's combined Proxy Statement for the 2018 Annual Meeting of Stockholders and the Annual Report to Stockholders for the year ended December 31, 2017 are available online at www.proxyvote.com. You will need your control number found on your Notice of Internet Availability to access these materials.

GLU MOBILE INC.

PROXY STATEMENT FOR THE 2018 ANNUAL MEETING OF STOCKHOLDERS

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*The information contained in the Compensation Committee Report and the Audit Committee Report of this proxy statement shall not be deemed to be "soliciting material," to be "filed" with the Securities and Exchange Commission ("**SEC**"), or to be subject to Regulation 14A or Regulation 14C (other than as provided in Item 407 of Regulation S-K) or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and shall not be deemed to be incorporated by reference in future filings with the SEC except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.*

GLU MOBILE INC.
875 Howard Street, Suite 100
San Francisco, California 94103

PROXY STATEMENT FOR THE 2018 ANNUAL MEETING OF STOCKHOLDERS

INFORMATION ABOUT THE MEETING, MEETING MATERIALS, VOTING AND PROXIES

Date, Time and Place of Meeting

The Board of Directors (the "Board") of Glu Mobile Inc., a Delaware corporation ("Glu," "we," "our" and similar terms), is asking for your proxy for use at the 2018 Annual Meeting of Stockholders (the "Annual Meeting") and at any adjournments or postponements of the meeting. We are holding the meeting on Thursday, June 7, 2018, at 10:00 a.m. Pacific Time, at our principal executive offices at 875 Howard Street, Suite 100, San Francisco, California. We first released this proxy statement to our stockholders on or about April 26, 2018.

Internet Availability of Proxy Materials

We are pleased to again furnish proxy materials to our stockholders on the Internet, rather than mailing printed copies to each stockholder. If you received a Notice of Internet Availability of Proxy Materials ("Notice of Internet Availability") by mail, you will not receive a printed copy of the proxy materials unless you request one. Instead, the Notice of Internet Availability provides instructions for accessing and reviewing the proxy materials and casting your vote on the Internet. If you received a Notice of Internet Availability by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability. We encourage stockholders to take advantage of the electronic availability of the proxy materials to help reduce the expense and environmental impact of the Annual Meeting. We anticipate that the Notice of Internet Availability will be mailed to stockholders on or about April 26, 2018.

Record Date; Outstanding Shares; Quorum

Only holders of record of our common stock at the close of business on April 11, 2018 (the "Record Date") will be entitled to notice of and to vote at the Annual Meeting. As of the close of business on the Record Date, there were 139,660,141 shares of our common stock outstanding and entitled to vote, held of record by approximately 47 stockholders and held beneficially by thousands of additional stockholders.

Pursuant to our Amended and Restated Bylaws (our "Bylaws"), a majority of the outstanding shares of common stock, present in person or by proxy, will constitute a quorum at the Annual Meeting. We must have a quorum to transact business. Each stockholder is entitled to one vote for each share of common stock held as of the Record Date. For ten days before the Annual Meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours at our principal executive offices at 875 Howard Street, Suite 100, San Francisco, California 94103.

Voting Via the Internet, by Telephone or By Mail

Holders of shares of our common stock whose shares are registered in their own name with our transfer agent, American Stock Transfer and Trust Company, are record holders. As an alternative to voting in person at the Annual Meeting, record holders may vote via the Internet, by telephone or, for those stockholders who receive a paper proxy card in the mail, by mailing a completed proxy card.

For those record holders who receive a paper proxy card, instructions for voting via the Internet, telephone or by mail are set forth on the proxy card. Stockholders who elect to vote by mail should sign and mail the proxy card in the addressed, postage paid envelope that was enclosed with the proxy materials, and your shares will be voted at the Annual

Meeting in the manner you direct. All properly executed, returned and unrevoked proxies will be voted in accordance with the instructions indicated on the proxy card.

For those stockholders who receive a Notice of Internet Availability, the notice provides information on how to access your proxy and contains instructions on how to vote via the Internet or by telephone. If you received a Notice of Internet Availability, you can request a printed copy of your proxy materials by following the instructions contained in the notice. Stockholders who have elected to receive the 2018 Proxy Statement and Annual Report to Stockholders for the year ending December 31, 2017 electronically will receive an email on or about April 26, 2018 with information on how to access stockholder information and instructions for voting.

Signed but unmarked proxies will be voted FOR each director nominee listed on the proxy card, FOR the approval of the amendment and restatement of our 2007 Equity Incentive Plan, FOR the compensation of our Named Executive Officers (defined in "Compensation Discussion and Analysis" below), and FOR the ratification of our independent registered public accounting firm for the year ending December 31, 2018. The Board does not know of, and does not intend to bring, any business before the Annual Meeting other than that referred to in this proxy statement and specified in the Notice of Annual Meeting. As to any other business that may properly come before the Annual Meeting, including any motion made for adjournment of the Annual Meeting (including for purposes of soliciting additional votes), signing and returning the proxy card will confer discretionary authority on the proxies (Nick Earl and Eric R. Ludwig, who have been designated by the Board) to vote all shares covered by the proxy card in their discretion.

Revoking a Proxy

Any stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by (1) filing a written notice of revocation with, or delivering a duly executed proxy bearing a later date to, our Corporate Secretary at 875 Howard Street, Suite 100, San Francisco, California 94103 or (2) attending the Annual Meeting and voting in person (although attending the Annual Meeting will not, by itself, revoke a proxy).

Votes Required

Director elections (Proposal No. 1) will be determined by a plurality of shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on such proposal. Approval of each of the proposal to approve the amendment and restatement of our 2007 Equity Incentive Plan (Proposal No. 2), the advisory vote on the compensation of our Named Executive Officers (Proposal No. 3) and the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2018 (Proposal No. 4) requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting and voted for or against the matter.

Effect of Abstentions

If a signed proxy is returned and the stockholder has specifically abstained from voting on any matter, the shares represented by such proxy will be considered present at the Annual Meeting for purposes of determining a quorum, but will not be considered to have been voted for or against such matter. As such, an abstention will have no effect on the election of the three Class II directors to our Board (Proposal No. 1), approval of the amendment and restatement of our 2007 Equity Incentive Plan (Proposal No. 2), the advisory vote on the compensation of our Named Executive Officers (Proposal No. 3), or the ratification of our independent registered public accounting firm (Proposal No. 4).

Effect of “Broker Non-Votes”

Brokers, banks or other agents holding shares in street name have discretionary authority to vote shares held for a beneficial owner on “routine” matters, such as the ratification of our independent registered public accounting firm, without instructions from the beneficial owner of those shares. However, absent instructions from the beneficial owner of such shares, brokers, banks or other agents holding shares in street name do not have discretionary authority to vote shares held for a beneficial owner on certain “non-routine” matters, such as Proposals No. 1 through No. 3.

If a signed proxy is returned by a broker, bank or other agent holding shares in street name that indicates that the broker does not have discretionary authority as to certain shares to vote on a proposal ("broker non-votes"), such shares will be considered present at the Annual Meeting for purposes of determining a quorum on all proposals, but will not be entitled to vote on and thus will have no effect on the outcome of any proposal.

Solicitation of Proxies and Expenses

We will bear the cost of soliciting proxies from our stockholders in the form of proxy provided to you. Our directors, officers and employees, without additional compensation, may solicit proxies by mail, telephone, letter, facsimile, electronically or in person. Following the original mailing of the proxies and other soliciting materials, we will request that brokers, custodians, nominees and other record holders forward copies of the proxy and other soliciting materials to persons for whom they hold shares of common stock and request authority for the exercise of proxies. In such cases, we will reimburse such record holders for their reasonable expenses incurred for forwarding such materials.

Voting Results

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by our Inspector of Elections and published in a Current Report on Form 8-K to be filed with the SEC within four business days of the Annual Meeting.

Delivery of Voting Materials to Stockholders Sharing an Address

To reduce the expense of delivering duplicate materials to stockholders sharing the same address, we have adopted a procedure approved by the SEC called "householding." Under this procedure, certain stockholders of record who have the same address and last name will receive only one copy of the proxy materials sent to stockholders until such time as one or more of these stockholders notifies us that they wish to continue receiving individual copies. This procedure will reduce duplicate mailings and save printing costs and postage fees, as well as natural resources.

Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker.

How to Obtain a Separate Set of Voting Materials

Stockholders who received a householded mailing this year, and would like to have additional copies of the proxy materials mailed to them, may submit their request to Investor Relations, Glu Mobile Inc., 875 Howard Street, Suite 100, San Francisco, California 94103 or by email to IR@glu.com. Stockholders may also contact us at the address or email above if they received multiple copies of the Annual Meeting materials and would prefer to receive a single copy in the future. Stockholders who would like to opt out of householding for future mailings may send a written request to Investor Relations at the above physical address or email address.

Annual Report on Form 10-K

A copy of our Annual Report on Form 10-K for the year ended December 31, 2017, including the financial statements, list of exhibits and any exhibit specifically requested, is available without charge upon written request to: Corporate Secretary, Glu Mobile Inc., 875 Howard Street, Suite 100, San Francisco, California 94103.

PROPOSAL NO. 1
ELECTION OF CLASS II DIRECTORS

Our Board currently consists of nine directors. Our Restated Certificate of Incorporation and Bylaws provide for a classified Board, divided into three classes. At each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting will be elected for a term to expire at the third succeeding annual meeting. The individuals so elected will serve until their successors are elected and qualified.

This year, the terms of our three Class II directors, Eric R. Ball, Nick Earl and Ann Mather, will expire at the Annual Meeting.

The Board has nominated Eric R. Ball, Nick Earl and Ann Mather to serve as Class II directors, each for a three-year term that is expected to expire at our annual meeting in 2021 or until his or her earlier resignation or removal (the "Board's Nominees"). Our Nominating and Governance Committee reviewed the qualifications of the Board's Nominees and unanimously recommended to the Board that they be submitted to stockholders for election. You can find the principal occupation and other information about the Board's Nominees, as well as other Board members, below.

Three of our continuing directors are Class III directors, whose terms will expire at our 2019 annual meeting, and three of our continuing directors are Class I directors, whose terms will expire at our 2020 annual meeting. On March 8, 2017, William J. Miller, who had been a Class III director, resigned from the Board and the Board decreased the number of directors from nine to eight. On November 30, 2017, the Board increased the size of the Board from eight to nine directors and appointed Gabrielle Toledano to the Board as a Class III director.

The election of our Class II directors will be determined by the three nominees receiving the greatest number of votes from shares eligible to vote on the matter. Unless a stockholder signing a proxy withholds authority to vote for one or more of the Board's Nominees in the manner described on the proxy card, each proxy received will be voted for the election of each of the Board's Nominees. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for the nominee or nominees who shall be designated by the present Board to fill the vacancy. We are not aware that any of the Board's Nominees will be unable or will decline to serve as a director.

There are no family relationships between any of our directors, nominees or executive officers.

On April 29, 2015, Glu agreed to issue in a private placement offering to a wholly-owned subsidiary of Tencent Holdings Limited ("Tencent") an aggregate of 21,000,000 shares of Glu's common stock at a purchase price of $6.00 per share, for aggregate proceeds of $126 million (the "Offering"). In connection with the Offering, Glu and Tencent became parties to a voting and standstill agreement, pursuant to which Glu agreed to cause Xiaoyi ("Steven") Ma, Senior Vice President of Tencent, to be elected and appointed as a new member of the Board as a Class I director, and to subsequently nominate for future director elections Mr. Ma or his successor as the designee of Tencent on the Board. On April 28, 2015, the Board so elected Mr. Ma. On January 23, 2017, Mr. Ma informed Glu that he was resigning from the Board, effective upon the appointment of Benjamin Feder to the Board as Tencent's representative and successor to Mr. Ma; Mr. Feder was appointed to our Board on January 26, 2017 and reelected at our 2017 Annual Meeting of Stockholders.

Tencent will continue to have a right to appoint one member to the Board so long as (1) Tencent and its controlled affiliates, continue to hold a net long ownership position of at least 5% of Glu's outstanding shares and (2) Tencent or Tencent's designee to the Board does not materially breach any material obligation to Glu under the Voting Agreement and a separate confidentiality agreement between the parties related to confidentiality and use limitations for information Mr. Ma obtained, or Mr. Feder (or a subsequent Tencent designee to the Board) obtains by virtue of serving on the Board, which breach is not cured within 30 days following Tencent's receipt of written notice of such breach. Tencent, through its controlled affiliates, held 20.2% of Glu's outstanding shares as of April 11, 2018. Other than the appointment of each of Mr. Ma and Mr. Feder by Tencent, there are no arrangements or understandings between any director, nominee or executive officer and any other person pursuant to which he or she has been or will be selected as a director and/or executive officer.

The Board recommends that stockholders vote "FOR" the election of Eric R. Ball, Nick Earl and Ann Mather as Class II Directors.

Information Regarding Our Nominees and Directors

Nominees for Class II Directors (whose terms expire at the Annual Meeting)

Eric R. Ball (Age 54)
General Partner, Impact Venture Capital.

Dr. Ball has served as one of our directors since October 2013. Dr. Ball serves as General Partner of Impact Venture Capital, a technology investment firm, a position he has held since January 2015, and was Chief Financial Officer of C3, Inc. (doing business as C3 IoT), a full-stack development platform for the "Internet of Things," from August 2015 to May 2016. Prior to then, Dr. Ball served as Senior Vice President and Treasurer of Oracle Corporation, a global computer technology company, from May 2005 to September 2015. Before joining Oracle, Dr. Ball worked in a variety of headquarters and operating finance roles at Flextronics, Inc., Cisco Systems, Inc., Avery Dennison, and AT&T Inc. Dr. Ball serves as an advisor to Kyriba Corporation and SineWave Ventures, and since March 2017 as a board member to Answers Corporation. Dr. Ball holds an A.B. in economics from the University of Michigan, an M.A in economics/finance and an M.B.A. from the University of Rochester and a Ph.D. in management from the Drucker-Ito School of Management.

Dr. Ball's more than 20 years of experience in finance and operations with technology companies, particularly those larger than Glu, led the Board to conclude that he should serve as a director. In addition, our Board's determination in light of his experience as a finance executive and director overseeing or assessing the performance of companies and public accountants, that Dr. Ball is an "audit committee financial expert" lends further support to his financial acumen and qualifications for serving on our Board.

Nick Earl (Age 52)
President and Chief Executive Officer, Glu Mobile Inc.

Mr. Earl has served as our President and Chief Executive officer since November 2016 and prior to that was our President of Global Studios from November 2015 to November 2016. Before joining us, from November 2014 to September 2015, Mr. Earl served as President of Worldwide Studios at Kabam. From September 2001 to October 2014, Mr. Earl served in several management positions at Electronic Arts, including most recently as Senior Vice President & General Manager of EA Mobile. From 1999 to 2001, Mr. Earl served as VP Product Development at Eidos. From April 1993 to March 1999, Mr. Earl served as an executive producer / GM at The 3DO Company. Mr. Earl holds a B.A. in economics from the University of California at Berkeley.

Mr. Earl's experience as our President and Chief Executive Officer, which gives him unique insights into our challenges, opportunities and operations, and his strong background of senior management in the mobile gaming sector led the Board to conclude that he should serve as a director.

Ann Mather (Age 58)
Independent Director of and Advisor to Technology and Media Companies

Ms. Mather has served as one of our directors since September 2005. She has also served as a member of the board of directors of: Google Inc. since November 2005 and serves as chair of its audit committee; Netflix, Inc. since July 2010 and serves as chair of its audit committee; MGM Holdings Inc. since December 2010 and serves as lead independent director; Shutterfly, Inc. since May 2013 and serves on its audit committee; and Arista Networks, Inc. since July 2013 and serves as chair of its audit committee. Ms. Mather has also been an independent trustee to the Dodge & Cox Funds board of trustees since May 2011. During the last five years, she also served as a director of MoneyGram International, Inc. from May 2010 to May 2013 and Solazyme, Inc. from April 2011 to November 2014. From 1999 to 2004, Ms. Mather was Executive Vice President and Chief Financial Officer of Pixar, Inc. Prior to her service at Pixar, Ms. Mather was Executive Vice President and Chief Financial Officer of Village Roadshow Pictures, the film production division of Village Roadshow Limited. Ms. Mather holds an M.A. in geography from Cambridge University in England.

Ms. Mather's experience as the chief financial officer of two companies, including a publicly traded company, her international experience gained through several executive positions in Europe and her experience as a director of high technology companies led the Board to conclude that she should serve as a director.

Continuing Class III Directors (whose terms expire at the 2019 Annual Meeting of Stockholders)

Niccolo de Masi (Age 37)
President, Essential
Executive Chairman, Glu Mobile Inc.

Mr. de Masi has served as our Executive Chairman since November 2016, President and Chief Executive Officer from January 2010 to November 2016, as one of our directors since January 2010, as interim Chairman of our board of directors from July 2014 to December 2014 and as the Chairman of our board of directors since December 2014. Since November 2016, Mr. de Masi has served as the President of Essential, a mobile phone hardware company. Prior to joining Glu, Mr. de Masi was the Chief Executive Officer and President of Hands-On Mobile, a mobile technology company and developer and publisher of mobile entertainment, from October 2009 to December 2009, and previously served as the President of Hands-On Mobile from March 2008 to October 2009. Prior to joining Hands-On Mobile, Mr. de Masi was the Chief Executive Officer of Monstermob Group PLC, a mobile entertainment company, from June 2006 to February 2007. Mr. de Masi joined Monstermob in 2004 and, prior to becoming its Chief Executive Officer, held positions as its Managing Director and as its Chief Operating Officer, where he was responsible for formulating and implementing Monstermob's growth and product strategy. Prior to joining Monstermob, Mr. de Masi worked in a variety of corporate finance and operational roles within the technology, media and telecommunications (TMT) sector, beginning his career with JP Morgan on both the TMT debt capital markets and mergers and acquisitions teams in London. He has also worked as a physicist with Siemens Solar and within the Strategic Planning and Development divisions of Technicolor. During the last five years, Mr. de Masi served as a director of Xura, Inc. from November 2015 until its sale in August 2016. Mr. de Masi holds an M.A. degree in physics and an MSci. degree in electronic engineering—both from Cambridge University.

Mr. de Masi's successful tenure as our President and Chief Executive Officer and current position as Executive Chairman, which gives him unique insights into our challenges, opportunities and operations, and his strong background of senior management and executive experience in the mobile gaming and content sectors led the Board to conclude that he should serve as a director.

Greg Brandeau (Age 56)
Managing Partner, Paradox Strategies

Mr. Brandeau has served as one of our directors since August 2015. Since May 2014, Mr. Brandeau has served as Managing Partner of Paradox Strategies (fka Slices of Genius), a consulting organization founded by Mr. Brandeau. He served as President and Chief Operating Officer of Maker Media, Inc., a global platform for connecting makers with each other, with products and services, and with partner organizations, from September 2013 to April 2014. Prior to Maker Media, Mr. Brandeau served as Chief Technology Officer of The Walt Disney Studios, a motion picture studio, from November 2009 to April 2012. Prior to that, he served as Senior Vice President of Technology for Pixar Animation Studios, a computer animation studio, from February 2004 to November 2009. Mr. Brandeau is an Advisory Board Member for Infrascale, Inc. and the California Institute for Telecommunications and Information Technology, and a member of the Visiting Committee for the Humanities at the Massachusetts Institute of Technology. In addition to his prior technology management roles at Maker Media, The Walt Disney Studios and Pixar, he has served in various technology management roles for Walt Disney Animation Studios, Perlegen Sciences Inc., NeXT Computer, Inc. and Mountain Network Solutions, Inc. He is the co-author of *Collective Genius: The Art and Practice of Leading Innovation*. Mr. Brandeau holds B.S and M.S degrees in electronic engineering from the Massachusetts Institute of Technology, and an M.B.A. from Duke University.

Mr. Brandeau's strong background in technology management, particularly through his experiences in senior technology management roles at dynamic and innovative companies like Disney, Pixar, and NeXT Computer, led the Board to conclude that he should serve as a director.

Gabrielle Toledano (Age 51)
Chief People Officer, Tesla Inc.

Ms. Toledano has served as one of our directors since December 2017. Since May 2017, Ms. Toledano has served as the Chief People Officer of Tesla Inc., a manufacturer of electric vehicles and energy storage products. From December 2016 to May 2017, Ms. Toledano served as an Advisor to, and from February 2006 to December 2016 as the Chief Talent Officer and Executive Vice President at, Electronic Arts Inc., an interactive entertainment software company. From February 2017 to March 2017, she served as a consultant to Slack Technologies, Inc., a software company. Prior to joining Electronic Arts, from 2002 to 2006 Ms. Toledano served as Chief Human Resources Officer at Siebel Systems, Inc., a supplier of customer software solutions and services. From 1991 to 2002, Ms. Toledano served in various human resources positions at Microsoft Corporation and Oracle Corporation. Ms. Toledano has served as a director of Visier Inc. since May 2014 and TalentSky since January 2015, and previously served as a director of Jhana from November 2016 to July 2017, Jive Software from November 2015 to June 2017, Big City Mountaineers from May 2011 to September 2014, and the Society of Human Resource Management from February 2009 to July 2011. She also served on the Advisory Board of Rocket Fuel Inc. from January 2013 to January 2014. Ms. Toledano holds a B.A. in modern thought and literature and an M.A. in education from Stanford University.

Ms. Toledano's strong background in gaming and technology management, including her extensive experience as an executive in the HR field of various public companies, and her broad experience as a director of technology companies led the Board to conclude that she should serve as a director.

Continuing Class I Directors (whose terms expire at the 2020 Annual Meeting of Stockholders)

Ben Feder (Age 54)
President, International Partnerships (North America) of Tencent Holdings Limited

Mr. Feder has served as one of our directors since January 2017 and was appointed to our board by Tencent. Since October 2016, Mr. Feder has served as President, International Partnerships (North America) of Tencent, which is a leading Internet and gaming company in China. From 2001 to October 2016, Mr. Feder served in various positions at ZelnickMedia Corporation., a media investment and management firm, including as co-founder, partner and vice chairman. From April 2007 to April 2010, Mr. Feder served as a member of the board of directors of Take Two Interactive Software Inc., or Take Two, a leading developer and publisher of video games, and from April 2007 to December 2010 he also served as Chief Executive Officer of Take Two. Prior to co-founding ZelnickMedia in 2001, Mr. Feder was Chief Executive Officer of MessageClick, Inc., a leading provider of voice messaging technology for next-generation telephone networks, and held a senior position with News Corporation. Mr. Feder received a B.A. in history from Columbia University and an M.B.A. from the Harvard Business School.

Mr. Feder's deep knowledge of the gaming industry, including his leadership experience at both Tencent and Take Two, led the Board to conclude that he should serve as a director.

Hany M. Nada (Age 49)
Venture Partner, GGV Capital

Mr. Nada has served as one of our directors since April 2005. Mr. Nada co-founded GGV Capital (formerly Granite Global Ventures) in 2000 and served as a Managing Director until October 2016, and has served as a Venture Partner since November 2016. He also served as Managing Director and Senior Research Analyst at Piper Jaffray & Co., specializing in Internet software and e-infrastructure. Mr. Nada serves on the boards of directors of several privately held companies, including DraftKings, Inc., Phoenix Labs, Upsight, Inc., and WildTangent, Inc, and was previously on the board of directors of Vocera Communications, Inc., a publicly traded company. In addition, Mr. Nada is an observer on the board of directors of Houzz, Inc. Mr. Nada holds a B.S. in economics and a B.A. in political science from the University of Minnesota.

Mr. Nada's experience in the venture capital industry, which includes a focus on software, wireless applications, and multimedia, his expertise and insights into high technology companies that he gained during his tenure as Managing Director and Senior Research Analyst at Piper Jaffray & Co., his experience as a director of high technology companies and his relationship with entities owning a significant percentage of our common stock led the Board to conclude that he should serve as a director.

Benjamin T. Smith, IV (Age 50)
Senior Advisor, A.T. Kearney

Mr. Smith has served as one of our directors since November 2010, interim co-Lead Director from July 2014 to December 2014 and Lead Director since April 2016. Mr. Smith has been a Senior Advisor at the strategic consulting firm, A.T. Kearney, since October 2016 and prior to that served as the Chief Executive Officer of Wanderful Media, a new media shopping company, from April 2012 to June 2016. Prior to joining Wanderful Media, Mr. Smith served as an independent director of and advisor to technology companies, including in his role as a Venture Partner at Accelerator Venture Capital, where he has served since December 2011. Previously, Mr. Smith served as the Chairman and Chief Executive Officer of WYBS, Inc. d/b/a MerchantCircle, a leading social network of small business owners, from when he co-founded the company in August 2004 until the company was sold to Reply.com in May 2011. Mr. Smith served as the Senior Vice President of Corporate Development and a strategic advisor to Borland Software Corporation, a vendor of Open Application Lifecycle Management solutions, from March 2005 to October 2007 and the Chief Executive Officer of, and an advisor to, CodeGear, a division of Borland, from November 2006 to October 2007. Mr. Smith previously co-founded Spoke Software, Inc., a provider of social networking software that connects business professionals, in 2002, and served as its Chief Executive Officer from 2002 to 2004. Mr. Smith also served the Bush Administration as the Senior Advisor for Strategy and Planning to the Secretary of Transportation from 2001 to 2002. Prior to then, Mr. Smith was a Vice President and Partner at A.T. Kearney, and Vice President, Venture Development at Electronic Data Systems Corporation (EDS) after A.T. Kearney was purchased by EDS. In addition, Mr. Smith serves as an advisor or investor in several other private companies and provides advisory services to a number of high-technology companies. He also advised and led the board of directors of Tapulous Inc., a mobile social gaming company, from its founding in 2009 until its sale to The Walt Disney Company in July 2010. Mr. Smith holds a B.S. in mechanical engineering from the University of California at Davis and an M.B.A. from Carnegie Mellon University's Tepper School of Business.

Mr. Smith's extensive operating and investment experience in the social networking and gaming industries, which includes having co-founded two social networking companies, and his experience as a director of and strategic consultant to high-technology companies led the Board to conclude that he should serve as a director.

CORPORATE GOVERNANCE

Our Board has adopted Corporate Governance Principles that are designed to assist the Board in observing practices and procedures that serve the best interests of Glu and our stockholders. The Nominating and Governance Committee oversees these Corporate Governance Principles and periodically makes recommendations to the Board regarding any changes. These Corporate Governance Principles address, among other things, our policy on succession planning and senior leadership development, retirement, Board performance evaluations and committee structure.

We maintain a corporate governance page on our company website that includes key information about corporate governance matters, including copies of our Corporate Governance Principles, our Code of Business Conduct and Ethics for all employees, including our senior executive and financial officers, and the charter for each Board committee. The link to this corporate governance page can be found at www.glu.com/investors.

Board Responsibilities and Leadership Structure

Our Board oversees management's performance on behalf of our stockholders. The Board's primary responsibilities are to (1) select, oversee and determine compensation for our President and Chief Executive Officer who, with senior management, manages our day-to-day operations, (2) monitor management's performance to assess whether we are operating in an effective, efficient and ethical manner to create value for our stockholders and (3) periodically review our long-term plans, business initiatives, capital projects and budget matters.

The Board and its committees meet throughout the year on a set schedule, and also hold special meetings and act by written consent from time to time as appropriate. The Board held seven meetings during 2017 and acted by unanimous written consent three times. The independent directors meet without management present at regularly scheduled executive sessions, and in 2017 the independent directors held executive sessions at a total of six Board meetings. The Board has delegated certain responsibilities and authority to the committees described below. Committees report regularly to the full Board on their activities and actions.

The Board designated Mr. de Masi as its interim Chairman in July 2014, as its Chairman in December 2014 and as its Executive Chairman in November 2016. The Board believes that it should maintain flexibility to select its Chairman and board leadership structure from time to time. The Board believes that it is currently in the best interest of Glu and its stockholders for Mr. de Masi to serve as Executive Chairman in light of his knowledge of our company and our industry, his previous role as Chief Executive Officer, his relationships with many of our celebrity licensors, his experience executing successful strategic acquisitions and investments, and his ability to support Mr. Earl in his role as the chief executive officer.

The Board has also established a Lead Director position, which the Board believes provides an appropriate balance in our leadership. In April 2016, the Nominating and Governance Committee recommended to the Board the appointment of Mr. Smith as the Lead Director which was subsequently approved by the Board.

The role given to the Lead Director helps ensure a strong independent and active Board. The Lead Director presides over executive sessions of non-management or independent directors, serves as a liaison between the Executive Chairman and the independent directors, is available, under appropriate circumstances, for consultation and direct communication with stockholders and performs such other functions and responsibilities as requested by the Board from time to time. The Lead Director will also encourage direct dialogue between all directors (particularly those with dissenting views) and management.

Insider Trading, Hedging, Pledging and Short-Selling Policies

Our Insider Trading Policy prohibits our directors, officers, employees and contractors from purchasing or selling Glu securities while in possession of material, non-public information. In order to ensure that trading is conducted only at times when our directors, officers and certain employees with regular access to confidential information about Glu or our business are not aware of material nonpublic information about us, our Insider Trading Policy requires that each such person pre-clear any proposed trades of our stock with our General Counsel.

In addition, our Insider Trading Policy prohibits all directors, officers and employees from short-selling Glu stock, or engaging in hedging transactions, such as where they may acquire, sell, or trade in any interest or position relating to the future price of Glu securities, such as a put option or a call option. These policies were established in part because there is often a conflict of interest involved when an employee bets against our performance. Our officers and directors are also prohibited from pledging any Glu securities as collateral in a margin account or for a loan unless such pledge (or any modification of an existing pledge) is approved by Glu's Insider Trading Compliance Officer and the Nominating and Governance Committee.

Role of the Board in Risk Oversight

One of our Board's key functions is providing oversight of our risk management process. The Board does not have a standing risk management committee but rather administers this oversight function directly through the Board as a whole, as well as through the Board's standing committees that each address risks inherent in their respective areas of oversight. In particular, our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, our Compensation Committee assesses and monitors whether any of our compensation policies and programs have the potential to encourage excessive risk-taking, our Nominating and Governance Committee monitors our major legal compliance risk exposures and our program for promoting and monitoring compliance with applicable legal and regulatory requirements, and our Board is responsible for monitoring and assessing strategic risk exposure and other risks not covered by our committees.

The full Board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives reports on the risks we face from our Executive Chairman, Chief Executive Officer or other members of management to enable us to understand our risk identification, risk management and risk mitigation strategies regarding strategic and operational risks, including but not limited to cybersecurity risk. When a committee receives the report, the chairman of that committee reports on the discussion to the full Board at the next Board meeting. However, the committee chairs are responsible for reporting findings regarding material risk exposures to the Board as quickly as possible. We believe that our Board's leadership structure supports effective risk management because it allows our Lead Director and the independent directors on our committees to exercise oversight over management.

Director Independence

Our Board currently includes six independent directors, two of whom are standing for election at the Annual Meeting. To be considered independent under Nasdaq rules, a director may not be employed by Glu or engage in certain types of business dealings with us. In addition, as required by the rules of The Nasdaq Stock Market, the Board has made a determination as to each independent director currently serving on the Board or who served on the Board during 2017 that no relationship exists which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board reviewed and discussed information provided by the directors and by our management with regard to each director's business and personal activities as they relate to Glu and our management. In assessing director independence under The Nasdaq Stock Market rules, the Nominating and Governance Committee and the full Board reviewed relevant transactions, relationships and arrangements that may affect the independence of our Board members, including that:

- Mr. Feder is an officer of Tencent, and wholly-owned subsidiaries of Tencent own in the aggregate, greater than 20% of our outstanding capital stock, and we regularly conduct business in the ordinary course with other subsidiary entities of Tencent;

- Ms. Mather was during 2017, and currently is, (a) a director of Google Inc., a company with which we conduct business in the ordinary course and revenues from which represented 30.3% of our total revenues in 2017; and (b) a director of MGM Holdings Inc., which is affiliated with MGM Interactive, Inc., a company with which we have a commercial relationship; and

- Mr. Nada serves as one of the seven managing directors of Granite Global Ventures II L.L.C., the general partner of each of Granite Global Ventures II L.P. and GGV II Entrepreneurs Fund L.P., which together beneficially owned approximately 0.56% of our common stock as of December 31, 2017. As of December 31, 2017, GGV Capital IV L.L.C. owned greater than 10% of the outstanding shares of Upsight, Inc., an entity from which we earned less than 1% of our revenues in 2017.

After reviewing these transactions and other relevant standards, the Board determined that each of Dr. Ball, Mr. Brandeau, Ms. Mather, Mr. Nada, Mr. Smith and Ms. Toledano is, and Mr. Miller was throughout the period in which he served on our Board, an independent director.

Attendance at Board, Committee and Annual Stockholders Meetings

The Board expects that each director will prepare for, attend and participate in all Board and applicable committee meetings and that each Board member will see that other commitments do not materially interfere with his or her service on the Board. Our Corporate Governance Principles provide that non-employee directors may not serve on the boards of more than five public companies, and our Chief Executive Officer may not serve on the boards of more than two public companies, in each case including Glu.

No director attended fewer than 75% of the aggregate number of meetings of the Board and the committees on which he or she served in 2017. None of our directors attended the 2017 Annual Meeting of Stockholders. Under our Corporate Governance Principles, all directors are encouraged to attend the annual meetings of our stockholders.

Board Committees and Charters

The Board currently has a standing Audit Committee, Compensation Committee, Nominating and Governance Committee and Strategy Committee. The members of each committee are appointed by the Board based on recommendations of the Nominating and Governance Committee. Each committee member of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee is an independent director as determined by the Board in accordance with The Nasdaq Stock Market listing standards. On the Strategy Committee, each of Messrs. de Masi, Earl and Feder are considered non-independent under the rules of The Nasdaq Stock Market. Each of the Audit Committee, Compensation Committee and Nominating and Governance Committee has a charter and annually reviews its charter and makes recommendations to our Board for revision to reflect changes in laws and regulations and evolving best practices. Copies of each charter can be found on our website at http://www.glu.com/investors (by clicking on the "corporate governance" link). Current committee members are as follows:*

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee	Strategy Committee
Eric R. Ball	Chair	—	—	—
Greg Brandeau	—	Member	Chair	—
Niccolo M. de Masi	—	—	—	Member
Nick Earl	—	—	—	Member
Ben Feder	—	—	—	Member
Ann Mather	—	—	Member	—
Hany M. Nada	Member	Member	—	Member
Benjamin T. Smith, IV	Member	Chair	Member	Chair

Audit Committee

The Audit Committee currently consists of three of our outside directors, Dr. Ball, who is the committee chair, and Messrs. Nada and Smith. The composition of our Audit Committee meets the requirements for independence under the current rules and regulations of The Nasdaq Stock Market and the SEC. Each member of our Audit Committee is financially literate. Our Board has determined that Dr. Ball is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K. The Audit Committee met eight times during 2017, including holding an executive session with our independent registered public accounting firm at each of those meetings. The Audit Committee's responsibilities and activities are described in greater detail in the section titled "Audit Committee Report" in this proxy statement and the committee's charter, which was most recently revised in January 2016 and is available on our website at http://www.glu.com/investors (by clicking on the "corporate governance" link).

Compensation Committee

The Compensation Committee currently consists of three of our outside directors, Mr. Smith, who is the committee chair, and Messrs. Nada and Brandeau. The composition of the Compensation Committee meets the requirements for independence under the current rules and regulations of The Nasdaq Stock Market, the SEC and the Internal Revenue Code (the "Code"). The Compensation Committee, which met seven times and acted by written consent six times during 2017, discharges the responsibilities of our Board relating to compensation of our executive officers and oversees our company-wide cash and equity compensation programs. The Compensation Committee's responsibilities and activities are described in greater detail in the section titled "Compensation Discussion and Analysis" in this proxy statement and in the Compensation Committee's charter, which was most recently revised in April 2016 and is available on our website at http://www.glu.com/investors (by clicking on the "corporate governance" link).

Nominating and Governance Committee

The Nominating and Governance Committee currently consists of three of our outside directors, Ms. Mather, and Messrs. Smith and Brandeau. Mr. Miller served as committee chair from April 2016 through his resignation on March 8, 2017 at which time the Board appointed Mr. Smith as chair of the Nominating and Governance Committee. In April 2017, Mr. Brandeau was appointed as a member and the new committee chair upon recommendation of the Nominating and Governance Committee and subsequent approval by the Board. The composition of our Nominating and Governance Committee meets the requirements for independence under the current rules and regulations of The Nasdaq Stock Market and the SEC. Our Nominating and Governance Committee, which met two time during 2017 and acted by written consent one time during 2017, makes recommendations to the Board regarding Board and committee composition and appropriate corporate governance standards, reviews related party transactions, and administers our Code of Business Conduct and Ethics and Corporate Governance Principles, among other things. The Nominating and Governance Committee's responsibilities and activities are described in greater detail in the committee's charter, which was most recently revised in April 2010, and is available on our website at http://www.glu.com/investors (by clicking on the "corporate governance" link).

Strategy Committee

The Strategy Committee currently consists of five of our directors, Mr. Smith, who is the committee chair, and Messrs. de Masi, Earl, Feder, and Nada. Mr. Feder was appointed a member of the Strategy Committee in March 2017. Our Strategy Committee assists the Board and senior management in refining our strategic vision and growth initiatives.

Compensation Committee Interlocks and Insider Participation

During 2017, Messrs. Brandeau, Nada and Smith each served on the Compensation Committee. None of these individuals is or has been an officer or employee of Glu or any of our subsidiaries. There are no other relationships between committee members and Glu or any other company that are required by SEC regulations to be disclosed under this caption.

Risk Analysis of Performance-Based Compensation Plans

The Compensation Committee believes that our executive compensation programs do not encourage excessive and unnecessary risk-taking. The design of these compensation programs is intended to encourage our executive officers to remain focused on both our short-and long-term financial goals in several key respects. In January 2017, the Compensation Committee approved our 2017 Executive Bonus Plan that included financial goals that were closely aligned with our business strategy and 2017 full year operating plan; the committee believed that if our executive officers were able to achieve these goals, it would result in company-wide success and create stockholder value. The 2017 Executive Bonus Plan did not contain any individual goals, since the committee believed it preferable to have the annual bonuses for our executives based on objective measures that reflected the achievement of significant corporate financial goals, rather than more subjective individual contributions that were not correlated as precisely with our overall financial success. In October 2017, the Compensation Committee determined to revise our executive compensation program in order to emphasize a pay-for-performance culture by (1) eliminating cash bonuses for executives for 2018 and replacing the executive cash bonus plan with performance-based stock options ("***PSOs***") and (2) having a significant portion of each executive officer's annual equity award be comprised of either PSOs or performance-based restricted stock units ("***PSUs***") in addition to standard time vesting stock options. The committee believed that these changes to our executive compensation program will better align the interests of our executive officers with our stockholders and is consistent with our strategic goals of realizing significant bookings and Adjusted EBITDA growth in 2018 and beyond.

All equity awards granted to our executive officers in 2017 (other than the PSOs granted in lieu of annual cash bonus opportunity) vest over three years (for the PSOs and PSUs granted as a portion of each executive officer's annual equity award) or four years (for time vesting stock options), encouraging executive officers to focus on sustained stock price appreciation over the long term. Additionally, our Board adopted a clawback policy in 2017 which authorizes our Board to recoup past incentive compensation paid to executive officers in certain situations and our Board is able to include clawback provisions in award agreements for our executive officers. Finally, our system of internal controls over financial reporting, standards of business conduct and compliance programs, among other things, reduce the likelihood of manipulation of our financial performance to enhance payments under our executive bonus plan.

DIRECTOR COMPENSATION

Overview

The Compensation Committee and the Nominating and Governance Committee evaluate the appropriate level and form of compensation for non-employee directors on an annual basis and recommend changes to the Board when appropriate. Our non-employee director compensation program is set forth below:

- Non-employee directors receive an annual cash retainer of $30,000;
- The Lead Director receives an additional annual cash retainer of $20,000;
- The chair of the Audit Committee receives additional annual cash compensation of $20,000;
- The chair of the Compensation Committee receives additional annual cash compensation of $15,000;
- The chair of the Nominating and Governance Committee receives additional annual cash compensation of $5,000;
- The chair of the Strategy Committee receives additional cash compensation of $20,000; and
- Each non-employee director receives additional annual compensation of $5,000 for service on each of the Audit Committee, Compensation Committee, Nominating and Governance Committee or Strategy Committee, other than as chair.

All cash compensation to directors is paid in arrears in quarterly installments. We also reimburse our directors for reasonable expenses in connection with attendance at Board and committee meetings.

Each new non-employee director is eligible to receive an initial equity award of, at each director's discretion, either (1) an award of 20,000 shares of our restricted common stock, or (2) an immediately exercisable option to purchase 60,000 shares of our common stock. This initial award vests with respect to 33⅓% of the underlying shares after six months and thereafter vests in equal monthly installments over the next 24 months.

Each year immediately following our annual meeting of stockholders, each non-employee director receives (1) a restricted stock unit ("RSU") award covering 25,000 shares of our common stock and (2) a stock option to purchase 50,000 shares of our common stock (with the stock option award and the RSU award vesting on the earlier to occur of (a) the first anniversary of the grant date and (b) the date of our next annual meeting of stockholders that follows the grant date). In addition, our 2007 Equity Incentive Plan, under which we grant equity awards to our non-employee directors, provides that each of the equity awards held by our non-employee directors will accelerate in full immediately prior to a change in control of Glu.

In connection with Mr. Miller's resignation from the Board, and in consideration of Mr. Miller's service to Glu, on March 8, 2017, the Board approved (1) the acceleration in full of the final tranches of a stock option award and an RSU award held by Mr. Miller and (2) the extension of the exercise period for all unexercised and vested stock options held by Mr. Miller. The stock option and RSU award were each granted to Mr. Miller on June 2, 2016. The stock option vested pro rata monthly over one year and had three vesting dates remaining until becoming fully vested on June 2, 2017. The RSU was scheduled to vest in full on June 2, 2017. In total, the vesting of an aggregate of 12,500 option shares and 25,000 shares underlying RSUs held by Mr. Miller were accelerated and the exercise period for all of his unexercised and vested stock options to purchase an aggregate of 333,333 shares of our common stock was extended to December 31, 2017. Mr. Miller did not participate in the Board's decision to accelerate his outstanding and unvested equity awards and to extend the exercise period for all of his unexercised stock options.

Since Mr. de Masi and Mr. Earl are each executive officers and since Mr. Ma and Mr. Feder, who replaced Mr. Ma on our Board in January 2017, were appointed by a greater than 10% stockholder, we do not provide, and have not provided, Messrs. de Masi, Earl, Ma or Feder any compensation for service on our Board. We also do not provide any compensation to Messrs. de Masi, Mr. Earl or Mr. Feder for their service on the Strategy Committee.

Director Summary Compensation Table

The following table sets forth certain information with respect to compensation awarded to, earned by or paid to each person who served as a non-employee director during 2017.

Name	Fees Earned or Paid in Cash ($)	Stock Awards(1)(2)(3) ($)	Option Awards(1)(2)(3) ($)	Total ($)
Eric R. Ball	50,000	65,750	61,895	177,645
Greg Brandeau	37,350	65,750	61,895	164,995
Ben Feder(4)	—	—	—	—
Steven Ma(5)	—	—	—	—
Ann Mather	35,000	65,750	61,895	162,645
William J. Miller(6)	15,264	—	—	15,264
Hany M. Nada	45,000	65,750	61,895	172,645
Benjamin T. Smith, IV	95,000	65,750	61,895	222,645
Gabrielle Toledano(7)	—	—	109,218	109,218

(1) Amounts shown in this column do not reflect dollar amounts actually received by the non-employee director. Instead, these amounts reflect the grant date fair value calculated in accordance with FASB ASC Topic 718 of each RSU award or stock option award, as applicable. See Note 9 — Stock Option and Other Benefit Plans — in the notes to consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2017 for a description of the ASC Topic 718 methodology and assumptions.

(2) On June 8, 2017, following our 2017 Annual Meeting of Stockholders, each of Ms. Mather, Dr. Ball and Messrs. Brandeau, Nada, and Smith received an option to purchase 50,000 shares of our common stock at an exercise price of $2.63 per share and an RSU award for 25,000 shares.

(3) The aggregate number of outstanding stock options and unvested RSU awards held by each of our non-employee directors as of December 31, 2017 was as follows:

Name	Stock Options	RSU Awards
Eric R. Ball	260,000	25,000
Greg Brandeau	160,000	25,000
Ben Feder	—	—
Ann Mather	300,000	25,000
Hany M. Nada	300,000	25,000
Benjamin T. Smith, IV	300,000	25,000
Gabrielle Toledano	60,000	—

(4) Mr. Feder does not receive compensation for service on our Board.

(5) Mr. Ma resigned from our Board effective January 23, 2017 and was replaced by Mr. Feder on January 26, 2017.

(6) Mr. Miller resigned from our Board effective March 9, 2017.

(7) On November 30, 2017, Ms. Toledano joined our Board and received an option to purchase 60,000 shares of our common stock at an exercise price of $3.91 per share. Ms. Toledano earned fees of $2,609 for her service on the Board during 2017, but such amount was not paid until 2018.

STOCKHOLDER MATTERS

Stockholder Communications with Directors

Stockholders may communicate with the Board by sending an email to bod@glu.com, or by sending written correspondence to: Board, c/o Corporate Secretary, Glu Mobile Inc., 875 Howard Street, Suite 100, San Francisco, California 94103. Communications are distributed to the Board, or to any individual directors as appropriate, depending on the facts and circumstances outlined in the communication. The Board has instructed the Corporate Secretary to review all correspondence and to determine, in his discretion, whether matters submitted are appropriate for Board consideration. In particular, the Board has directed that communications such as product or commercial inquiries or complaints, resume and other job inquiries, surveys and general business solicitations or advertisements should not be forwarded to the Board. In addition, material that is unduly hostile, threatening, illegal, patently offensive or similarly inappropriate or unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any non-management director upon request. The Corporate Secretary may forward certain communications to another person or department for review and possible response.

Stockholder Recommendations of Director Candidates

The Nominating and Governance Committee will consider nominees recommended by stockholders for election as directors. If a stockholder would like to recommend a director candidate for our 2019 Annual Meeting of Stockholders, the stockholder must deliver notice in writing to the Corporate Secretary, Glu Mobile Inc., 875 Howard Street, Suite 100, San Francisco, California 94103. Such notice must set forth the information required under our Bylaws to be included in the notice. A copy of our Bylaws, which we most recently amended on March 7, 2014, may be obtained from the SEC's website.

Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected identified candidates as appropriate. In conducting its review and evaluation, the Nominating and Governance Committee may solicit the views of management, other members of the Board and other individuals it believes may have insight into a candidate's qualifications and the needs of the Board and its committees. Candidates for the Board are generally selected based on desired skills and experience in the context of the existing composition of the Board and needs of the Board and its committees at that time, including the requirements of applicable rules and regulations of the SEC and The Nasdaq Stock Market. The Nominating and Governance Committee will consider these needs and further evaluate each candidate's qualifications based on their independence, integrity, collegiality, diversity, skills, financial, technical, operational and other expertise and experience, breadth of experience, practical wisdom, judgment, knowledge about our business or industry, personal and professional ethics, availability and commitment to representing and enhancing the long-term interests of our stockholders. From time to time, the Nominating and Governance Committee may also identify and consider other factors that reflect our environment as it evolves or that it believes will otherwise contribute to the Board's overall effectiveness and our success. Although the Nominating and Governance Committee does not have a specific policy on diversity, the committee considers the criteria noted above in selecting nominees for directors, including members from diverse backgrounds who combine a broad spectrum of experience and expertise. The Nominating and Governance Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily applicable to all candidates, and will choose candidates to recommend for nomination based on the specific needs of the Board and Glu at that time. Although the Nominating and Governance Committee uses these and other criteria as appropriate to evaluate candidates, the Nominating and Governance

Committee has no stated minimum criteria for candidates. All candidates, including those nominated by stockholders, are evaluated in the manner described above. Final approval of nominees to be presented for election is determined by the full Board.

Stockholder Proposals for the 2019 Annual Meeting of Stockholders

Under SEC Rule 14a-8, any stockholder who intends to present a proposal for inclusion in our 2019 proxy statement and form of proxy must submit the proposal, in writing, so that the Corporate Secretary receives it at our principal executive offices by December 27, 2018. Any stockholder who wishes to bring a proposal or nominate a person for election to the Board at the 2019 Annual Meeting of Stockholders must provide written notice of the proposal or nomination to our Corporate Secretary, at our principal executive offices, between February 7, 2019 and March 9, 2019. In addition, our stockholders must comply with the other procedural requirements in our Bylaws, including that such stockholders must have continuously beneficially owned at least 1% of our outstanding common stock for a period of one year prior to the date of the submission of the proposal or nomination and continue to be a stockholder of record at the time of the annual meeting, entitled to vote at such meeting and otherwise complying with the requirements in our Bylaws. Any notice delivered by a stockholder in connection with a nomination or proposal must include, among other things, (a) a written consent to the public disclosure of information provided by such persons pursuant to our Bylaws; (b) a description of (i) any agreement with respect to the nomination or proposal between or among such stockholder and associated person(s) and any of their respective affiliates or associates, and (ii) as to each person whom such stockholder or associated person proposes to nominate for election or re-election as a director, a description of any agreement of such person with any other person or entity (other than Glu) with respect to any compensation, reimbursement or indemnification in connection with service or action as a director known to such stockholder or associated person; and (c) a representation that the stockholder has continuously beneficially owned at least 1% of our outstanding common stock for the one-year period before giving such notice, is entitled to vote at such meeting and intends to appear at the meeting to propose such business or nomination.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding ownership of our common stock as of April 11, 2018 by:

- Each Named Executive Officer (defined in "Compensation Discussion and Analysis" below);
- Each of our directors;
- All current executive officers and directors as a group; and
- All persons known to us to beneficially own 5% or more of our common stock.

We calculated the "Percent of Class" based on 139,660,141 shares of common stock outstanding on April 11, 2018. In accordance with SEC regulations, we also included shares subject to equity awards that are currently vested or will become vested by June 10, 2018 (i.e., within 60 days of April 11, 2018). We deem those shares outstanding and beneficially owned by the person holding the award for computing that person's percentage ownership, but they are not treated as outstanding for computing any other person's percentage ownership. Unless otherwise indicated, each person has sole voting and investment power with respect to the shares each person beneficially owns, and the address of each person is: c/o Glu Mobile Inc., 875 Howard Street, Suite 100, San Francisco, California 94103.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
5% Stockholders:		
Red River Investment Limited(1)	28,194,690	20.2%
Vanguard Group Inc.(2)	7,691,371	5.5%
BlackRock Inc.(3)	7,338,290	5.3%
Named Executive Officers and Directors:		
Niccolo M. de Masi(4)	1,578,103	1.1%
Nick Earl(5)	1,408,514	1.0%
Eric R. Ludwig(6)	1,466,029	1.0%
Chris Akhavan(7)	844,765	*
Scott Leichtner(8)	578,845	*
Eric R. Ball(9)	360,000	*
Greg Brandeau(10)	210,000	*
Ben Feder(11)	—	*
Ann Mather(12)	353,666	*
Hany M. Nada (13)	1,091,457	*
Benjamin T. Smith, IV(14)	429,149	*
Gabrielle Toledano(15)	60,000	*
All directors and executive officers as a group (12 persons)(16)	8,380,528	5.8%

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

(1) The information is based solely upon a Schedule 13D/A filed with the SEC on February 26, 2016 by Tencent Holdings Limited ("Tencent"), Red River Investment Limited, a wholly-owned subsidiary of Tencent ("Red River"), and THL E Limited, a wholly-owned subsidiary of Tencent ("THL"). The principal address of Tencent is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal address of each of Red River and THL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Consists of 21,000,000 shares held directly by Red River and 7,194,690 shares held directly by THL. Tencent Holdings Limited, Red River and THL are each reported as a beneficial owner of the aforementioned shares. The individual officers and directors of each of Tencent, Red River and THL are listed on Appendix A to the Schedule 13D/A.

(2) The information is based solely upon a Schedule 13G filed with the SEC on February 8, 2018 by Vanguard Group Inc. ("Vanguard") on its own behalf and on behalf of its wholly-owned subsidiaries Vanguard Fiduciary Trust Company ("VFTC") and Vanguard Investments Australia, Ltd. ("VIA"). Vanguard has sole voting power over 117,844 shares, shared voting power over 10,900 shares, sole dispositive power over 7,568,327 shares and shared dispositive power over 123,044 shares. VFTC is the beneficial owner of 112,144 shares and VIA is the beneficial owner of 16,600 shares. The address for Vanguard is PO Box 2600 V26, Valley Forge, Pennsylvania 19482-2600.

(3) The information is based solely upon a Schedule 13G filed with the SEC on February 1, 2018 by BlackRock, Inc. on its own behalf and on behalf of certain of its subsidiaries specified on Exhibit A to the Schedule 13G. BlackRock Inc. has sole voting power over 7,144,082 shares and sole dispositive power over 7,338,290 shares. The address for BlackRock Inc. is 55 East 52nd Street, New York, New York 10022.

(4) Includes 742,000 shares subject to options that are exercisable and 176,563 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(5) Includes 1,092,708 shares subject to options that are exercisable and 31,250 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(6) Includes (a) 239,110 shares held by The Ludwig McKillop Trust, of which Mr. Ludwig and his spouse, Mary Elizabeth McKillop, are the co-trustees, and (b) 1,114,248 shares subject to options that are exercisable and 35,938 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(7) Includes 664,978 shares subject to options that are exercisable and 14,063 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(8) Includes 409,773 shares subject to options that are exercisable and 11,563 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(9) Includes 260,000 shares subject to options that are exercisable and 25,000 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(10) Includes 160,000 shares subject to options that are exercisable and 25,000 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(11) Mr. Feder was appointed to the Board by a greater than 10% stockholder and we do not provide him with any compensation for his services on the Board or on the Strategy Committee.

(12) Includes 300,000 shares subject to options that are exercisable and 25,000 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(13) Includes (a) 751,514 shares held by Granite Global Ventures II L.P. and (b) 14,943 shares held by GGV II Entrepreneurs Fund L.P. Mr. Nada is a managing director of the general partner of the foregoing entities, which has six other individual managing directors, and shares voting and investment power with respect to the shares held by these entities with the other managing directors of the general partner. Mr. Nada disclaims beneficial ownership of these shares except to the extent of his individual pecuniary interests in these entities. Also includes 300,000 shares subject to options that are exercisable and 25,000 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(14) Includes 300,000 shares subject to options that are exercisable and 25,000 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

(15) Represents 60,000 shares subject to options that are exercisable within 60 days of April 11, 2018.

(16) Includes 5,403,707 shares subject to options that are exercisable and 394,377 shares that will settle pursuant to RSU awards within 60 days of April 11, 2018.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Exchange Act requires our directors and certain of our officers, and persons who own more than 10% of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms furnished to us and written representations from these officers and directors, we believe that all Section 16(a) filing requirements were met during 2017.

COMPENSATION DISCUSSION AND ANALYSIS

Our Compensation Committee, comprised of three independent members of our Board, oversees our compensation plans and policies, approves the compensation of our executive officers and administers our equity compensation plans. This Compensation Discussion and Analysis ("***CD&A***") contains a discussion and analysis of the compensation approved by the Compensation Committee and earned by or paid in 2017 to the executive officers named below and who are also included in the "Summary Compensation Table" below (our "***Named Executive Officers***"):

- Niccolo M. de Masi, our Executive Chairman;
- Nick Earl, our President and Chief Executive Officer;
- Eric R. Ludwig, our Executive Vice President, Chief Operating Officer and Chief Financial Officer;
- Chris Akhavan, our Chief Revenue Officer; and
- Scott J. Leichtner, our Vice President, General Counsel and Corporate Secretary.

Executive Summary

Fiscal 2017 Executive Compensation Program Highlights

Our compensation program is designed to attract and retain executives with the skills necessary to help us achieve our strategic plan and to reinforce a strong pay-for-performance culture. During 2017, our Compensation Committee, with assistance from management and Compensia, the Committee's independent consultant, undertook an extensive evaluation of our executive compensation strategy and approved changes designed to support the shift in our culture and business strategy. Highlights of our executive compensation program in 2017, as discussed and analyzed in detail in this CD&A, include the following:

- ***Selective Base Salary Adjustments***. Salaries in effect during fiscal 2017 were established by the Compensation Committee as part of its annual review of executive compensation in October 2016. At that time, the committee determined that the annual base salary for Mr. Earl, who was then serving as our President of Global Studios, should be increased to match Mr. Ludwig's given the criticality of Mr. Earl's role and that the annual base salary for Mr. Leichtner should be increased by approximately 11% to bring his base compensation to approximately the 25th percentile of our peer group companies. The committee did not change the annual base salaries of Messrs. Ludwig and Akhavan. In November 2016, upon his appointment to the CEO position, Mr. Earl's salary was increased to $450,000. In establishing this level of base pay, the Compensation Committee considered competitive market data from our peer group, Mr. Earl's status as a first-time CEO, and Mr. de Masi's compensation as CEO during the years prior to Mr. Earl's promotion.

- ***Strong Bookings Result Led to Above Target Bonus Payouts in 2017***. The Compensation Committee designs our non-equity executive bonus plans to focus management on, and reward them for, achieving key corporate financial objectives. Based on our annual bookings for 2017, our Named Executive Officers earned cash bonuses equal to approximately 156% of target.

- ***Long-Term Strategy and Pay-for-Performance Culture***. To support our strong pay-for-performance culture, reinforce changes in our business strategy and culture, and to provide for significant compensation opportunity for delivering results that significantly exceed our strategic plan, the Compensation Committee determined to award all of our Named Executive Officers' annual equity awards in performance-based equity. This included a portion of equity in the form of time vesting options, which the Compensation Committee considers to be performance-based as the option holder will only realize compensation if our stock price appreciates. The remaining portion of the annual equity awards was granted as either performance-based stock options ("***PSOs***") or performance-based restricted stock units ("***PSUs***") for which vesting was tied to achievement of multi-year bookings and Adjusted EBITDA goals. No time vesting RSUs were granted to our Named Executive Officers in 2017. The committee believes that the changes to our executive compensation program will better align the interests of the Named Executive Officers with our stockholders and is consistent with our strategic goals of realizing significant bookings and Adjusted EBITDA growth in 2018 and beyond.

- ***Performance-Based Stock Options Granted in Lieu of 2018 Cash Bonus Opportunity***. In October 2017, the Compensation Committee revised our executive compensation program in order to further emphasize our pay-for-performance culture. In connection with this shift in philosophy, the committee determined to eliminate cash bonuses for executives for 2018 and replaced the executive cash bonus plan with PSOs that will be earned, if at all, based on our level of bookings and Adjusted EBITDA performance during 2018. Any earned PSOs will vest in February 2019, which is aligned with what would have been the payment date for any earned 2019 cash bonus.

Compensation and Pay-for-Performance Philosophy and Objectives

The Compensation Committee has established a compensation program for executive officers designed to attract individuals with the skills necessary for us to achieve our strategic business plans, to motivate those individuals, to reward those individuals fairly over time and to retain those individuals who continue to perform at or above the levels that we expect. It is also designed to reinforce a sense of ownership, urgency, innovation and overall entrepreneurial spirit and to link rewards to measurable corporate and, where appropriate, individual performance. We believe that the most effective executive compensation program is one that is designed to reward the achievement of specific long-term and strategic goals, and which aligns executive officers' interests with those of our stockholders by rewarding achievement of established performance goals, with the ultimate objective of creating stockholder value. The Compensation Committee evaluates compensation to ensure that we maintain the ability to attract and retain talented employees in key positions and that compensation provided to our executive officers remains competitive relative to the compensation paid to similarly situated executive officers of our peer companies. Accordingly, the Compensation Committee believes that executive compensation packages provided by us to our executive officers should include equity-based compensation that rewards performance.

As described above, our Compensation Committee has implemented significant changes to the compensation program applicable to our Named Executive Officers. The plan design was adopted in October 2017 following discussions regarding our approach to pay during multiple Compensation Committee meetings throughout the year, and incorporated input from our Board of Directors and management team as well as Compensia, the Compensation Committee's independent consultant.

The changes to our Named Executive Officer compensation strategy included the introduction of performance-vesting equity with multi-year bookings and EBITDA goals. The Compensation Committee believes that multi-year goals create a strong pay-for-performance mechanism to drive sustained long-term performance and create meaningful upside for delivering results that exceed expectations. In addition, in October 2017, our Named Executive Officers were granted PSOs in lieu of an annual cash incentive opportunity for 2018.

Fiscal 2017 Policies and Practices

We endeavor to maintain sound governance standards consistent with our executive compensation policies and practices. The Compensation Committee evaluates our executive compensation program on an ongoing basis to ensure that it is consistent with our pay-for-performance philosophy and business objectives as well as the competitive market in which we compete for talent. The following policies and practices were in effect during fiscal 2017:

- ***Independent Compensation Committee***. The Compensation Committee is comprised solely of independent directors.

- ***Independent Compensation Committee Advisors***. Compensia, our compensation consultant retained by the Compensation Committee, again assisted the committee regarding executive officer compensation, including helping us to select appropriate peer companies to review and compare against in determining our executive compensation.

- ***Annual Executive Compensation Review***. The Compensation Committee conducts an annual review and approval of our compensation strategy, including a review of our compensation peer group used for comparative purposes.

- ***Executive Compensation Policies and Practices***. Our compensation philosophy and related corporate governance policies and practices are complemented by several specific compensation practices that are designed to align our executive compensation with long-term stockholder interests, including the following:

    - ***Compensation At-Risk***. Our executive compensation program is designed so that a significant portion of our executive officers' compensation is "at-risk" based on our financial and/or share price performance.

    - ***No Pension or Nonqualified Deferred Compensation Plans***. We do not currently offer, nor do we have plans to provide, pension arrangements, or nonqualified deferred compensation plans or arrangements to our executive officers.

    - ***No Special Health or Welfare Benefits***. Our Named Executive Officers participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our non-executive full-time, salaried employees.

    - ***No Guaranteed Bonuses***. We do not provide any guaranteed bonuses for any of our Named Executive Officers with the exception of "sign on" bonuses that may be negotiated as part of an executive officer's new hire package. As noted above, the Compensation Committee determined to eliminate cash bonuses for executives for 2018 and replaced the executive cash bonus plan with PSOs.

    - ***No Perquisites***. We do not provide any perquisites or other personal benefits to our Named Executive Officers aside from general health and welfare benefit programs.

    - ***No Tax Reimbursements***. We do not provide any tax reimbursement payments (including "gross-ups") on any severance or change-in-control payments or benefits.

    - ***Change-in-Control Arrangements***. Each of our Named Executive Officers other than Mr. de Masi has an agreement with us that provides for payments and benefits if the individual is terminated under certain circumstances within 12 months following a change of control of Glu. Mr. de Masi's Executive Chairman Agreement provides that all of his unvested equity awards will immediately vest in the event of a change of control of Glu. In addition, Mr. de Masi will receive certain payments and benefits if he ceases to serve as Glu's Executive Chairman or as a member of Glu's Board prior to November 2, 2019 other than as a result of a voluntary resignation or termination for cause.

Say on Pay Results and Consideration of Stockholder Support

At our 2017 Annual Meeting of Stockholders, we conducted a stockholder advisory vote, or say-on-pay vote, on the compensation of the Named Executive Officers. At that meeting, our stockholders approved the compensation of our Named Executive Officers as disclosed in our 2017 annual proxy statement with approximately 92% of the votes cast in favor of the proposal.

Our Compensation Committee has noted the support of our stockholders in the 2017 say-on-pay vote and considered this result in their decision-making regarding our executive compensation. We value the opinions of our stockholders and will continue to consider the outcome of future say-on-pay votes, as one element in the process, when making compensation decisions for our executive officers.

At our 2017 Annual Meeting of Stockholders, our stockholders approved advisory voting every year on our executive compensation. Please see Proposal No. 3 concerning an advisory vote on the compensation of our Named Executive Officers.

Components of Executive Compensation

In 2017, our executive officers' compensation consisted of three primary elements:

Component	Key Features	Objective
Base Salary	Fixed base salary established at market competitive rates based on factors such as the executive's role, level experience and performance	Attract and retain experienced executives
Annual Incentive Bonus Plan	• 2017 bonus opportunity was tied to our level of bookings for the year and payable in cash in early 2018 • As noted above, there will be no cash bonus opportunity for our Named Executive Officers for 2018 performance	Motivate executives to achieve our annual financial plan and to achieve strategic goals
Long-Term Equity Incentive Awards	• Long-term incentives granted to our Named Executive Officers were comprised of a mix of time vesting options, PSOs and PSUs • PSOs and PSUs will vest, if all, based on our level of bookings and Adjusted EBITDA in each of 2018, 2019 and 2020	Support a strong pay-for-performance profile, with an emphasis on options to drive a focus on meaningful and sustained stock price appreciation

The Compensation Committee views these three components of compensation as related but distinct. Although the Compensation Committee reviews total compensation, it does not believe that significant compensation derived from one component of compensation should necessarily negate or reduce compensation from other components. The committee determines the appropriate level for each compensation component using as guidance our overall compensation philosophy described above. The Compensation Committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation, or among different forms of compensation. However, our Named Executive Officers have the ability to directly influence our overall performance, so a greater portion of their pay is tied to short and long-term incentive programs than is the case for most of our other employees. In addition, one of the Compensation Committee's philosophies is to make a greater percentage of an employee's compensation performance-based as he or she becomes more senior and to keep fixed cash compensation at a competitive level while providing each executive an opportunity to be well rewarded through short and long-term incentive programs if we perform well, consistent with our pay-for-performance culture.

Compensation Process

Determination of Executive Compensation

The Compensation Committee works within the framework of a pay-for-performance philosophy to determine each component of an executive officer's compensation package based on numerous factors, including:

- the individual's particular background and circumstances, including training and prior relevant work experience;
- the individual's role with us and the compensation paid to similar persons in the companies represented in the compensation data that the Compensation Committee reviews;
- the demand for personnel with the individual's specific expertise and experience at the time of hire or review;
- performance goals and other expectations for the position, where appropriate;
- comparison to other executives within our company having similar levels of expertise and experience; and
- compensation data of peer companies for similar positions.

The Compensation Committee performs at least annually a strategic review of our executive officers' compensation levels to determine whether they provide adequate incentives and motivation and whether they appropriately compensate our executive officers relative to comparable executive officers in other companies with which we compete for executives. Historically in making compensation decisions and in its review related to non-equity incentive compensation, the Compensation Committee, among other things, gave significant weight to our financial performance relative to our operating plan approved by the Board. With respect to equity compensation, the committee also considers the value of existing equity awards held by our executive officers.

Role of the Compensation Consultant

The Compensation Committee's charter provides that the committee has the authority to retain experts and advisers of its choice to assist the committee in performing its functions. The committee again retained Compensia to perform an analysis to assist the committee in making its executive compensation decisions. The committee selected Compensia as its advisor due to its expertise in executive compensation, particularly with respect to compensation practices of technology companies in the San Francisco Bay Area. In addition, Compensia was already familiar with our executive compensation practices and philosophy since it has been providing executive compensation advice to the committee and our management since our initial public offering in 2007. Compensia provided the following services to the committee in 2016 (with respect to 2017 compensation matters) and in 2017:

- reviewed and provided recommendations regarding the composition of our peer group, and provided compensation data relating to executives at the selected peer group companies;

- provided research and recommendations relating to the short- and long-term incentive plans applicable to our Named Executive Officers;

- conducted a comprehensive review of the total compensation arrangements for our Named Executive Officers other members of senior leadership and provided advice on our compensation of these individuals;

- conducted a comprehensive review of compensation paid to the members of our Board and its committees, and provided advice on our director compensation program;

- assisted the Compensation Committee in finalizing the terms of the Amended and Restated 2007 Equity Incentive Plan in our efforts to gain stockholder approval of the plan at the 2017 Annual Meeting of Stockholders;

- updated the Compensation Committee on emerging trends/best practices in the area of executive and Board compensation; and

- participated in Compensation Committee meetings, as requested, and provided ad hoc advice and support.

In selecting Compensia as its compensation consultant, the Compensation Committee considered the factors required by SEC Rule 10C-1(b)(2)(4) and Nasdaq Rule 5605(d)(3)(D) and certain factors related to Compensia's independence, including (a) that Compensia did not provide other services to us, except as set forth below; (b) the fact that the fees we paid to Compensia in each of 2016 and 2017 represented less than one percent of Compensia's total revenues for those years; (c) Compensia's policies and procedures that are designed to prevent conflicts of interest; and (d) the fact that Compensia had neither any business or personal relationship with any member of the Compensation Committee nor owned any of our stock. The Compensation Committee does not believe the retention of, and the work performed by, Compensia creates any conflict of interest.

In addition, in 2018, Compensia assisted the committee with Proposal No. 2 below, which is the proposal to amend and restate our 2007 Equity Incentive Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance under the plan by 10,000,000 shares.

Role of Executive Officers in Compensation Decisions

For compensation decisions for 2017, Mr. Earl, as the manager of Messrs. Ludwig and Akhavan, assessed each individual's contributions to their respective goals and made a recommendation to the Compensation Committee regarding any merit-based adjustment to salary, the amount of cash bonus and bonus level for the coming year and replenishment equity compensation grant. With respect to compensation decisions for Mr. Leichtner, both Mr. Ludwig, to whom Mr. Leichtner reports, and Mr. Earl made recommendations to the Compensation Committee. The committee typically evaluates, discusses and modifies or approves these recommendations and conducts a similar evaluation of our Chief Executive Officer's contributions to corporate goals and his overall performance in managing Glu. Our Chief Executive Officer (and Mr. Ludwig in the case of Mr. Leichtner) bases his recommendations in part upon annual performance reviews of our executive officers. Committee meetings during 2017 typically included, for all or a portion of each meeting, not only the Compensation Committee members but also our Executive Chairman, Chief Executive Officer, our Chief Operating Officer and Chief Financial Officer and our Vice President and General Counsel and, on certain occasions, our Vice President of Global People and Workplace, representatives from Compensia and other members of our Board. Any executive officer attending a Compensation Committee meeting excused himself for those portions of the meeting in which his own compensation or performance was discussed or considered.

Peer Group Data

Our executive compensation is typically established annually during the fourth quarter of each fiscal year. Compensation decisions, including the magnitude of equity awards for the current fiscal year and levels of cash compensation, which is inclusive of base salary and annual incentive targets, for the upcoming fiscal year, have historically been finalized at an October meeting of the Compensation Committee. As described in more detail below, compensation data from a peer group established in 2016 was relied upon by the Compensation Committee to finalize cash compensation for the 2017 fiscal year, while the peer group identified in 2017 and the related competitive assessment was relied upon by the Compensation Committee to finalize the executive equity awards granted in October 2017.

Determination of 2016 Peer Group

In August 2016, with input from Compensia, the Compensation Committee reviewed the peer group that was used in 2015 and approved changes to better reflect our then-current market capitalization and revenues. The peer group selection criteria targeted companies with the following characteristics:

- in the gaming and internet software and services sectors;
- headquartered in the San Francisco Bay Area as well as other high technology centers (Boston, Seattle, Austin and New York);
- annual revenue between approximately $115 million and $450 million; this compares to Glu's last four quarters of revenue at the time of the report of approximately $227 million; and
- market capitalization of between approximately $100 million and $1.0 billion, with Glu's market capitalization as of the time the peer group was assembled at approximately $315 million.

Two of the selected peers, Callidus Software and Tivo, fell modestly outside the market capitalization range of the peer group; however, Callidus Software was within the target revenue range and Tivo was only slightly outside of the revenue range, and each of these companies are relevant labor and product market competitors. Zynga fell outside of both the market capitalization range and the target revenue range, but the committee believed it was appropriate to include Zynga in the group of peer companies due to it being the most similar company to Glu in terms of it being a developer and publisher of mobile games located in San Francisco and thus a primary competitor for executive talent.

Based on the criteria above, the Compensation Committee approved the following peer companies in August 2016 (companies listed in bold were also included in the prior year's set of peer companies) which were used in guiding 2017 compensation decisions:

- **Angie's List**
- **Bazaarvoice**
- **Blucora**
- **Callidus Software**
- Demand Media
- **DHI Group**
- **IntraLinks Holdings**
- **Jive Software**
- **LivePerson**
- **PROS Holdings**
- QAD
- **QuinStreet**
- **RetailMeNot**
- **Tivo**
- **Web.com Group**
- XO Group
- **Zynga**

Determination of 2017 Peer Group

In September 2017, the Compensation Committee reviewed the peer group that was used in 2016 and approved changes to better reflect our then-current market capitalization and revenues. The peer group selection criteria targeted companies with the following characteristics:

- in the gaming and internet software and services sectors;
- headquartered in the San Francisco Bay Area as well as other high technology centers (Boston, Seattle, Austin and New York);
- annual revenue between approximately $155 million and $620 million; this compares to Glu's last four quarters of revenue at the time of the report of approximately $310 million; and
- market capitalization of between approximately $100 million and $1.4 billion, with Glu's market capitalization as of the time the peer group was assembled at approximately $481 million.

Zynga fell outside of both the market capitalization range and the target revenue range, but the committee believed it was appropriate to include Zynga in the group of peer companies due to it being the most similar company to Glu in terms of it being a developer and publisher of mobile games located in San Francisco and thus a primary competitor for executive talent.

Based on the criteria above, the Compensation Committee approved the following peer companies in September 2017 (companies listed in bold were also included in the prior year's set of peer companies) which were used in guiding 2018 compensation decisions:

- A10 Networks
- **Bazaarvoice**
- **Blucora**
- Carbonite
- Care.com
- **LivePerson**
- MobileIron
- Monotype Imaging Holdings
- **PROS Holdings**
- **QAD**
- **QuinStreet**
- Rapid7
- Shutterstock
- Silver Spring Network
- Telenav
- **XO Group**
- **Zynga**

Compensia has historically provided the Compensation Committee competitive market data regarding our Named Executive Officer compensation using the most recently approved peer group as well as with information from select cuts of the Radford Global Technology Survey. Data from the Radford survey was filtered to reflect companies having similar industry and financial profiles as the companies included in our peer group. At its meeting in October 2016, the Compensation Committee approved the base salary and annual incentive targets applicable to our Named Executive Officers during 2017. Market data presented in this meeting was based on the peer group described above and approved in August 2016. At its meeting in October 2017, the Compensation Committee approved the annual equity awards for our Named Executive Officers as well as the PSOs granted in-lieu-of 2018 cash annual incentive opportunity. Market data presented in this meeting was based on the peer group described above and approved in September 2017.

When analyzing the competitiveness of the compensation of our Named Executive Officers, the Compensation Committee reviewed the percentile information provided by Compensia as measured against the market data described above. The committee reviewed this percentile information to determine whether it was compensating our executive officers at a level commensurate with similarly situated executives. The committee did not, however, have a specific percentile goal in mind for establishing the compensation of any of the Named Executive Officers for 2017, nor did it benchmark compensation to any specific level or against any specific member of the peer group; rather the committee's goal was to balance our stockholders' interests in paying what was necessary, but not significantly more than necessary, to retain the services of these key executives and motivate them to achieve our annual financial plan and strategic goals, while enabling the executives to participate in Glu's success.

In addition to reviewing the percentile information contained in the Compensia report, the Compensation Committee also considered a number of additional factors in making executive compensation decisions, including our overall performance, each executive officer's overall performance, the scope of responsibility of each executive officer, the then-current compensation and equity holdings of each executive officer, and the size of the equity grants made to the executive officers in the prior year as a percentage of the total grants made to all Glu employees. In addition, Compensia reviewed Chief Operating Officer market data (in addition to Chief Financial Officer market data) when benchmarking Mr. Ludwig's compensation and a blend of top marketing and sales executives' data when benchmarking Mr. Akhavan's compensation.

We believe that, given the industry in which we operate and the dynamic corporate culture that we have created, the executive compensation levels that we have established are sufficient to retain our existing executive officers and to hire new executive officers when and as required.

2017 Elements of Compensation

Base Salary

The Compensation Committee reviews executive salaries annually, typically in the fourth quarter, and adjusts them as appropriate to reflect each executive's competitive positioning at the time of the review, changes in executive compensation trends in the peer group companies, individual performance and responsibility, prior experience, salary history and the mix between short- and long-term incentives, as well as cash and equity compensation. In instances where an executive officer is uniquely key to our success or has a role that does not exactly match any benchmarked data, the committee also considers these factors. If an executive is promoted during the year, his base salary may be increased at the time of promotion to reflect the increased responsibilities, or if an increase to an executive's base salary becomes crucial to retaining and incentivizing that executive, his or her base salary may be increased at such time as deemed necessary.

The Compensation Committee generally fixes executive officer base salaries at levels it believes will enable us to hire and retain individuals in a competitive environment and to reward individual performance and a level of contribution that is in line with and in furtherance of our overall business goals. The committee's philosophy is to make a greater percentage of an executive's compensation performance-based as he or she becomes more senior and to keep fixed cash compensation to the minimum competitive level while providing the executive the opportunity to be well rewarded through short and long-term incentive programs if we perform well, consistent with our pay-for-performance culture. Where applicable, the Compensation Committee takes into account the benchmarking information provided by Compensia. The committee may also take into account the base compensation payable by other companies it believes we generally compete with for executive officer talent or how increases to base salary at Glu could offset some of the total compensation packages offered by startup companies, where an executive may be offered a significant equity stake in the startup. The base salaries of executive officers are determined at the time of hiring by evaluating the responsibilities of the position held and the experience and performance of the individual.

The table below sets forth the annual base salaries for each of the Named Executive Officers for 2017 compared to 2016.

Named Executive Officer	2016 Salary	2017 Salary
Niccolo M. de Masi	$ 500,000	$ 375,000(1)
Nick Earl	350,000	450,000(2)
Eric R. Ludwig	375,000	375,000
Chris Akhavan	280,000	280,000(3)
Scott J. Leichtner	275,000	305,000(4)

(1) Mr. de Masi's salary was reduced from $500,000 to $375,000 per year effective November 2, 2016 in connection with his appointment as our Executive Chairman and related resignation from his position as President and Chief Executive Officer, as described below under "Executive Transition."

(2) In October 2016, in connection with the Compensation Committee's annual review of executive compensation, the committee increased Mr. Earl's annual base salary to $375,000, and in November 2016 the committee increased Mr. Earl's salary to $450,000 upon his appointment as our President and Chief Executive Officer, effective November 4, 2016.

(3) In October 2017, in connection with the Compensation Committee's annual review of executive compensation, the committee increased Mr. Akhavan's annual base salary to $400,000, effective as of October 1, 2017. The salary increase for Mr. Akhavan reflected the additional duties that he had assumed in connection with Glu's restructuring that it implemented in August 2017 in which certain central technology functions, including business intelligence and SDK development, were consolidated under Mr. Akhavan's organization to better align these departments with Glu's user acquisition and advertising revenue teams.

(4) In October 2017, in connection with the Compensation Committee's annual review of executive compensation, the committee increased Mr. Leichtner's annual base salary to $320,000, effective as of October 1, 2017.

Mr. de Masi's base salary was determined in connection with negotiating his Executive Chairman Agreement. The Compensation Committee believed that Mr. de Masi's relationships with many of our celebrity licensors, his experience executing successful strategic acquisitions and investments, and his ability to mentor Mr. Earl in his first role as the chief executive officer of a public company warranted Mr. de Masi's compensation as Executive Chairman.

The committee determined in October 2016 that the annual base salary for Mr. Earl in his capacity as our President of Global Studios should be increased to match Mr. Ludwig's given the importance of Mr. Earl's role and based on the positioning of his pay relative to market benchmarks. When the Board determined to promote Mr. Earl to be Glu's new President and Chief Executive Officer to replace Mr. de Masi, Mr. Earl's new annual base salary was determined by the committee based on its general knowledge of chief executive officer compensation in the San Francisco Bay Area and the advice of Mr. de Masi, who believed that such terms were necessary to secure the services of Mr. Earl as our President and Chief Executive Officer. In addition, the committee considered Mr. de Masi's compensation as CEO during the years prior to Mr. Earl's promotion.

The committee decided to keep the 2017 base salary of each of Messrs. Ludwig and Akhavan at the 2016 level due to the fact that the total compensation, including incentive-based compensation, for these executive officers was above the median of comparable executives at our peer group companies.

The committee determined that the annual base salary for Mr. Leichtner should be increased to approximately the 25th percentile of our peer group companies.

2017 Executive Bonus Plan

The Compensation Committee designs our non-equity executive bonus plans to focus management on, and reward them for, achieving key corporate financial objectives. The committee uses cash bonuses to reward performance achievements with a time horizon of one year or less, and uses benchmarking as a factor to determine the amount necessary to match our competitors for executive talent.

Our 2017 Executive Bonus Plan, which was adopted by the Compensation Committee in January 2017 (the "***2017 Executive Bonus Plan***"), linked executive officer bonuses to our achieving our annual bookings goal. All of our Named Executive Officers other than Mr. de Masi (the "***Eligible Officers***") were eligible to participate in the 2017 Executive Bonus Plan. The Compensation Committee determined that bookings targets best aligned the incentives of our management with the interests of our stockholders and that each of the Eligible Officers should be on the same plan to ensure that their interests were fully aligned. Mr. de Masi was not eligible to participate in a cash incentive bonus plan pursuant to the terms of his Executive Chairman Agreement.

The 2017 Executive Bonus Plan provided for a maximum annual bonus equal to a percentage of the Eligible Officer's then current annual base salary. The committee did not increase the Eligible Officers' target percentages from 2016 levels.

The final 2017 bonus targets and maximum bonuses, as well as the actual bonuses earned by the Eligible Officers are set forth below.

Named Executive Officer	2016 Target Percentage	2017 Target Percentage	2017 Maximum Percentage	2017 Salary	2017 Target Bonus	2017 Maximum Bonus	Actual Bonus Earned
Nick Earl	100%(1)	100%	200%	$450,000	$450,000	$900,000	$702,000
Eric R. Ludwig	100	100	200	375,000	375,000	750,000	585,000
Chris Akhavan	100	100	200	280,000(2)	280,000	560,000	436,800
Scott J. Leichtner	50	50	100	305,000(2)	152,500	305,000	237,900

(1) In October 2016, in connection with the Compensation Committee's annual review of executive compensation, the Compensation Committee increased Mr. Earl's bonus target from 50% to 100% and his maximum bonus from 100% to 200%.

(2) In October 2017, in connection with the Compensation Committee's annual review of executive compensation, the Compensation Committee increased Mr. Akhavan's salary from $280,000 to $400,000 and increased Mr. Leichtner's salary from $305,000 to $320,000. However, for purposes of determining bonuses under the 2017 Executive Bonus Plan, the committee utilized these Eligible Officers' base salaries prior to such increase.

The annual bonus under our 2017 Executive Bonus Plan was based on our executive officers' success as a team in achieving our annual bookings goal, rather than the achievement of more subjective individual goals that were not correlated as precisely with our overall business success. The committee chose annual bookings because it believed that this measure would best reflect whether we had achieved financial performance that would lead to overall company growth and provide substantial momentum heading into 2018. Unlike in some prior years, the committee decided to not utilize Adjusted EBITDA as a component of the 2017 Executive Bonus Plan because it believed 2017 was an investment year for the company. Accordingly, the committee wanted the Eligible Officers to focus on hiring additional key talent and investing in the company's games in order to position Glu for long-term growth rather than focusing on short-term marginal Adjusted EBITDA improvement. Finally, the committee decided to again award bonuses annually because it believed that a more long-term orientation was appropriate given the uncertainty and unpredictability of operations in a small company in an uncertain economic and industry environment; the committee believed that management should not be rewarded for one or two successful quarters if performance for the entire year did not meet or exceed our annual bookings targets.

For each of the Eligible Officers, the annual bookings minimum threshold was $227.0 million (the "***Minimum Threshold***"), the annual bookings target was $300.0 million (the "***Target Amount***") and the annual bookings maximum goal was $336.5 million (the "***Maximum Goal***"). The committee established these targets in January 2017, and the Target Amount and Maximum Goal were significantly higher than our annual bookings target of $263.5 million that was included in our 2017 annual operating plan that was approved by our Board in December 2016.

No bonuses would be paid to the Named Executive Officers unless we achieved the annual bookings goal at the Minimum Threshold. If we achieved the annual bookings goal at a level equal to the Minimum Threshold, then each of Named Executive Officers would have received a bonus that equaled 20% of his target bonus amount specified in the table above. If we achieved the annual bookings goal at a level equal to the Target Amount, then each of Named Executive Officers would have received a bonus that equaled 100% of his target bonus amount specified in the table above. If we achieved the annual bookings goal at a level equal to the Maximum Goal, then each of Named Executive Officers would have received a bonus that equaled 200% of his target bonus amount specified in the table above. For annual bookings between the Minimum Threshold and the Target Amount, the Eligible Officer's bonus would be calculated on a straight-line basis. Likewise, for annual bookings between the Target Amount and the Maximum Goal, the Eligible Officer's bonus would also be calculated on a straight-line basis.

For 2017, Glu generated annual bookings of $320.5 million, which resulted in a bonus payout under the 2017 Executive Bonus Plan equal to 156% of each Eligible Officer's target bonus amount.

In October 2017, the Compensation Committee determined to eliminate cash bonuses for the Eligible Officers for 2018 and replaced the executive cash bonus plan with PSOs, as discussed in further detail below.

Equity Compensation

We use equity awards to reward long-term performance, with strong corporate performance and extended executive officer tenure producing potentially significant value for each executive officer. Generally, a significant equity award is granted to the executive officer when he or she joins Glu. In addition, Glu has historically granted its executive officers annual refresh equity awards on the second Tuesday of October of each year in the form of time vesting stock options and/or time vesting RSUs.

The size of executive equity awards is generally set at a level that the Compensation Committee deems appropriate to create a meaningful opportunity for significant compensation if our stock price appreciates and is based upon the grant guidelines, the data contained in the reports prepared by Compensia, the individual's position with us and the individual's potential for future responsibility and promotion. The relative weight given to each of these factors varies from individual to individual at the committee's discretion. The committee may make adjustments to the size of the awards that it deems reasonable to attract and retain executives.

In October 2017, the Compensation Committee revised our executive compensation program in order to further emphasize a pay-for-performance culture. In connection with this shift in compensation philosophy, the committee determined to:

(1) eliminate time vesting RSUs from the executive compensation program;

(2) grant a significant portion of each Eligible Officer's annual equity award in the form of PSUs or PSOs with multi-year performance vesting goals tied to our Adjusted EBITDA and bookings;

(3) grant the remaining target value of each Eligible Officer's annual equity award in time vesting stock options; and

(4) eliminate cash bonuses for the Eligible Officers for 2018 and replace the executive cash bonus plan with PSOs.

The Compensation Committee believes that these changes to Glu's executive compensation program, which are described in further detail below, will better align the interests of the Eligible Officers with Glu's stockholders and is consistent with Glu's strategic goals of realizing significant bookings and Adjusted EBITDA growth in 2018 and beyond. This approach to equity compensation applied to all Named Executive Officers other than Mr. de Masi, who was not eligible to receive an annual equity award pursuant to the terms of his Executive Chairman Agreement. In addition, as described in more detail below, Mr. Earl's 2017 annual equity grant was not finalized until January 2, 2018 due to a limitation in our 2007 Equity Incentive Plan that provides no Glu employee may receive more than 1,500,000 shares subject to awards pursuant to the plan in any calendar year (the "***Plan Limitation***"). We are asking stockholders to remove the Plan Limitation in connection with the amendment and restatement of our 2007 Equity Incentive Plan – see Proposal No. 2 below.

Chief Executive Officer Equity

On November 1, 2016, our Board appointed Nick Earl to serve as Glu's President and Chief Executive Officer, effective November 10, 2016. As part of his promotion, the Compensation Committee approved a stock option grant of 1,500,000 shares of our common stock. Due to the Plan Limitation, the option was bifurcated into two awards. The Compensation Committee granted the first option covering 650,000 shares to Mr. Earl on November 14, 2016. This award has an exercise price of $2.10 per share and vests over four years, with 25% of the total number of shares subject to the option vesting on the one-year anniversary of the date of grant and the remainder vesting in equal installments each month thereafter. The second option covering 850,000 shares was granted on January 3, 2017. This option has an exercise price of $2.00 per share and vests over four years, with 25% of the total number of shares subject to the option vesting on the November 14, 2017 (the one-year anniversary of the date of grant of the first option) and the remainder vesting in equal installments each month thereafter.

During the annual executive compensation review in October 2017, the Compensation Committee evaluated Mr. Earl's performance as CEO and compensation relative to market benchmarks using data from our peer group. Based on their assessment, the committee determined to grant Mr. Earl equity with a target value of approximately $2.2 million. However, because of the Plan Limitation, Mr. Earl could not be granted any equity during 2017 beyond the PSOs that were granted as a replacement for the 2018 annual incentive opportunity and described in more detail below. As a result, Mr. Earl's 2017 annual equity was awarded on January 2, 2018. The target value of equity was granted in a mix of PSUs, PSOs and time vesting stock options. Beginning in October 2018, we expect that Mr. Earl will be granted equity at the same time as our other executives.

Grant of Performance Options in Lieu of 2018 Cash Bonus

Historically, Glu has provided its executive officers with the opportunity to earn annual cash bonuses based on the achievement of company financial targets, such as bookings and/or Adjusted EBITDA. The Compensation Committee determined that for 2018 it would not provide the Eligible Officers with a cash-based bonus plan, but instead would provide the Eligible Officers with the opportunity to earn an equivalent value of PSOs to the extent that Glu achieved certain bookings and Adjusted EBITDA (defined as non-GAAP operating income excluding depreciation and royalty impairments) targets during 2018.

The Compensation Committee determined the maximum number of PSOs that each Eligible Officer can potentially earn by calculating the maximum cash bonus that each Eligible Officer could have otherwise received in 2018 based on the historical maximum bonus percentages and annual base salaries for each Eligible Officer and then converting such maximum bonus value into a maximum number of PSOs using a conversion ratio that took into account Glu's stock price on the date the Compensation Committee approved the PSOs and the Black-Scholes value of the PSOs, as illustrated in the table below.

Named Executive Officer	**Target Bonus Percentage**	**Maximum Bonus Percentage**	**Base Salary for Determining # of PSOs**	**2018 Target Bonus Value**	**2018 Maximum Bonus Value**	**Target Bonus Value Converted into PSOs**	**Maximum Bonus Value Converted into PSOs**
Nick Earl	100%	200%	$525,000(1)	$525,000	$1,050,000	325,000(2)	650,000(2)
Eric Ludwig	100%	200%	$450,000(1)	$450,000	$900,000	283,488	566,976
Chris Akhavan	100%	200%	$400,000	$400,000	$800,000	251,989	503,979
Scott Leichtner	50%	100%	$320,000	$160,000	$320,000	100,796	201,592

(1) Based on Mr. Earl's and Mr. Ludwig's recommendation, the Compensation Committee did not increase the annual base salaries of either Mr. Earl or Mr. Ludwig, which remain $450,000 and $375,000, respectively. However, the committee utilized a higher annual base salary for Mr. Earl and Mr. Ludwig, as noted in the table above, which was based on an analysis of the annual base salaries of similarly positioned executives at Glu's peer companies, to determine the number of PSOs to grant these Eligible Officers.

(2) Because of the Plan Limitation, Mr. Earl could only receive PSOs covering a maximum of 650,000 shares, rather than the approximately 661,000 PSOs he would have received based on the methodology utilized for the other Eligible Officers.

The Eligible Officers will only earn the maximum amount of PSOs if Glu both (1) achieves a minimum Adjusted EBITDA goal for 2018 (the "***Adjusted EBITDA Threshold***") and (2) generates bookings for 2018 that equal or exceed a specified maximum level of performance (the "***Maximum Bookings Goal***"). If Glu does not achieve the Maximum Bookings Goal, the Eligible Officers can earn (1) 50% of the maximum amount of PSOs if Glu achieves the Adjusted EBITDA Threshold in 2018 and generates 2018 bookings that are approximately 5% below the Maximum Bookings Goal (the "***Target Bookings Goal***") and (2) 25% of the maximum amount of PSOs if Glu achieves the Adjusted EBITDA Threshold in 2018 and generates 2018 bookings that are approximately 11% below the Maximum Bookings Goal (the "***Minimum Bookings Goal***"). Each of the Maximum Bookings Threshold, Target Bookings Goal and the Minimum Bookings Goal represents a significant increase over forecasted 2018 bookings that was included in our 2018 annual operating plan that was approved by our Board in December 2017. To the extent that Glu achieves the Adjusted EBITDA Threshold in 2018 and generates bookings between two of the goals, the number of PSOs earned by the Eligible Officer will be calculated on a linear basis.

The table below illustrates the number of PSOs that each of the Eligible Officers could potentially earn based on Glu's Adjusted EBITDA and bookings for 2018:

Named Executive Officer	PSOs Earned if Glu Achieves Adjusted EBITDA Threshold and Maximum Bookings Goal	PSOs Earned if Glu Achieves Adjusted EBITDA Threshold and Target Bookings Goal	PSOs Earned if Glu Achieves Adjusted EBITDA Threshold and Minimum Bookings Goal	PSOs Earned if Glu Fails to Achieve Adjusted EBITDA Threshold or Minimum Bookings Goal
Nick Earl	650,000	325,000	162,500	0
Eric Ludwig	566,976	283,488	141,744	0
Chris Akhavan	503,979	251,989	125,994	0
Scott Leichtner	201,592	100,796	50,398	0

The PSOs were granted on October 10, 2017, have 10 year terms and have an exercise price equal to $3.59, the closing price of Glu's common stock on The NASDAQ Global Select Market on such date. Glu will determine its 2018 Adjusted EBITDA and bookings in early 2019, and to the extent that the Eligible Officers earn any PSOs based on Glu's 2018 bookings and Adjusted EBITDA, such PSOs will fully vest in February 2019 (consistent with the timing of when Glu historically paid cash bonuses to the Eligible Officers).

2017 Annual Refresh Grants

The Compensation Committee determined the value of each Eligible Officer's annual refresh equity awards by benchmarking at the 60th percentile against similarly situated executives at Glu's peer companies. The committee determined to award 60% of the value of each of Mr. Ludwig's and Mr. Akhavan's annual equity award in PSOs and 40% of the value of Mr. Leichtner's annual equity award in PSUs; due to the constraints of the Plan Limitation, the committee awarded 60% of the value of Mr. Earl's annual equity award in a combination of PSOs and PSUs. Each of these Eligible Officers received the balance of their annual refresh equity awards in the form of time vesting stock options. For Messrs. Earl and Ludwig, although the committee elected not to increase the base salaries of these Eligible Officers, with Mr. Earl remaining at approximately the 40th percentile and Mr. Ludwig approximately the 15th percentile for base salaries when compared with Glu's peer companies, the committee utilized a higher base salary ($525,000 for Mr. Earl and $450,000 for Mr. Ludwig, representing approximately the 60th percentile for base salaries when compared with Glu's peer companies) when determining the total value of the annual equity awards granted to these Eligible Officers.

Each of the PSOs and PSUs contain Adjusted EBITDA thresholds and bookings goals for each of 2018, 2019 and 2020, with one-third of the maximum shares subject to the PSOs and PSUs earnable in each of those years. Each Eligible Officer will only earn the maximum amount of PSOs and/or PSUs for a given year if Glu both (1) achieves the Adjusted EBITDA threshold for such year and (2) generates bookings for such year that equal or exceed the Maximum Bookings Goal for such year. If Glu does not achieve the Maximum Bookings Goal for a given year, the Eligible Officer can earn (1) 50% of the maximum amount of PSOs and/or PSUs for such year if Glu achieves the Adjusted EBITDA Threshold for such year and generates bookings that equal the Target Bookings Goal for such year and (2) 25% of the maximum amount of PSOs and PSUs for such year if Glu achieves the Adjusted EBITDA threshold for such year and generates bookings that equal the Minimum Bookings Goal for such year. Each of the Maximum Bookings Threshold, Target Bookings Goal and the Minimum Bookings Goal for 2018 represents a significant increase over forecasted 2018 bookings that was included in our 2018 annual operating plan that was approved by our Board in December 2017, with the thresholds and goals for 2019 and 2020 increasing meaningfully from the prior year's thresholds. To the extent that Glu achieves the Adjusted EBITDA threshold for a given year and generates bookings between two of the goals, the number of PSOs and/or PSUs earned by the Eligible Officer for such year will be calculated on a linear basis. If Glu does not achieve an Adjusted EBITDA threshold or bookings goals in any year and less than the full amount of shares are earned for such year, the Eligible Officer cannot recapture those shares through overachievement of the maximum Adjusted EBITDA thresholds and bookings goals in subsequent years.

The table below illustrates the number of PSOs or PSUs that each of Mr. Ludwig, Mr. Akhavan and Mr. Leichtner could potentially earn based on Glu's Adjusted EBITDA and bookings for 2018, 2019 and 2020:

Named Executive Officer	Target PSOs or PSUs Earnable	Maximum Total PSOs or PSUs Earnable	Target PSOs/PSUs Eligible to be Earned for Performance During:			PSOs/PSUs Earned in Each Year for Performance Equal to: (% of Target)		
			FY18	FY19	FY20	Threshold	Target	Maximum
Eric Ludwig	420,219	630,328	140,073	140,073	140,073	50%	100%	150%
Chris Akhavan	321,286	481,929	107,095	107,095	107,096	50%	100%	150%
Scott Leichtner	53,050	79,575	17,683	17,683	17,684	50%	100%	150%

Each of the PSOs and PSUs were granted on October 10, 2017. The PSOs have ten-year terms and an exercise price equal to $3.59, the closing price of Glu's common stock on The NASDAQ Global Select Market on October 10, 2017. Glu will determine its EBITDA and bookings for each of 2018, 2019 and 2020 early in 2019, 2020 and 2021, respectively, and to the extent that the Eligible Officers earn any PSOs or PSUs based on Glu's bookings and EBITDA for such years, the shares earned will fully vest in February 2019, 2020 and 2021, respectively.

The table below illustrates the number of PSOs or PSUs that Mr. Earl could potentially earn based on Glu's Adjusted EBITDA and bookings for 2018, 2019 and 2020:

Type of Award	Target PSOs and PSUs Earnable	Maximum Total PSOs and PSUs Earnable	Target PSOs/PSUs Eligible to be Earned for Performance During:			PSOs/PSUs Earned in Each Year for Performance Equal to: (% of Target)		
			FY18	FY19	FY20	Threshold	Target	Maximum
PSOs	311,241	466,861	103,747	103,747	103,747	50%	100%	150%
PSUs	311,241	466,861	103,747	103,747	103,747	50%	100%	150%

Each of the PSOs and PSUs were granted on January 2, 2018. The PSOs have ten-year terms and an exercise price equal to $3.63, the closing price of Glu's common stock on The NASDAQ Global Select Market on January 2, 2018. Glu will determine its EBITDA and bookings for each of 2018, 2019 and 2020 early in 2019, 2020 and 2021, respectively, and to the extent that Mr. Earl earn any PSOs or PSUs based on Glu's bookings and EBITDA for such years, the shares earned will fully vest in February 2019, 2020 and 2021, respectively.

In addition to the PSOs and PSUs described above, the Compensation Committee also granted the following time-based vesting stock option awards to the Eligible Officers as part of the 2017 annual refresh grant:

Named Executive Officer	Options
Nick Earl	566,277(1)
Eric R. Ludwig	280,146(2)
Chris Akhavan	214,191(2)
Scott Leichtner	188,990(2)

(1) This stock option has a ten-year term, an exercise price of $3.63 (the closing price of our common stock on January 2, 2018, which was the grant date) and vests with respect to 25% of the underlying shares on January 2, 2019 and as to $^{1}/_{48}{}^{th}$ of the shares monthly thereafter.

(2) These stock options have a ten-year term, an exercise price of $3.59 (the closing price of our common stock on October 10, 2017, which was the grant date) and vests with respect to 25% of the underlying shares on October 10, 2018 and as to $^{1}/_{48}{}^{th}$ of the shares monthly thereafter.

The committee believed that the awards to the Eligible Officers were merited based on the success that these executives had achieved during 2017 in helping Glu to achieve record bookings and putting the company on the path to sustainable profitability, and the Compensation Committee wished to ensure that these executives were properly incented to remain with us and were focused on achieving our long-term strategic goals and creating stockholder value. The committee determined that the size and mix of their equity awards appropriately balanced both retention and motivational objectives of executive pay.

Severance and Change of Control Payments

Messrs. Earl, Ludwig, Akhavan and Leichtner each have an agreement with us that provides for payments and benefits if the individual is terminated under certain circumstances within 12 months following a change of control of Glu (a "double trigger" termination). In addition, Mr. Earl's employment agreement provides for payments and benefits if he is terminated under certain circumstances in the absence of our change of control. Mr. de Masi's Executive Chairman Agreement provides that all of his unvested equity awards will immediately vest in the event of a change of control of Glu. In addition, Mr. de Masi will receive certain payments and benefits if he is terminated under enumerated circumstances prior to November 2, 2019 in the absence of a change of control of Glu. For a description of these agreements and quantification of these severance and change of control benefits, please see the discussion under "Payments Upon Termination or Change in Control" below. Other than as set forth in these agreements, no executive officer is entitled upon termination to either equity vesting acceleration or cash severance payments.

The Compensation Committee decided to provide these arrangements to mitigate some of the risk that exists for executives working in a small public company, an environment where there is a meaningful likelihood that we may be acquired. These arrangements are also intended to mitigate a potential disincentive for executives to consider and execute on an acquisition where the acquirer may not require the services of these executives following the acquisition.

The Compensation Committee decided to provide Mr. de Masi with severance benefits in the absence of a change in control transaction to retain his service as our Executive Chairman and in light of the fact that Mr. de Masi had this arrangement in place as our President and Chief Executive Officer.

Other Benefits

Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, group life, disability, and accidental death and dismemberment insurance and our employee stock purchase plan and 401(k) plan, in each case on the same basis as other employees. We also provide paid holidays to most of our employees, and all of our executive officers, that are generally comparable to those provided at peer companies. There were no special benefits or perquisites provided to any Named Executive Officer in 2017.

Clawback Policy (Recovery of Incentive Compensation Policy)

In July 2017, we adopted an executive compensation recovery policy that permits us to seek recovery of some or all of incentive compensation paid or awarded to executive officers and our Vice President of Accounting in the event of the restatement by Glu of any financial results required to be reported under the U.S. federal securities laws after January 1, 2018 because one or more executive officers and our Vice President of Accounting engaged in fraud or intentional misconduct. In such cases, the Compensation Committee may review all incentive-based cash compensation and equity compensation paid, granted or for which our executive officers and our Vice President of Accounting are eligible on or after January 1, 2018 ("***Incentive Compensation***") on the basis of having met or exceeded performance goals during the period covered by the restatement and will, to the extent practicable and in the best interests of stockholders, instruct Glu to seek to recover or cancel such Incentive Compensation from our executive officers and our corporate controller to the extent that performance goals would not have been met under such restated financial result. In addition, as a public company subject to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002, if we are required as a result of misconduct to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws, our Chief Executive Officer and Chief Financial Officer may be legally required to reimburse us for any bonus or other incentive-based or equity-based compensation they receive.

Equity Granting Policy

Equity awards are typically either granted at regularly scheduled Stock Option Administration Committee meetings or via unanimous written consent, with the effective date of such grant being the second Tuesday of each month. The primary exceptions are for new hire or promotion equity grants that require Compensation Committee approval, which grants are generally approved on the second Tuesday of each month following the date the individual is hired or promoted, or for new hire awards made to individuals in connection with an acquisition. The Stock Option Administration Committee does not have discretion to set other grant dates for awards made pursuant to its delegated authority. Our annual equity awards for our executive officers are generally made at the Compensation Committee meeting held during our fourth quarter, at which the Compensation Committee reviews executive compensation for the upcoming year.

Other than as described in this CD&A and under the sections in this proxy statement titled “Director Compensation,” we do not have any program, plan or obligation that requires us to grant equity compensation on specified dates.

The exercise price of a newly granted option is the closing price of our common stock on the date the option is granted.

Tax and Accounting Treatment of Compensation

In designing our compensation programs, the Compensation Committee considers the financial accounting and tax consequences to us, as well as the tax consequences to our employees. We account for equity compensation paid to our employees under the rules of FASB ASC Topic 718, which requires us to estimate and record an expense for each equity compensation award over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is accrued. Management considers the FASB ASC Topic 718 cost of outstanding equity awards as part of our equity grant recommendations to the Compensation Committee.

Section 162(m) of the Tax Code generally disallows public companies a tax deduction for federal income tax purposes of remuneration in excess of $1 million paid to certain executive officers. While our Compensation Committee may consider the deductibility of awards as one factor in determining executive compensation, our Compensation Committee also looks at other factors in making its decisions and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program even if the awards are not deductible by us for tax purposes.

Recent changes to Section 162(m) in connection with the passage of the Tax Cuts and Jobs Act repealed exceptions to the deductibility limit that were previously available for “qualified performance-based compensation” (including stock option grants, performance-based cash bonuses and performance-based equity awards, such as performance-based restricted stock units) effective for taxable years after December 31, 2017. As a result, any compensation paid to certain of our executive officers in excess of $1 million will be non-deductible unless it qualifies for transition relief afforded by the Tax Cuts and Jobs Act to compensation payable pursuant to certain binding arrangements in effect on November 2, 2017 (including performance-based restricted stock units that were intended to qualify as performance-based compensation for purposes of Section 162(m) that were granted to our executive officers who were “covered employees” within the meaning of Section 162(m)). We believe that compensation expense incurred in respect of our stock options, PSUs and PSOs granted prior to November 2, 2017 will continue to be deductible pursuant to this transition rule. However, because of uncertainties in the interpretation and implementation of the changes to Section 162(m) in the Tax Cuts and Jobs Act, including the scope of the transition relief, we can offer no assurance of such deductibility.

Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control that exceeds certain prescribed limits, and that the company, or a successor, may forfeit a deduction on the amounts subject to this additional tax. Section 409A of the Code also imposes additional significant taxes on the individual in the event that an executive officer, director or other service provider receives "deferred compensation" that does not meet the requirements of Section 409A of the Code. We did not provide any executive officer, including any Named Executive Officer, with a "gross-up" or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999, or 409A of the Code during 2017, and we have not agreed and are not otherwise obligated to provide any Named Executive Officers with such a "gross-up" or other reimbursement.

We also consider the tax impact to employees in designing our compensation programs, including our equity compensation programs. For example, employees generally control the timing of taxation with respect to stock options but do not control the timing with respect to RSUs in which income is recognized upon vesting and settlement. To assist employees (including our executives) in satisfying their tax obligations for RSUs, we withhold shares from the vesting RSUs to cover applicable taxes. We structure cash bonus compensation so that it is taxable to our employees at the time it is paid to them.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Disclosure and Analysis set forth above with Glu's management. Based on its review and these discussions, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement which is incorporated by reference into our Annual Report on Form 10-K filed with the SEC on March 9, 2018.

Benjamin T. Smith, IV (Chair)
Greg Brandeau
Hany M. Nada

EXECUTIVE COMPENSATION

Please see the section titled “Executive Officers” at the end of Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2017, which accompanies these proxy materials, regarding the identity of our executive officers and their respective business experience.

Summary Compensation Table

The following table shows compensation earned during 2017 by our Named Executive Officers. For information about employment contracts, termination of employment and change-of-control arrangements between us and the Named Executive Officers, see “Potential Payments upon Termination or Change in Control” below.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)(2)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	All other compensation	Total ($)
Niccolo M. de Masi (4) *Executive Chairman*	2017	375,000	—	—	—	—	—	375,000
	2016	483,750	—	—	—	—	14,768 (5)	498,518
	2015	500,000	—	8,070,000	—	—	—	8,570,000
Nick Earl (6) *President and Chief Executive Officer*	2017	450,000	—	—	1,454,246 (8)	702,000		2,606,246
	2016	365,000	—	—	1,314,640	—	—	1,679,640
	2015	47,115 (7)	—	1,460,000	347,820	19,945 (9)	—	1,874,880
Eric R. Ludwig *Executive Vice President,*	2017	375,000	—	—	2,117,652 (8)	585,000		3,077,652
Chief Operating Officer	2016	375,000	—	—	749,530	—		1.124.530
and Chief Financial Officer	2015	375,000	—	1,370,150	430,334	—	—	2,175,484
Chris Akhavan *Chief Revenue Officer*	2017	307,692 (10)	—	—	1,702,157 (8)	436,800		2,446,649
	2016	280,000	—	—	396,810	—	—	676,810
	2015	280,000	—	449,900	146,151	—	—	876,051
Scott J. Leichtner *Vice President,*	2017	308,462 (11)	—	204,733 (13)	552,256 (8)	237,900		1,303,351
General	2016	281,923 (11)	—	—	308,630	—	—	590,553
Counsel and Corporate Secretary	2015	275,000	15,000 (12)	449,900	146,151	—	—	886,051

(1) Stock Awards represent RSU awards or PSU awards.

(2) Amounts shown in this column do not reflect dollar amounts actually received by the officer. Instead, these amounts reflect the aggregate full grant date fair value calculated in accordance with FASB ASC Topic 718. See Note 10 — Stock Option and Other Benefit Plans — in the notes to consolidated financial statements contained in our Form 10-K for the year ended December 31, 2017 for a description of the ASC Topic 718 methodology and assumptions. The number of shares subject to stock options and RSUs granted in 2017 to our Named Executive Officers is shown in the “Grants of Plan-Based Awards in 2017” table below.

(3) The amounts represent total performance-based bonuses that were earned during the given year, and paid in the period after the bonus was earned. For 2015, these bonuses were determined under our 2015 Executive Bonus Plan, except in the case of Mr. Earl who earned his bonus under a separate bonus plan adopted solely for Mr. Earl. For 2016 and 2017, these bonuses were determined under our 2016 Executive Bonus Plan and 2017 Executive Bonus

Plan, respectively. See the “Compensation Discussion and Analysis” section of this proxy statement and the “Grants of Plan-Based Awards in 2017” table below for further information regarding the 2017 Executive Bonus Plan.

(4) Prior to Mr. de Masi appointment as Executive Chairman of the Company effective November 1, 2016, he served as the Company’s President and Chief Executive Officer. See the “Compensation Discussion and Analysis” section of this proxy statement.

(5) Represents payment of Mr. de Masi’s legal fees incurred in connection with negotiating his Executive Chairman Agreement.

(6) Mr. Earl joined us in November 2015 as President of Global Studios and was appointed President and Chief Executive Officer effective November 10, 2016. Mr. Earl’s annual base salary was increased to $375,000 effective October 3, 2016 in connection with the Compensation Committee's annual review of executive compensation and to $450,000 effective November 4, 2016 in connection with his appointment as President and Chief Executive Officer. See the “Compensation Discussion and Analysis” section of this proxy statement.

(7) Represents salary earned by Mr. Earl from November 9, 2015, his start date, through December 31, 2015. Mr. Earl received an annual base salary of $350,000 during 2015.

(8) Represents stock option and PSO awards. The stock option awards were as follows: $688,245 for Mr. Earl, $466,471 for Mr. Ludwig, $356,649 for Mr. Akhavan, and $314,687 for Mr. Leichtner. The table reflects the full fair market value of the PSO awards taking into account the probable outcome of the performance conditions. The grant date fair value of the maximum shares issuable under the PSO awards are as follows: $1,332,175 for Mr. Earl, $3,000,145 for Mr. Ludwig, $2,081,631 for Mr. Akhavan and $413,163 for Mr. Leichtner. See the “Compensation Discussion and Analysis” section of this proxy statement and the “Grants of Plan-Based Awards in 2017” table below for further information regarding the performance conditions of the PSOs.

(9) Earned pursuant to Mr. Earl’s offer letter, in which we agreed to pay Mr. Earl a prorated bonus based on the attainment of certain objectives.

(10) In October 2017, in connection with the Compensation Committee’s annual review of executive compensation, the committee increased Mr. Akhavan’s annual base salary to $400,000, effective as of October 1, 2017.

(11) In October 2016 and 2017, in connection with the Compensation Committee’s annual review of executive compensation, the committee increased Mr. Leichtner’s annual base salary to $305,000, effective as of October 3, 2016, and to $320,000, effective as of October 1, 2017.

(12) Represents a cash bonus paid to Mr. Leichtner in connection with his efforts in finalizing certain celebrity licensing agreements in February 2015.

(13) Represents PSUs. The table reflects the full fair market value of the award taking into account the probable outcome of the performance conditions. The grant date fair value of the maximum shares issuable under the PSU award is $285,674. See the “Compensation Discussion and Analysis” section of this proxy statement and the “Grants of Plan-Based Awards in 2017” table below for further information regarding the performance conditions of the PSUs.

Chief Executive Officer Pay Ratio Disclosure

Our ratio of the annual total compensation of our CEO to the median of the annual total compensation of all our employees (excluding our CEO) for 2017 is 46 to 1. We believe this ratio, which was calculated in a manner consistent with Item 402(u) of Regulation S-K, to be a reasonable estimate, based upon the assumptions and adjustments described below. As disclosed in the 2017 Summary Compensation Table above, the annual total compensation for 2017 for our CEO was $2,606,246. The median of the annual total compensation for 2017 for all our employees was $56,828. In identifying the median employee under Item 402(u), reporting companies are permitted to use reasonable estimates, assumptions and methodologies based on their own facts and circumstances. As a result, the disclosure regarding the compensation of our median employee may not be directly comparable to similar disclosure by other reporting companies.

Calculation Methodology

We identified the employee with compensation at the median of the compensation of all of our employees (the "median employee") by considering our employee population as of October 31, 2017 (the "employee population determination date"). We considered all individuals, excluding our CEO, who were employed by us on a world-wide basis (including our consolidated subsidiaries) on the employee population determination date, whether employed on a full-time, part-time, seasonal or temporary basis, including employees on a partial year leave of absence.

The compensation measures used for purposes of identifying the median employee included the following: (x) cash compensation paid between January 1, 2017 and October 31, 2017, including, as applicable, salary or wages plus overtime, cash bonuses, and (y) the grant date fair value of equity awards granted between January 1, 2017 and October 31, 2017, calculated in each case using the same methodology we use for calculating the compensation, including the value of equity awards, of our Named Executive Officers to be reported in our Summary Compensation Table. The equity awards included in this calculation include all new hire and "refresh" equity awards granted in 2017 to our employees who were employed as of the employee population determination date. The cash compensation paid during the period between January 1, 2017 and October 31, 2017, as described above, includes annual bonus payments with respect to the 2016 performance period that were paid in 2017.

For employees paid other than in U.S. dollars, we converted their compensation to U.S. dollars using FX rates in effect on the employee population determination date. We did not make any cost-of-living adjustments for employees outside of the United States. For employees hired between January 1, 2017 and the employee population determination date, we calculated their cash compensation described above as if they had been employed for the entire measurement period.

We believe our methodology represents a consistently applied compensation measure that strikes a balance in terms of administrative burden while consistently treating the primary compensation components for our worldwide employee population.

Using this methodology, we identified the median employee who was in our Glu Sports game development studio and based in the United States.

We calculated the annual total compensation for the median employee using the same methodology we use to calculate the amount reported for our Named Executive Officers in the "Total" column of the Summary Compensation Table.

Grants of Plan-Based Awards in 2017

The following table provides information for the Named Executive Officers about equity awards granted during 2017 and cash bonus awards for which they were eligible in 2017 under our 2017 Executive Bonus Plans, unless otherwise noted. All stock options, RSUs, PSOs and PSUs were awarded under our 2007 Equity Incentive Plan.

		Estimated Future Payouts Under Non- Equity Incentive Plan Awards ($) (3)			Estimated Future Payouts Under Equity Plan Incentive Awards (#)			Number of Securities Underlying Option Awards	Exercise Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Threshold**	**Target**	**Maximum**	**Threshold**	**Target**	**Maximum**	**(#)**	**($)**	**($)(1)**
Niccolo M. de Masi(2)	—	$	$ —	$ —	—	—	—	—	$ —	$ —
Nick Earl	—	90,000	450,000	900,000						
	1/3/17 (4)							850,000	2.00	688,245
	10/10/17 (5)				162,500	325,000	650,000		3.59	766,001
Eric R. Ludwig	—	75,000	375,000	750,000						
	10/10/17							280,146	3.59	466,471
	10/10/17(6)				141,744	283,488	566,976		3.59	688,160
	10/10/17(7)				210,110	420,219	630,328		3.59	983,021
Chris Akhavan	—	56,000	280,000	560,000						
	10/10/17							214,191	3.59	356,649
	10/10/17(6)				125,994	251,989	503,979		3.59	593,920
	10/10/17 (7)				160,643	321,286	481,929		3.59	751,587
Scott J. Leichtner	—	30,500	152,500	305,000						
	10/10/17							188,990	3.59	314,687
	10/10/17(6)				50,398	100,796	201,592		3.59	237,569
	10/10/17(7)				26,525	53,050	79,575			204,733

(1) Amounts shown in this column do not reflect dollar amounts actually received by the officer. Instead, these amounts reflect the aggregate full grant date fair value calculated in accordance with FASB ASC Topic 718. See Note 10 — Stock Option and Other Benefit Plans — in the notes to consolidated financial statements contained in our Form 10-K for the year ended December 31, 2017 for a description of the ASC Topic 718 methodology and assumptions. The performance awards reflected in this column reflect the full fair market value of the award taking into account the probable outcome of the performance conditions.

(2) Mr. de Masi is ineligible to earn any cash incentive bonuses or receive any future equity awards under the terms of his Executive Chairman Agreement entered into in November 2016. For more details on his Executive Chairman Agreement, see “Compensation Discussion and Analysis” above.

(3) Each of Messrs. Earl, Ludwig, Akhavan and Leichtner were eligible to earn a bonus under our 2017 Executive Bonus Plan based on Glu achieving a specified annual bookings target for 2017. The “Threshold” column represents the bonus that could have been earned by each executive if we achieved our minimum bookings target. The “Target” column represents the target bonus that could have been earned by each executive if we achieved our bookings target. The “Maximum” column represents the maximum total bonus that could have been earned by each executive, which was capped at 200% of the executive officer’s annual base salary for Messrs. Earl, Ludwig and Akhavan and 100% of the executive officer’s annual base salary for Mr. Leichtner, regardless of the extent to which we exceeded our bookings target.

(4) On November 14, 2016, our Compensation Committee approved an award to Mr. Earl of an option to purchase 1,500,000 shares of our common stock. However, due to a limitation contained in our 2007 Equity Incentive Plan regarding the number of shares that may be awarded to any employee during a calendar year (the "Plan Grant Limitation"), we were only able to award Mr. Earl an option to purchase 650,000 shares of our common stock at such time. Due to the Plan Grant Limitation, our Compensation Committee on November 14, 2016 approved a bifurcation of this grant, and Mr. Earl was awarded the 850,000 share balance of his option on January 3, 2017, the first trading day of 2017, with identical vesting to the option granted on November 14, 2016 (i.e., 25% of the underlying shares vested on November 14, 2017 and 1/48th of the underlying shares vested monthly thereafter).

(5) On October 10, 2017, our Compensation Committee approved a PSO award to Mr. Earl to purchase up to a maximum of 650,000 shares of our common stock in lieu of having a cash bonus plan for 2018. The shares indicated represent the threshold, target and maximum number of shares to be issued depending on the achievement of certain Adjusted EBITDA thresholds and booking goals during 2018. However, due to the Plan Grant Limitation, we were not able to grant Mr. Earl further equity awards in 2017. On January 2, 2018, our Compensation Committee approved a PSO award to purchase up to 466,861 shares, a PSU award for up to 466,861 shares, and an option to purchase 566,277 shares. The vesting of the PSOs and PSUs is per the terms described in footnote 10 to the "Outstanding Equity Awards at the End of 2017" Table. The time-based option to purchase 566,277 shares vests over four years with 25% vesting on January 2, 2019 and 1/48th of the underlying shares vesting monthly thereafter.

(6) On October 10, 2017, our Compensation Committee determined to award each of Messrs. Earl, Ludwig, Akhavan and Leichtner PSOs in lieu of these Named Executive Officers having a cash bonus plan for 2018. The shares indicated represent the threshold, target and maximum number of shares to be issued depending on the achievement of certain Adjusted EBITDA thresholds and booking goals during 2018.

(7) Represents the threshold, target and maximum number of shares to be issued depending on the achievement of certain Adjusted EBITDA thresholds and booking goals during 2018, 2019 and 2020 as further described below in footnotes 11 and 12 to the "Outstanding Equity Awards at the End of 2017" Table.

Outstanding Equity Awards at the End of 2017

The following table provides information with respect to outstanding stock options, RSU, PSO and PSU awards held by our Named Executive Officers as of December 31, 2017.

	Option Awards					Stock Awards	
		Number of Securities Underlying Options(1)(2)					
Name	Grant Date	Exercisable	Unexercisable	Option Exercise Price(3)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(4)	Market Value of Shares or Units of Stock That Have Not Vested (5)
Niccolo M. de Masi	10/09/12	475,000	0	3.29	10/09/18	—	—
	10/08/13	267,000	0	2.91	10/08/19	—	—
	04/24/14	—	—	—	—	93,750 (6)	341,250
	06/04/15	—	—	—	—	234,375	853,125
	10/13/15	—	—	—	—	375,000	1,365,000
Nick Earl	12/09/15(7)	156,250	143,750	2.92	12/09/25	—	—
	12/09/15(7)	—	—	—	—	250,000	910,000
	10/11/16	247,916	602,084	2.13	10/11/26	—	—
	11/14/16(8)	176,041	473,959	2.10	11/14/26	—	—
	01/03/17	230,208	619,792	2.00	01/02/27		
	10/10/17(9)	0	650,000 (10)	3.59	10/10/27	—	—
Eric R. Ludwig	10/09/12	285,000	0	3.29	10/09/18	—	—
	10/08/13	138,000	0	2.91	10/08/19	—	—
	02/11/14	—	—	—	—	5,000	18,200
	10/14/14	—	—	—	—	60,000	218,400
	10/14/14	162,291	42,709	4.10	10/14/20	—	—
	10/13/15	143,541	121,459	4.09	10/13/25	—	—
	10/13/15	—	—	—	—	167,500	609,700
	10/11/16	247,916	602,084	2.13	10/11/26	—	—
	10/10/17	0	280,146	3.59	10/10/27	—	—
	10/10/17(10)	0	566,976	3.59	10/10/27	—	—
	10/10/17(11)	0	630,328	3.59	10/10/27	—	—
Chris Akhavan	05/14/13	212,500	0	2.74	05/14/19	—	—
	06/11/13	37,500	0	2.43	06/11/19	—	—
	10/08/13	89,145	0	2.91	10/08/19	—	—
	10/14/14	—	—	—	—	28,750	104,650
	10/14/14	79,166	20,834	4.10	10/14/20	—	—
	10/13/15	—	—	—	—	55,000	200,200
	10/13/15	48,750	41,250	4.09	10/13/25	—	—
	10/11/16	131,250	318,750	2.13	10/11/26	—	—
	10/10/17	0	214,191	3.59	10/10/27	—	—
	10/10/17(10)	0	503,979	3.59	10/10/27	—	—
	10/10/17(11)	0	481,929	3.59	10/10/27	—	—
Scott J. Leichtner	04/10/12	50,000	0	4.30	04/10/18	—	—
	10/09/12	105,000	0	3.29	10/09/18	—	—
	10/08/13	54,357	0	2.91	10/08/19	—	—
	10/14/14	—	—	—	—	18,750	68,250
	10/14/14	47,500	12,500	4.10	10/14/20	—	—
	10/13/15	48,750	41,250	4.09	10/13/25	—	—
	10/13/15	—	—	—	—	55,000	200,200
	10/11/16	102,083	247,917	2.13	10/11/26	—	—
	10/10/17	0	188,990	3.59	10/10/27	—	—
	10/10/17(10)	0	201,592	3.59	10/10/27	—	—
	10/10/17(12)	—	—	—	—	79,575	289,653

(1) Except as otherwise described in these footnotes, each option was granted under our 2007 Equity Incentive Plan and vests with respect to 25% of the underlying shares on the first anniversary of the grant date and as to $^{1}/_{48}{}^{th}$ of the shares of common stock underlying it monthly thereafter.

(2) We have entered into the severance agreements described under "Potential Payments upon Termination or Change in Control" below, which provide for acceleration of vesting of each equity award made or to be made to our Named Executive Officers if certain events occur following a change of control of Glu, or as to our Executive Chairman, absent a change of control.

(3) Represents the fair market value of a share of our common stock, which is equal to the closing price of our common stock on The Nasdaq Global Select Market on the grant date.

(4) Except as otherwise described in these footnotes, each award in this column is an RSU award and was granted under our 2007 Equity Incentive Plan. Except as otherwise noted, each RSU vests as to 25% of the total number of shares on the applicable quarterly vesting date that is at least one year from the grant date (the "RSU First Vesting Date"), with the remaining 75% of the shares vesting in equal quarterly installments over the next three years following the RSU First Vesting Date on the same day of each third month (e.g., if the RSU First Vesting Date is February 15, the first quarterly vesting date will be May 15, the next quarterly vesting date will be August 15, etc.); provided, however, that if any portion of the RSU vests on a date that is a non-trading day on The Nasdaq Global Select Market, then the award will vest on the next trading day.

(5) Represents the product of the number of shares subject to the RSU that have not vested multiplied by the closing price of our common stock on The Nasdaq Global Select Market on December 29, 2017, the last trading day of 2017, which was $3.64.

(6) Consists of three separate RSUs awarded to Mr. de Masi, one of which had only time-based vesting and covered 175,000 shares (the "Time-Based RSU"), and the other two of which had both time-based and performance-based vesting and covered an aggregate of 575,000 shares (the "CEO Performance-Based RSUs"). The Time-Based RSUs vest with respect to 25% of the shares on May 15, 2015 and the remaining 75% of the shares vest in equal quarterly installments over the next three years, with the first such quarterly vesting date beginning August 15, 2015. The CEO Performance-Based RSUs vest as to 25% of the shares on May 15, 2015 and the remaining 75% of the underlying shares vesting in equal 12.5% installments over the next three years on the same day of each sixth month (e.g., the second vesting date would be November 15, 2015, the third vesting date would be May 15, 2016, etc.). In July 2014, the Compensation Committee removed the performance-based vesting criteria of the CEO Performance-Based RSUs.

(7) On December 7, 2015, our Compensation Committee approved an award to Mr. Earl of an option to purchase 300,000 shares of our common stock and 500,000 RSUs under our 2008 Equity Inducement Plan.

(8) On November 14, 2016, our Compensation Committee approved an award to Mr. Earl of an option to purchase 1,500,000 shares of our common stock. However, due to the Plan Grant Limitation, we were only able to award Mr. Earl an option to purchase 650,000 shares of our common stock at such time. Due to the Plan Grant Limitation, our Compensation Committee on November 14, 2016 approved a bifurcation of this grant, and Mr. Earl was awarded the 850,000 shares balance of his option on January 3, 2017, the first trading day of 2017, with identical vesting to the option granted on November 14, 2017 (i.e., 25% of the underlying shares vested on November 14, 2017 and $^{1}/_{48}{}^{th}$ of the underlying shares vested monthly thereafter).

(9) On October 10, 2017, our Compensation Committee approved a PSO award to Mr. Earl to purchase up to a maximum of 650,000 shares of our common stock. However, due to the Plan Grant Limitation, we were not able to grant Mr. Earl further equity awards in 2017. On January 2, 2018, our Compensation Committee approved a PSO award to purchase up to 466,861 shares, a PSU award covering up to 466,861 shares, and an option to purchase 566,277 shares.

(10) On October 10, 2017, our Compensation Committee determined to award each of Messrs. Earl, Ludwig, Akhavan and Leichtner PSOs in lieu of these Named Executive Officers having a cash bonus plan for 2018. The shares indicated represent the maximum number of shares to be issued depending on the achievement of certain Adjusted EBITDA thresholds and booking goals during 2018. The PSOs were granted under our 2007 Equity Incentive Plan. Glu will determine its 2018 Adjusted EBITDA and bookings in early 2019, and to the extent that the Named Executive Officers earn any PSOs based on Glu's 2018 bookings and Adjusted EBITDA, such PSOs will fully vest in February 2019.

(11) Represents PSOs granted under our 2007 Equity Incentive Plan containing Adjusted EBITDA thresholds and bookings goals for each of 2018, 2019 and 2020, with one-third of the maximum shares subject to the PSOs earnable in each of those years. Glu will determine its EBITDA and bookings for each of 2018, 2019 and 2020 early in 2019, 2020 and 2021, respectively, and to the extent that these Named Executive Officers earn any PSOs based on Glu's bookings and EBITDA for such years, the shares earned will fully vest in February 2019, 2020 and 2021, respectively.

(12) Represents PSUs granted under our 2007 Equity Incentive Plan containing Adjusted EBITDA thresholds and bookings goals for each of 2018, 2019 and 2020, with one-third of the maximum shares subject to the PSUs earnable in each of those years. Glu will determine its EBITDA and bookings for each of 2018, 2019 and 2020 early in 2019, 2020 and 2021, respectively, and to the extent that Mr. Leichtner earns any PSUs based on Glu's bookings and EBITDA for such years, the shares earned will fully vest in February 2019, 2020 and 2021, respectively.

Option Exercises and Stock Vested in 2017

The following table shows information about stock option exercises and RSU award settlements for each of the Named Executive Officers during 2017, including the value realized upon exercise or settlement. Other than RSUs, we have not granted any stock awards (as opposed to other forms of equity compensation) to any of our employees that settled during 2017.

Name	**Number of Shares Acquired On Exercise of Options**	**Value Realized On Exercise of Options($)(1)**	**Number of Shares Acquired On Settlement of RSUs(2)**	**Value Realized On Settlement of RSUs($)(3)**
Niccolo M. de Masi	475,000	$ 363,375	649,250	$ 1,954,970
Nick Earl	—	—	125,000	367,188
Eric R. Ludwig	285,000	220,860	208,750	613.204
Chris Akhavan	—	—	89,902	262,631
Scott J. Leichtner	—	—	63,911	187,740

(1) The value realized on exercise of option awards is calculated as the difference between the price at which the exercised shares were sold (excluding brokerage commissions) and the exercise price of the options.

(2) Amounts reported in this column include shares relinquished by the Named Executive Officer and cancelled by Glu in exchange for Glu's agreement to pay federal and state tax withholding obligations of the Named Executive Officer resulting from the vesting of RSUs, including withholding of 293,079 shares from Mr. de Masi, 57,710 shares from Mr. Earl, 95,520 shares from Mr. Ludwig, 41,511 shares from Mr. Akhavan and 24,869 shares from Mr. Leichtner.

(3) The value realized on settlement of RSUs is calculated by multiplying the number of RSUs settled by the closing price of Glu's common stock on the settlement date.

Pension Benefits and Nonqualified Deferred Compensation

We do not provide any defined benefit plan pension benefits or a nonqualified deferred compensation plan to our Named Executive Officers.

Potential Payments upon Termination or Change in Control

Mr. de Masi

In connection with the appointment of Niccolo M. de Masi as our Executive Chairman effective as of November 2, 2016, we entered into an Executive Chairman Agreement with Mr. de Masi.

The Executive Chairman Agreement provides that in the event of a "cessation," or if Mr. de Masi's employment is terminated other than for "cause," death or disability, prior to the third anniversary of the Executive Chairman Agreement, and Mr. de Masi delivers to us a signed agreement and general release, then he will be entitled to the following severance benefits:

- any then unearned portion of his salary, payable based on an annual amount of $375,000, had he continued to provide services through the third anniversary of the Executive Chairman Agreement, payable in a lump sum;

- each of his outstanding and not fully vested equity awards become fully vested and exercisable through all vesting tranches that would otherwise occur prior to November 16, 2019; and

- continuation of coverage for him (and any eligible dependents) pursuant to COBRA for the balance of the period until November 2, 2019.

The Executive Chairman Agreement also provides that in the event of a "corporate transaction" as defined in the 2007 Equity Incentive Plan, the vesting of all of Mr. de Masi's outstanding and not fully vested equity awards shall fully accelerate, and such awards shall become exercisable (as applicable) and free of all restrictions (other than those set forth in the Company's insider trading policies then in effect or imposed by applicable law) in full prior to the consummation of such corporate transaction.

The following definitions apply to the Executive Chairman Agreement:

"Cause" is defined to mean (i) Mr. de Masi committing an act of gross negligence, including misappropriation, embezzlement or fraud, that materially adversely affects us or any of our customers, suppliers or partners, (ii) willful misconduct in the performance of services for us or breach of fiduciary duty involving personal profit (other than unintentional, immaterial breaches that are promptly cured after written notice to Mr. de Masi), (iii) his being convicted of, or pleading no contest to, any felony, (iv) any material breach of any agreement with us by him that remains uncured for thirty (30) days after written notice by us to Mr. de Masi, unless that breach is incapable of cure, in which case no cure period shall be permitted, or any other material unauthorized use or disclosure of the our confidential information or trade secrets involving personal benefit, or (v) his failure to follow the lawful and reasonable directions of the Board; provided that, at any point when Mr. de Masi no longer serves as Executive Chairman, principal executive officer, or otherwise as an employee of Glu, and serves only as a member of the Board, "Cause" shall instead mean a breach of fiduciary duties as a director such that he would not be entitled to indemnification under applicable law.

"Cessation" means (a) Mr. de Masi ceases to serve as a member of the Board at any time prior to the third anniversary of entry into the Executive Chairman Agreement, provided that such cessation is (I) at the written request of the majority of the members of the Board (or made by a majority of the Board at a properly called meeting thereof), (II) due to Mr. de Masi not being recommended by us or the Board for reelection or not being reelected to the Board by our stockholders, (III) following a material breach of the Executive Chairman Agreement by us of which Mr. de Masi has notified us within 90 days after such breach in writing that Glu has materially breached the Executive Chairman Agreement (specifying the provision(s) breached and the circumstances constituting such breach), we have failed to cure such breach within 30 days following such notice, and Mr. de Masi has resigned and ceased service within fifteen (15) days of such failure to cure, or (IV) following a material diminution in Mr. de Masi's assigned duties as Executive Chairman, provided that he first notifies us within 30 days after such material diminution in writing that such event has occurred and we have failed to cure such diminution within 30 days following such notice, and Mr. de Masi has resigned and ceased service within fifteen (15) days of such failure to cure (a resignation fulfilling all of the requirements of clause (a) (III) or (a)(IV) shall be deemed for "Good Reason"), or (b) Mr. de Masi ceases to serve as Executive Chairman at the written request of the majority of the members of the Board (or made by a majority of the Board at a properly called meeting thereof). For the avoidance of doubt, (i) except as provided above, any voluntary termination of Mr. de Masi's service or termination of his service due to his death or disability or (ii) termination of Mr. de Masi's status as a "principal executive officer" while still serving as Executive Chairman or as a member of the Board shall, in each case, not constitute a cessation under the Executive Chairman Agreement.

If we had been subject to a corporate transaction as of December 31, 2017, Mr. de Masi would have received $2,559,375 upon the full acceleration of all of his unvested shares subject to outstanding equity awards held by him on December 31, 2017. The table below estimates the payments that Mr. de Masi would have received in the event of a cessation, or if his employment was terminated other than for cause, death or disability, as of December 31, 2017:

	Benefits	Cessation or Termination Other Than for Cause or Disability ($)
Niccolo de Masi	Severance	706,731
	Equity Acceleration(1)	2,559,375 (3)(4)
	COBRA Premium(2)	44,818
	Total Value	**3,310,924**

(1) These amounts are calculated by aggregating the sums determined by multiplying, for each award the number of shares accelerated by (a) the positive difference, if any, between the closing price per share of our common stock on The Nasdaq Global Select Market on December 29, 2017, the last trading day of 2017, which was $3.64, and the option exercise price per share for stock options, and (b) $3.64 per share in the case of RSUs.

(2) COBRA payout amounts are estimated based on the cost of the monthly premium and represent coverage for medical, dental and vision insurance for the executive and his eligible dependents, if any.

(3) Reflects full acceleration of all unvested shares subject to outstanding equity awards held by Mr. de Masi on December 31, 2017.

(4) These amounts are calculated by aggregating the sums determined by multiplying, for each award the number of shares accelerated by (a) the positive difference, if any, between the closing price per share of our common stock on The Nasdaq Global Select Market on December 29, 2017, which was $3.64, and the option exercise price per share for stock options, and (b) $3.64 per share in the case of RSUs.

Mr. Earl

On November 10, 2016, we entered into both an employment agreement and a Change of Control Severance Agreement with Nick Earl, our President and Chief Executive Officer.

The employment agreement provides that should Mr. Earl terminate his employment based on an "involuntary termination" or be terminated, other than for "cause" or disability, at any time, other than within twelve months after a "change in control transaction," and Mr. Earl delivers to us a signed agreement and general release, then Mr. Earl will be entitled to the following severance benefits:

- 12 months of his then-current annual base salary, payable in lump-sum; and
- up to 12 months of continuation coverage for him (and any eligible dependents) pursuant to COBRA.

The Change of Control Severance Agreement provides that if Mr. Earl terminates his employment based on an "involuntary termination" or if he is terminated, other than for "cause" or disability, within 12 months after a "change in control transaction," and Mr. Earl delivers to us a signed agreement and general release, he would receive the same benefits set forth above pursuant to his employment agreement, except that he will also receive

- a lump-sum payment of his annual bonus for such calendar year, based on the target potential amount; and
- full vesting for all of his outstanding and unvested equity awards that were granted after November 10, 2016.

Outstanding and unvested equity awards that were granted prior to November 10, 2016 remain subject to the severance agreement we entered into with Mr. Earl on February 8, 2016. Such severance agreement provides that if Mr. Earl terminates his employment based on an "involuntary termination" or is terminated, other than for "cause" or disability, within 12 months after a "change in control transaction," he would receive an additional 36 months of vesting with respect to each of his then outstanding and not fully vested equity awards.

Mr. Ludwig

On October 10, 2008, we entered into a severance agreement with Eric R. Ludwig, our Executive Vice President, Chief Operating Officer and Chief Financial Officer, which was amended on July 7, 2011. Under this agreement, as amended, if Mr. Ludwig terminates his employment based on an "involuntary termination" or if he is terminated, other than for "cause" or disability, within 12 months after a "change in control transaction," he would receive 12 months of his then-current annual base salary, payable in lump-sum. Mr. Ludwig would also receive a lump-sum payment of his annual bonus for such calendar year, based on the target potential amount. Additionally, Mr. Ludwig's then outstanding and unvested equity awards would become fully vested. Finally, Mr. Ludwig would receive reimbursement for up to 12 months of COBRA premiums.

Messrs. Akhavan and Leichtner

On July 7, 2011, we entered into a change of control severance agreement with Scott Leichtner, our Vice President, General Counsel and Corporate Secretary, and on June 3, 2013, we entered into a change of control severance agreement with Chris Akhavan. Each of these agreements provides that if the executive terminates his employment based on an "involuntary termination" or is terminated, other than for "cause" or disability, within 12 months after a "change in control transaction," he would receive six months of his then-current annual base salary, payable in lump-sum. Each officer would also receive 50% of his annual bonus for such calendar year, based on the target potential amount. Additionally, each officer would receive an additional 36 months of vesting with respect to each of his then outstanding and not fully vested equity awards. Finally, each officer would receive reimbursement for up to six months of COBRA premiums.

The following definitions are used in the severance agreements and retention arrangements described for the Named Executive Officers (other than the definition of "Cause" for Mr. de Masi which is defined above):

"Cause" is defined to mean (1) the executive's committing an act of gross negligence, gross misconduct or dishonesty, or other willful act, including misappropriation, embezzlement or fraud, that materially adversely affects us or any of our customers, suppliers or partners, (2) his personal dishonesty, willful misconduct in the performance of services for us, or breach of fiduciary duty involving personal profit, (3) his being convicted of, or pleading no contest to, any felony or misdemeanor involving fraud, breach of trust or misappropriation or any other act that our Board reasonably believes in good faith has materially adversely affected, or upon disclosure will materially adversely affect, us, including our public reputation, (4) any material breach of any agreement with us by him that remains uncured for 30 days after written notice by us to him, unless that breach is incapable of cure, or any other material unauthorized use or disclosure of our confidential information or trade secrets involving personal benefit or (5) his failure to follow the lawful directions of our Board or, if he is not the Chief Executive Officer, the lawful directions of the Chief Executive

Officer, in the scope of his employment unless he reasonably believes in good faith that these directions are not lawful and notifies our Board or Chief Executive Officer, as the case may be, of the reasons for his belief.

A "change in control transaction" is defined to mean the closing of (1) a merger or consolidation in one transaction or a series of related transactions, in which our securities held by our stockholders before the merger or consolidation represent less than 50% of the outstanding voting equity securities of the surviving corporation after the transaction or series of related transactions, (2) a sale or other transfer of all or substantially all of our assets as a going concern, in one transaction or a series of related transactions, followed by the distribution to our stockholders of any proceeds remaining after payment of creditors or (3) a transfer of more than 50% of our outstanding voting equity securities by our stockholders to one or more related persons or entities other than Glu in one transaction or a series of related transactions.

"Involuntary Termination" is defined to mean the executive's resignation of employment from Glu expressly based on the occurrence of any of the following conditions, without the executive's informed written consent, provided, however, that with respect to each of the following conditions, the executive must (1) within 90 days following its occurrence, deliver to us a written notice explaining the specific basis for the executive's belief that he is entitled to terminate his employment due to an Involuntary Termination and (2) give us an opportunity to cure any of the following within 30 days following delivery of such notice and explanation: (1) a material reduction in his duties, position or responsibilities, or his removal from these duties, position and responsibilities, unless he is provided with a position of substantially equal or greater organizational level, duties, authority and compensation; provided, however, that a change of title, in and of itself, or a reduction of duties, position or responsibilities solely by virtue of our being acquired and made part of a larger entity will not constitute an "Involuntary Termination," (2) a greater than 15% reduction in his then current annual base compensation that is not applicable to our other executive officers or (3) without his express written consent, a relocation to a facility or a location more than 30 miles from his then current location of employment. Involuntary Termination does not include a termination of employment for death or permanent disability.

The table below estimates as of December 31, 2017 the potential payments to Messrs. Earl, Ludwig, Akhavan and Leichtner should such officer terminate his employment based on an "involuntary termination" or be terminated other than for "cause" or disability either (1) within 12 months following a "change in control transaction" or (2) or in the absence of a "change in control transaction."

	Benefits	Termination Other Than for Cause or Disability or by Named Executive Officer Based on an Involuntary Termination Within 12 Months Following Change in Control Transaction($)	Termination Other Than for Cause or Disability or by Named Executive Officer Based on an Involuntary Termination Absent a Change in Control Transaction($)
Nick Earl	Severance	450,000	450,000
	Equity Acceleration(1)	3,685,253 (3)	
	COBRA Premium(2)	14,630	14,630
	Total Value	**4,149,883**	**464,630**
Eric R. Ludwig	Severance	375,000	
	Equity Acceleration(1)	1,804,639(4)	
	COBRA Premium(2)	23,580	
	Total Value	**2,203,219**	
Chris Akhavan	Severance	200,000	
	Equity Acceleration(1)	822,858 (5)	
	COBRA Premium(2)	3,716	
	Total Value	**1,026,574**	
Scott J. Leichtner	Severance	160,000	
	Equity Acceleration(1)	657,584 (5)	
	COBRA Premium(2)	9,947	
	Total Value	**827,531**	

(1) These amounts are calculated by aggregating the sums determined by multiplying, for each award the number of shares accelerated by (a) the positive difference, if any, between the closing price per share of our common stock on

The Nasdaq Global Select Market on December 29, 2017, the last trading day of 2017, which was $3.64, and the option exercise price per share for stock options, and (b) $3.64 per share in the case of RSUs.

(2) COBRA payout amounts are estimated based on the cost of the monthly premium and represent coverage for medical, dental and vision insurance for the executive and his eligible dependents, if any.

(3) Reflects full acceleration of all unvested shares subject to outstanding equity awards held by Mr. Earl on December 31, 2017 and granted after November 10, 2016 and an additional 36 months of vesting of all outstanding equity awards held by Mr. Earl on December 31, 2017 and granted prior to November 10, 2016. PSOs will accelerate free of all restrictions (other than those set forth in the Company's insider trading policies then in effect or imposed by applicable law) based on the target amount.

(4) Reflects full acceleration of all unvested shares subject to outstanding equity awards held by Mr. Ludwig on December 31, 2017. PSOs will accelerate free of all restrictions (other than those set forth in the Company's insider trading policies then in effect or imposed by applicable law) based on the target amount.

(5) Reflects an additional 36 months of vesting of all outstanding time-based equity awards and outstanding performance-based equity awards (at the target level of performance achievement) held by the executive officer on December 31, 2017.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Review, Approval or Ratification of Transactions with Related Persons

Our Nominating and Governance Committee has adopted a written related-person transactions policy. The Nominating and Governance Committee reviews transactions that may be "related-person transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed $120,000 and in which a related person has or will have a direct or indirect material interest. For purposes of the policy, a related person is a director, executive officer, nominee for director, or a greater than 5% beneficial owner of our common stock and their immediate family members, in each case as of January 1, 2017, the beginning of our last fiscal year.

This policy provides that, barring special facts or circumstances, a related person does not have a direct or indirect material interest in the following categories of transactions:

- employment-related compensation to executive officers that is approved by the Compensation Committee;
- compensation to non-employee directors that is reported in our proxy statement;
- any transaction with another company to which the related party's only relationship is as a director, beneficial owner of less than 10% of that company's shares, or employee (other than an executive officer), if the aggregate amount involved does not exceed the greater of $500,000 or 2% of that company's total annual revenues;
- any transaction where the related party's interest arises solely from the ownership of our common stock and all holders of our common stock receive the same benefit on a pro rata basis (e.g., a dividend); and
- ordinary course business travel and expenses, advances and reimbursements.

In determining whether to approve or ratify a related-person transaction, the Nominating and Governance Committee will take into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the related party's interest in the transaction, the benefits to us of the transaction, the potential impact on a director's independence and whether the transaction would impair the judgment of a director or executive officer to act in our best interests and those of our stockholders.

Tencent Transaction

On April 29, 2015, Glu agreed to issue in a private placement offering to Red River Investments Limited ("Red River"), a wholly-owned subsidiary of Tencent, an aggregate of 21,000,000 shares of Glu's common stock at a purchase price of $6.00 per share, for aggregate proceeds of $126 million (the "Offering"). The shares of Glu's common stock were issued in two separate closings on each of April 29, 2015 and June 3, 2015. In connection with the Offering, Red River became a greater than 5% owner of Glu, and Glu and Tencent became parties to a voting and standstill agreement, pursuant to which Glu agreed to cause Steven Ma, Senior Vice President of Tencent, to be elected and appointed as a new member of the Board as a Class I director, and to subsequently nominate for future director elections Mr. Ma or his successor as the designee of Tencent on the Board. On April 28, 2015, the Board so elected Mr. Ma. Mr. Ma resigned from the Board on January 23, 2017 and was replaced by Mr. Feder on January 26, 2017 pursuant to the voting and standstill agreement. Tencent, through Red River and another of its controlled affiliates, held 20.2% of Glu's outstanding shares as of April 11, 2018.

Indemnification Agreements

We have entered into indemnity agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnity agreements may require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnity agreements may also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers. We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these officers and directors pursuant to our indemnification obligations or otherwise as a matter of law.

Other than the indemnification agreements and the compensation arrangements that are described in this proxy statement under the headings "Compensation Discussion and Analysis," "Executive Compensation" and "Director Compensation," since January 1, 2017, we have not been a party to any transaction or series of similar transactions in which the amount involved exceeded or will exceed $120,000 and in which any director, nominee for director, executive officer, holder of more than 5% of our common stock or certain persons or entities affiliated with them had or will have a material interest.

See also "Corporate Governance — Director Independence" for information the Board considered in determining the independence of our non-employee directors.

PROPOSAL NO. 2

APPROVAL OF THE AMENDMENT AND RESTATEMENT OF OUR 2007 EQUITY INCENTIVE PLAN

On April 24, 2018, the Board, upon recommendation of the Compensation Committee, adopted the Fourth Amended and Restated 2007 Equity Incentive Plan (the "Restated Plan"), subject to stockholder approval. The Restated Plan is an amendment and restatement of the Glu Mobile Inc. Third Amended and Restated 2007 Equity Incentive Plan (the "2007 Plan"), which was last amended in June 2017. If our stockholders do not approve this Proposal, then the 2007 Plan will continue without the amendments in accordance with its terms.

The principal terms of the Restated Plan are summarized below. This summary is not a complete description of the Restated Plan, and it is qualified in its entirety by reference to the complete text of the Restated Plan document. The Restated Plan, marked to show changes from the 2007 Plan, is attached as Appendix A to this proxy statement.

Amendments to the 2007 Plan

The following are the primary amendments to the 2007 Plan contained in the Restated Plan:

- an increase to the available share reserve by 10,000,000 shares of our common stock (for a cumulative aggregate share authorization of 46,973,191 shares);
- the removal of the limitation on the number of shares that can be issued in any calendar year to a participant under the Restated Plan;
- clarifying that successive annual meetings must be at least 50 weeks apart in order for the period between such annual meetings to satisfy the one-year minimum vesting requirement for equity awards granted to outside directors;
- clarifying that the Committee may not institute an award transfer program (under which awards are transferred for value to a financial institution) without prior shareholder approval; and
- prohibiting the payment of dividends with respect to any shares of common stock subject to an outstanding award granted under the Restated Plan (or portion thereof) that has not vested; for any such award, the Compensation Committee may provide only for the accrual of dividends that will not be payable unless and until, and only to the extent that, such award vests.

Equity Incentive Plan Information as of December 31, 2017

As of April 13, 2018, (i) 24,956,657 shares issuable upon exercise of outstanding time- and performance-vesting stock options with a weighted average exercise price of $3.08 per share and weighted average remaining term of 8.13 years, (ii) 4,947,731 shares subject to outstanding RSUs with no exercise price, and (iii) up to a maximum of 1,127,386 shares subject to outstanding PSUs with no exercise price were outstanding under the 2007 Plan. In addition, as of April 13, 2018, there were 99,739 shares available for grant under the 2007 Plan and 351,600 shares available for grant under our 2018 Equity Inducement Plan (the "2018 Inducement Plan").

Rationale For and Reasons Why the Board Recommends a Vote FOR the Restated Plan

Equity Compensation Is a Critical Element of Our Compensation Policy. We believe that long-term incentive compensation programs align the interests of management, employees and stockholders to create long-term stockholder value. We strongly believe that the approval of the Restated Plan is essential to our continued success, because we otherwise would not have sufficient shares available under our 2007 Plan to attract and retain new employees or to motivate and retain our existing employees. This is particularly critical since our employees are our most valuable asset. In addition, in October 2017 our Compensation Committee determined to eliminate cash bonus plans for our senior leadership team, including our Named Executive Officers, for 2018 and replaced the executive cash bonus plan with PSOs. We expect that the Compensation Committee will similarly utilize performance-based equity awards in lieu of cash bonuses for our senior leadership team for 2019, which will impact our utilization of shares from the Restated Plan during the next 12 months.

Accordingly, approving the Restated Plan is in the best interest of our stockholders because equity awards help us to:

- attract, motivate and retain talented employees;
- align employee and stockholder interests;
- link employee compensation with company performance; and
- maintain a culture based on employee stock ownership.

After carefully forecasting our anticipated growth, hiring plans and retention needs and considering our historical grant and forfeiture rates and the expectation that the Compensation Committee will utilize performance-based equity awards in lieu of cash bonuses for our executives for 2019, we anticipate the 10,000,000 shares that we seek to add to the Restated Plan — combined with shares currently reserved under, or that we may add to, our 2018 Inducement Plan (which we may use for certain newly hired employees and to grant equity awards in connection with acquisitions) will be sufficient to attract and retain key employees through approximately June 2019, at which point we expect to again ask for stockholder approval for an increase to the number of shares available under the Restated Plan. However, a change in business conditions or our strategy could alter this projection.

We are removing the limitation on the number of shares that can be issued in any calendar year to a participant under the Restated Plan because that limitation was primarily in the 2007 Plan to satisfy a tax law requirement under Section 162(m) of the Code that required a plan to contain such an annual limitation. Section 162(m) of the Code has largely been repealed by passage of the Tax Cuts and Jobs Act meaning certain compensation paid to certain executive officers is no longer deductible by us, even if such compensation would have constituted qualified performance based compensation under Section 162(m) of the Code.

The Restated Plan Conforms to Best Practices in Equity Incentive Plans. The Restated Plan conforms to best practices in equity incentive plans in that it:

- contains:
    - a limitation providing that no equity awards will vest, in whole or in part, prior to one year from the date of grant (subject to a 5% carve-out as described below);
    - a limitation of $600,000 on the grant date fair value of equity awards that may be granted to any non-employee director in any calendar year, plus an additional $600,000 in grant date fair value for one-time awards to a newly appointed or elected non-employee director;
    - a provision providing that any equity awards issued to our executive officers will be subject to any clawback or recoupment policies in effect or as may be amended or adopted from time to time;
    - a restriction that the following shares will not be available for future grant under the Restated Plan: (1) shares used in connection with the exercise of a stock option or stock appreciation right to pay the exercise price or purchase price of such award or satisfy applicable tax withholding obligations and (2) the gross number of shares subject to stock appreciation rights that are exercised;

- a prohibition against repricing or certain other exchanges of stock options and stock appreciation rights without stockholder approval;
- a limitation on the transferability of awards, since generally awards may not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, except by will or the laws of descent and distribution;
- a provision specifying that awards under the Restated Plan are subject to recoupment as provided under applicable law and/or in a policy adopted by the Board; and
- a provision prohibiting the grant of discounted options or stock appreciation rights.

- does not contain:
  - single-trigger vesting acceleration rights, other than on a limited basis for non-employee directors;
  - tax gross-ups; and
  - an evergreen provision to automatically increase the number of shares available under it.

Our Use of Equity Supports a Strong Pay-for-Performance Culture and Has Been Managed to Stay within Industry Norms. We have carefully managed our annual equity award dilution over the past three years by, among other things, limiting equity awards to high-performing employees, determining the appropriate size of awards based on our review of market data and reviewing market practices for equity burn rates in our industry. As a result, shown in the table below, with the exception of fiscal 2016, our annual burn rate is significantly below the 10.22% threshold established by Institutional Shareholder Services ("***ISS***") for companies in our industry. In addition, our 9.3% three-year average burn rate, calculated including the number of PSOs and PSUs earned, aligns with the 25th percentile of the companies included in our compensation peer group as specified in "Compensation Discussion and Analysis" above.

Period	Options Granted	RSUs Granted	PSUs Granted	PSOs Granted	PSUs Earned	PSOs Earned	Burn Rate(1)
Fiscal 2015	1,659	4,955	0	0	0	0	7.7 %
Fiscal 2016	10,347	5,094	0	0	0	0	13.6 %
Fiscal 2017	5,346	2,360	661	4,246	0	0	6.6 %
3-Yr. Average							9.3%

(1) "Burn Rate" means the sum of the number of shares subject to time-vesting equity awards granted and the number of performance-vesting shares earned in the fiscal year (using a 1.5x multiplier for each RSU or PSU award), divided by basic weighted average common shares outstanding during the fiscal year.

Beginning in fiscal year 2017, we modified our executive compensation program to incorporate a heavy weighting on performance-based equity. As a result, our equity program is strongly aligned with stockholders' interests given that our leadership will only be eligible to earn shares subject to PSUs and PSOs if challenging performance targets are achieved and they remain with Glu for the time-vesting period applicable to each award. In particular, a majority of the PSOs granted during fiscal 2017 reflect a change in our compensation strategy to replace, for key members of our senior leadership team, the cash annual incentive opportunity with PSOs that vest based on our achievement of pre-established bookings and EBITDA goals for fiscal year 2018. In addition, the annual equity awarded to our senior leadership team in October 2017 consisted of a mix of PSUs, PSOs and time vesting stock options, with no time vesting RSUs granted. The Compensation Committee, our Board of Directors and management team supported these changes in our compensation strategy to reinforce our business objectives and to drive a focus on sustained stockholder value creation.

The increase in our burn rate during fiscal 2016 was largely attributable to our acquisition of Crowdstar Inc. ("***Crowdstar***") in November 2016. This acquisition was effected as a direct stock purchase of the shares directly from certain of Crowdstar's stockholders, including through a drag-along procedure utilized with respect to certain of these stockholders, and did not involve the cooperation of Crowdstar management. As a result of the unique nature of this transaction, we believed that we needed to issue significant equity awards to Crowdstar's existing employees in order to retain these employees and not disrupt Crowdstar's operations and revenues. Accordingly, we issued 1,100,000 RSUs and stock options to purchase an aggregate of 5,007,000 shares from our 2008 Inducement Plan to 79 existing Crowdstar employees. The grants made to Crowdstar employees were a key part of their compensation package and ensuring that our acquisition of Crowdstar would be successful. Excluding such grants, our burn rate would have been 8.6% for 2016 instead of 13.6%, well below the ISS threshold.

We will continue to review our compensation plans and strategies as our business evolves and will continue to use equity and performance-based incentives to drive accountability by our leadership team and to reward for sustained strong performance. We believe that increasing the number of shares available for grant under the Restated Plan will enable us to continue to provide competitive equity compensation to our employees and directors while continuing to comply with best practices for equity incentive plan grant practices.

We Broadly Distribute Equity Awards. Our equity awards are widely spread among our employees. For example, during 2017, our Named Executive Officers received an aggregate of stock units (only performance-based) and options (time-based and performance based) for 4,647,706 shares, or approximately 36.9% of aggregate equity awards we granted to all employees in 2017. In 2017, a majority of our North American employees who started with us during the year received an RSU and/or stock option award in the month following their start date, and approximately 280 of our global employees (representing 42.0% of all existing global employees as of December 31, 2017) received a refresh RSU and/or stock option award.

Conclusion

If our stockholders do not approve the Restated Plan, our plans to operate our business would be materially adversely affected because we otherwise would not have sufficient shares available under our 2007 Plan to attract and retain new employees or to motivate and retain our existing employees. Additionally, if the shares available for grant under the 2007 Plan are not increased, we would need to use our 2018 Inducement Plan — which is a non-stockholder approved plan — to grant awards to newly hired employees, directors and consultants and find other ways to retain our current employees, as they are not eligible to receive awards under the 2018 Inducement Plan due to rules put in place by Nasdaq with respect to non-stockholder approved plans. This could require us to offer material cash-based incentives to compete for talent as well as to revert back to annual cash incentive bonus plans for our senior leadership rather than utilizing PSOs, which could have a significant impact upon our quarterly results of operations and balance sheet. Moreover, this would not be competitive with most other technology companies in the San Francisco Bay Area with which we compete for talent or our peer companies. We believe that a cash-based incentive program would not have significant long-term retention value and would not serve to align our employees' interests as closely with those of our stockholders in the absence of equity incentives.

Our future success depends heavily on our ability to attract and retain high caliber employees. The ability to grant equity awards is a necessary and powerful recruiting and retention tool for us to hire and motivate the quality personnel we need to compete.

For these reasons, we request that our stockholders approve the Restated Plan. If the Restated Plan is not approved, we do not expect to be able to offer competitive equity packages to retain our current employees and hire new employees.

General

The Restated Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock awards, stock appreciation rights, RSUs and stock bonuses and performance shares (collectively, the "stock awards"). The Restated Plan also provides the ability to grant performance shares that may qualify the compensation attributable to those awards as performance-based compensation for purposes of the Internal Revenue Code (or the "Code"), as explained in greater detail below.

Incentive stock options granted under the Restated Plan are intended to qualify as "incentive stock options" within the meaning of Section 422 of the Code; nonstatutory stock options granted are not intended to qualify as incentive stock options under the Code. See "Federal Income Tax Information" for a discussion of the tax treatment of the various stock awards.

Purpose

Our Board adopted the Restated Plan to provide a means to retain the services of our employees, directors, consultants, independent contractors and advisors, and those of any parent or subsidiary of ours, to attract and retain the new talent to our company that we will require to execute our strategy and grow our business, and to provide a means by which these eligible individuals may be given an opportunity to benefit from increases in the value of our common stock through the grant of equity awards, thereby aligning the long-term compensation and interests of those individuals with our stockholders.

Administration

The Restated Plan is administered by our Compensation Committee, all of the members of which are non-employee directors under applicable federal securities laws and outside directors as defined under applicable federal tax laws. Our Compensation Committee has the authority to construe and interpret the Restated Plan, grant and determine the terms of each award, including the exercise price, the number of shares subject to the award, the exercisability of the award and the form of consideration payable upon exercise of the award, and make all other determinations necessary or advisable for the administration of the Restated Plan.

Eligibility

The Restated Plan provides for the grant of incentive stock options only to our employees and employees of any parent or subsidiary of ours. All awards other than incentive stock options may be granted to our employees, directors, consultants, independent contractors and advisors, and those of any parent or subsidiary of ours. As of March 31, 2018, we had a total of 588 employees and six non-employee directors who would be eligible to receive awards from the Restated Plan. Our executive officers and directors have an interest in this Proposal insofar as they are eligible to receive awards under the Restated Plan.

Shares Subject to the Restated Plan

If stockholders approve the Restated Plan, then the shares reserved under the Restated Plan will increase by 10,000,000 shares of our common stock, and the cumulative aggregate share authorization under the Restated Plan will increase to 46,973,191 shares, which includes 2,461,644 shares that have been added to the plan pursuant to the "pour over" provision of our 2001 Second Amended and Restated Stock Option Plan (the "2001 Plan," which plan expired when we adopted the 2007 Plan); this pour over provision allowed us to add to the 2007 Plan any shares that were subject to a stock option granted under our 2001 Plan that were cancelled, expired or terminated. As of April 13, 2018, (i) 24,956,657 shares issuable upon exercise of outstanding stock options with a weighted average exercise price of $3.08 per share and weighted average remaining term of 8.13 years, (ii) 4,947,731 shares subject to outstanding RSUs with no exercise price, and (iii) up to a maximum of 1,127,386 shares subject to outstanding PSUs with no exercise price were outstanding under the 2007 Plan, not including the 10,000,000 shares for which we are seeking stockholder approval, and 99,739 shares remained available for grant. The closing price of Glu's common stock on The Nasdaq Global Select Market on April 11, 2018 was $3.79 per share.

In addition, the following shares will again be available for grant and issuance under our Restated Plan:

- shares surrendered pursuant to an exchange program;
- shares subject to an option or stock appreciation right granted under our Restated Plan that cease to be subject to the option or stock appreciation right for any reason other than exercise of the option or stock appreciation right;
- shares used to satisfy the tax withholding obligations for RSU awards;
- shares subject to an award granted under our Restated Plan that are subsequently forfeited or repurchased by us at the original issue price; and
- shares subject to an award granted under our Restated Plan that otherwise terminates without shares being issued.

Full-Value Awards

A Full Value Award is an award — other than an option or stock appreciation right — that is settled in shares of common stock. The Restated Plan provides that any shares that are subject to awards of options or stock appreciation rights will be counted against the share reserve limit as one share for every one share granted. Additionally, the Restated Plan provides that any shares that are subject to Full Value Awards will be counted against the share reserve limit as 1.32 shares for every one share granted. Paying dividend equivalents in cash in connection with any outstanding award will not be counted against the shares available for issuance under the Restated Plan.

If an award previously granted under the Restated Plan terminates, expires or lapses for any reason, any shares subject to the award may be used again for new grants under the Restated Plan. The Restated Plan also reflects the share counting principle described above when determining the number of shares that may be re-granted after an award expires. If an award terminates, expires or lapses for any reason, any share that again becomes available for future grant shall be added back to the Restated Plan (1) as one share if the share was subject to an option or a stock appreciation right, and (2) as 1.32 shares if such share was subject to a Full Value Award.

Vesting/Acceleration Restrictions

The Restated Plan mandates that awards shall not provide for any vesting prior to at least twelve (12) months from grant. In addition, the Compensation Committee will generally not permit the discretionary vesting of awards. Notwithstanding the foregoing, the Compensation Committee may permit (i) acceleration of vesting of awards in the event of a participant's death, disability or a significant corporate transaction and (ii) vesting of awards on any basis prior to twelve (12) months from grant or any acceleration of vesting of awards representing up to an aggregate of five percent (5%) of the shares reserved and available for grant under the Restated Plan as of the date of its approval by our stockholders. For purposes of awards to non-employee directors, a vesting period will be deemed to be one year if it runs from the date of one annual meeting of our stockholders to the next annual meeting of our stockholders.

Terms of Options

The Restated Plan provides for the grant of nonstatutory stock options, incentive stock options or a combination of each. Incentive stock options may only be granted to our employees and employees of any parent or subsidiary of ours. Subject to adjustment as provided in the Restated Plan, in no event shall more than 16,666,666 shares of our common stock be available for issuance pursuant to the exercise of incentive stock options granted under the Restated Plan.

Each stock option granted under the Restated Plan must be evidenced by a written agreement between us and the optionee specifying the number of shares subject to the stock option and the other terms and conditions of the stock option, consistent with the requirements of the Restated Plan. The exercise price of each stock option may not be less than the fair market value of a share of our common stock on the date of grant (except in connection with the assumption or substitution for another stock option in a manner qualifying under Sections 409A and 424(a) of the Code). In addition, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any subsidiary corporation of Glu (a "Ten Percent Stockholder") must have an exercise price equal to at least 110% of the fair market value of a share of our common stock on the date of grant.

The Restated Plan provides that the stock option exercise price may be paid in cash or by check or, where expressly approved by our Compensation Committee (and to the extent not otherwise set forth in the applicable award agreement) and permitted under applicable law, by means of:

- cancellation of indebtedness;
- surrender of shares of our common stock owned by the optionee having a fair market value not less than the aggregate exercise price of the shares being exercised;
- waiver of compensation due or accrued to the optionee for services rendered or to be rendered to Glu or a parent or subsidiary of Glu;
- a broker-assisted cashless exercise;
- by any combination of the above methods; or
- any other method of payment permitted by applicable law.

Our Compensation Committee may provide for options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. Options may vest based on time or achievement of performance conditions, as is the case with PSOs. In general, our time-based vesting employee stock options vest over a four-year period, with 25% of the underlying shares vesting on the first anniversary of the grant date and the remaining shares vesting in equal monthly installments thereafter for the following three years. However, stock options granted to our employees located in India generally vest over a four-year period, with 25% of the underlying shares vesting on the first anniversary of the grant date and the remaining shares vesting in equal annual installments thereafter for the following three years.

The Restated Plan allows us to grant stock options with a term of up to ten years. Subject to the term of the stock option, a stock option generally will remain exercisable for three months following the optionee's termination of service, except that if service terminates as a result of an optionee's death or disability, the stock option generally will remain exercisable for 12 months, and, if an employee optionee's service is terminated for cause, the stock option will expire on the date of termination. The Committee, in its discretion, may provide different post-termination exercise periods, but in any event the stock option must be exercised no later than the original expiration of its term.

Unless otherwise determined by our Compensation Committee, stock options are not assignable or transferable by the optionee other than by will or by the laws of descent and distribution.

Terms of Stock Appreciation Rights, or "SARs"

SARs provide for a payment, or payments, in cash or shares of our common stock, to the participant based upon the increase in the fair market value of our common stock on the date of exercise from the stated exercise price. SARs may vest based on time or achievement of performance conditions. Each SAR awarded under the Restated Plan must be evidenced by a written agreement between us and the participant specifying the terms and conditions of the SAR, consistent with the requirements of the Restated Plan.

Our Compensation Committee will determine the terms of each SAR, including the number of shares subject to the SAR, the exercise price and the time or times during which the SAR may be settled, the consideration to be distributed on settlement of the SAR and the effect of the participant's termination on his or her SAR. The exercise price of SAR may be less than the fair market value of the underlying shares of common stock.

A SAR may be awarded upon satisfaction of performance factors that are set out in advance in the participant's individual award agreement. If the participant earns the SAR upon the satisfaction of performance factors, then the Compensation Committee will determine the performance factors to be used, as well as the nature, length and starting date of the performance period.

The Restated Plan will still allow us to grant SARs with a term of up to ten years. Except as may be set forth in the participant's individual award agreement, vesting ceases upon the participant's termination of service unless determined otherwise by the Compensation Committee.

Terms of Restricted Stock Unit Awards, or "RSUs"

RSUs represent the right to receive shares of our common stock at a specified date in the future, subject to forfeiture of that right because of termination of the participant's services to us or the failure to achieve certain performance conditions. If an RSU has not been forfeited, then on the date specified in the RSU agreement, we will deliver to the holder of the RSU whole shares of our common stock, which may be subject to additional restrictions, cash or a combination of our common stock and cash.

Our Compensation Committee will determine the terms of each RSU, including the number of shares subject to the RSU award, the time or times during which the RSU may be settled, the consideration to be distributed on settlement of the RSU and the effect of the participant's termination on his or her RSU.

An RSU may be granted upon satisfaction of performance factors that are set out in advance in the participant's individual award agreement, as is the case with PSUs. If the RSU is being earned upon the satisfaction of performance factors, then the Compensation Committee will determine the performance factors to be used, the nature, length and starting date of the performance period and the number of shares that will be subject to the RSU.

Except as may be set forth in the participant's individual award agreement, vesting ceases upon the participant's termination of service unless determined otherwise by the Compensation Committee.

Terms of Stock Bonus Awards

Stock bonuses are awards of shares of our common stock, which may be restricted stock or RSUs that are granted as additional compensation for service and/or performance. Payment from the participant is not required for stock bonuses, and stock bonuses are generally not subject to vesting.

Our Compensation Committee will determine the number of shares to be awarded to a participant under a stock bonus award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with Glu or upon satisfaction of performance goals as specified in the participant's individual award agreement. Prior to the grant of any stock bonus award, our Compensation Committee will determine the performance factors to be used, the nature, length and starting date of the performance period and the number of shares that will be awarded to the participant.

Except as may be set forth in the participant's individual award agreement, vesting ceases upon the participant's termination of service unless determined otherwise by the Compensation Committee.

Terms of Performance Shares

Performance shares are awards denominated in shares of our common stock that may be settled in cash or by issuance of those shares only if performance goals established by our Compensation Committee have been achieved. Each performance share will have an initial value equal to the fair market value of a share of our common stock on the date of grant. After the applicable performance period has ended or the applicable metric satisfied, the holder of performance shares will generally be entitled to receive a payout of the number of performance shares earned by the participant, to be determined as a function of the extent to which the corresponding performance factors or other vesting provisions have been achieved.

Before granting any performance share award, our Compensation Committee will determine the terms of each performance share award, including the number of shares subject to the award, the performance factors and performance period that will determine the time and extent to which each award of performance shares will be settled, the consideration to be distributed on settlement of the award and the effect of the participant's termination on his or her performance share award. Before settlement, the Compensation Committee determines the extent to which the performance shares have been earned.

Terms of Performance Options

Performance stock options are stock options that vest and or become exercisable upon achievement of performance goals established by our Compensation Committee. The exercise price of each performance stock option may not be less than the fair market value of a share of our common stock on the date of its grant. After the applicable performance period has ended or the applicable metric satisfied, the holder of a performance stock option may vest in that option or that option may then convert to a time-based vesting stock option.

Before granting any performance stock options, our Compensation Committee will determine the terms of each performance stock option award, including the number of shares subject to the option, the exercise price, the performance factors and performance period that will determine the time and extent to which the performance stock option is earned. The Compensation Committee determines the extent to which the performance stock options have been earned.

Awards to Non-Employee Directors

Non-employee members of our Board of Directors are eligible to receive any type of award offered under the Restated Plan except incentive stock options, which can only be granted to employees. Non-employee directors may not be granted any award or awards denominated in shares that exceed in the aggregate $600,000 in value (based on the financial accounting value of such awards) in any fiscal year, plus an additional $600,000 in value for one-time awards to a newly appointed or elected non-employee director. If stock options or SARs are granted to our non-employee directors, their exercise price may not be less than the fair market value of our common stock when the option or SAR is granted. In the event of a corporate transaction, all awards held by our non-employee directors will accelerate fully and become vested and exercisable or settled, as the case may be. Our Non-Employee Director Compensation Program provides for equity awards to our non-employee directors both on joining our board and on an annual basis. Since the 2007 Plan was adopted, all of our equity awards to our non-employee directors have been stock options or RSUs that were awarded under the 2007 Plan, except for one award of 3,666 shares of restricted stock to one director made in 2007. Under our Non-Employee Director Compensation Program as currently in effect, equity awards are granted to our continuing directors on the date of the annual stockholders meeting and vest upon the one year anniversary of the grant or at the next annual stockholder's meeting. Equity awards granted to new directors vests with respect to 33⅓% of the underlying shares after one year and thereafter in equal monthly installments over the next 24 months. Please see "Director Compensation" above for more information.

Changes to Capital Structure

If there is any change to the outstanding shares of our common stock without our receipt of consideration (whether through stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in our capital structure), appropriate adjustments will be made to: (a) the maximum number of securities issuable under the Restated Plan, (b) the exercise prices of and number of shares subject to outstanding options and stock appreciation rights, (c) the number of shares subject to RSUs and other outstanding awards, (d) the maximum number of shares that may be issued as incentive stock options, (e) the maximum number of shares that may be awarded to an individual or new employee in a calendar year and (f) the number of shares that are granted as awards to our non-employee directors.

Corporate Transactions; Changes in Control

In the event of certain significant corporate transactions, any or all outstanding awards under the Restated Plan may be assumed or replaced by the successor corporation. In the alternative, the successor corporation may substitute equivalent awards or provide substantially similar consideration to award holders as was provided to stockholders after taking into account the existing provisions of the awards. The successor corporation may also issue, in place of outstanding Glu shares held by the award holder, substantially similar shares or other property subject to repurchase restrictions no less favorable to the holder. In the event such successor corporation refuses to assume, convert, replace or substitute awards, then such awards will expire on such transaction at such time and on such conditions as the Board will determine. However, our Board or Compensation Committee may accelerate the vesting of such awards in connection with certain significant corporate transactions.

In the event of certain significant corporate transactions, the vesting of all awards granted to non-employee members of our Board of Directors will accelerate and such awards will become exercisable (as applicable) in full prior to the consummation of such corporate transaction at such times and on such conditions as the Compensation Committee determines.

A significant corporate transaction means the occurrence of any of the following events: (a) any person becomes the beneficial owner of Glu securities representing 50% or more of the total voting power represented by our then-outstanding voting securities; (b) our consummation of the sale or disposition of all or substantially all of our assets; (c) the consummation of a merger or consolidation of Glu with any other corporation, other than a merger or consolidation which would result in our voting securities outstanding immediately prior to such merger or consolidation continuing to represent 50% of the total voting power represented by the voting securities of Glu or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Restrictions on Repricing

Unless our stockholders first approve such action, the Restated Plan provides that we may not (1) reprice (i.e., reduce the exercise price of) stock options or stock appreciation rights, (2) implement an option exchange or award transfer program, or (3) reduce the exercise price of stock options or stock appreciation rights without the consent of the holder of such options or rights.

Provisions for Foreign Participants

Our Compensation Committee may modify awards granted to participants who are foreign nationals or employed outside the United States or establish subplans or procedures under the Restated Plan to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

Duration, Termination and Amendment

Our Compensation Committee may terminate or amend the Restated Plan at any time; provided, however, that the committee will not, without the approval of our stockholders, amend the Restated Plan in any manner that requires stockholder approval. Unless sooner terminated, the Restated Plan will expire on June 4, 2025.

Federal Income Tax Information

The following summary is intended only as a general guide to the current U.S. federal income tax consequences of participation in the Restated Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances. Furthermore, the tax consequences are complex and subject to change, and a taxpayer's particular situation may be such that some variation of the described rules is applicable.

Incentive Stock Options

A participant recognizes no taxable ordinary income as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. However, the exercise of an incentive stock option may increase the participant's alternative minimum tax liability, if any.

If a participant holds stock acquired through exercise of an incentive stock option for more than two years from the date on which the stock option was granted and more than one year after the date the stock option was exercised for those shares, any gain or loss on a disposition of those shares (a "qualifying disposition") will be a long-term capital gain or loss. Upon such a qualifying disposition, we will not be entitled to any income tax deduction.

Generally, if the participant disposes of the stock before the expiration of either of those holding periods (a "disqualifying disposition"), then at the time of such disqualifying disposition, the participant will realize taxable ordinary income equal to the lesser of (i) the excess of the stock's fair market value on the date of exercise over the exercise price, or (ii) the participant's actual gain, if any, on the purchase and sale. The participant's additional gain or any loss upon the disqualifying disposition will be a capital gain or loss, which will be long-term or short-term depending on whether the stock was held for more than one year. To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, generally we will be entitled to a corresponding income tax deduction in the tax year in which the disqualifying disposition occurs.

Nonstatutory Stock Options

Stock options not designated or qualifying as incentive stock options are nonstatutory stock options having no special tax status. A participant generally recognizes no taxable ordinary income as the result of the grant of such a stock option. Upon exercise of a nonstatutory stock option, the participant normally recognizes ordinary income in the amount of the difference between the stock option exercise price and the fair market value of the shares on the date of purchase. Generally, we will be entitled to an income tax deduction in the tax year in which such ordinary income is recognized by the participant.

Upon the disposition of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as capital gain or loss.

Stock Appreciation Rights

A participant recognizes no taxable ordinary income upon the receipt of a SAR. Upon the exercise of a SAR, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the underlying shares of common stock on the exercise date over the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant in connection with the exercise of the stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code.

Restricted Stock Units

A participant recognizes no taxable income upon receipt of an RSU. In general, the participant will recognize ordinary income in the year in which the shares subject to that award vest and are actually issued to the participant in an amount equal to the fair market value of the shares on the date of issuance. Generally, we will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant at the time the shares are issued. In general, the deduction will be allowed for the taxable year in which such ordinary income is recognized by the participant.

Stock Bonuses

A participant acquiring restricted stock generally will recognize ordinary income equal to the difference between the fair market value of the shares on the "determination date" (as defined below) and the participant's purchase price, if any. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The "determination date" is the date on which the participant acquires the shares unless they are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (a) the date on which the shares become transferable or (b) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date the shares are acquired. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as a capital gain or loss. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. Generally, we will be entitled to a corresponding income tax deduction in the year in which ordinary income is recognized by the participant.

Performance Shares

A participant generally will recognize no income upon the grant of a performance share award. Upon the settlement of a performance share award, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received, if any, and the fair market value of any unrestricted shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above in "Stock Bonuses." Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value on the "determination date," will be taxed as a capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date.

Awards Granted in 2017 under the 2007 Plan

We cannot currently determine the benefits or number of shares subject to awards that may be granted in 2018 to participants under the 2007 Plan; therefore, the following table sets forth information with respect to equity awards made in fiscal year 2017 under the 2007 Plan to each of the Named Executive Officers, our non-employee directors and our employees generally.

	Stock Unit Awards		Stock Options		
	Number of Shares		Number of Shares		
Name	**Time-Based (RSUs)**	**Performance-Based (PSUs)**	**Time-Based**	**Performance-Based (PSOs)**	**Weighted ave rage exercise price**
Niccolo M. de Masi *Executive Chairman*	—	—	—	—	—
Nick Earl *President and Chief Executive Officer*	—	—	850,000	650,000	2.69
Eric R. Ludwig *EVP, Chief Operating Officer and Chief Financial Officer*	—	—	280,146	1,197,304	3.59
Chris Akhavan *Chief Revenue Officer*	—	—	214,191	985,908	3.59
Scott J. Leichtner *VP, General Counsel & Secretary*	—	79,575	188,990	201,592	3.59
Non-Employee Directors (7 persons)	125,000	—	310,000	—	2.88
Non-Executive Officer Employee Group	2,234,991	580,950	3,502,316	1,210,660	3.38

EQUITY COMPENSATION PLAN INFORMATION

Equity Compensation Plan Table

The following table sets forth certain information, as of December 31, 2017, concerning securities authorized for issuance under all of our equity compensation plans: our 2001 Plan, which terminated when we adopted the 2007 Plan, 2007 Employee Stock Purchase Plan (the "ESPP") and 2008 Inducement Plan, which terminated on March 13, 2018 and was replaced by the 2018 Inducement Plan, effective April 2, 2018. The ESPP contained an "evergreen" provision, pursuant to which on January 1st of each year we automatically added 1% of our shares of common stock outstanding on the preceding December 31st to the shares reserved for issuance under the ESPP; this evergreen provision expired after the increase on January 1, 2015. In addition, pursuant to a "pour over" provision in our 2007 Plan, options that were cancelled, expired or terminated under the 2001 Plan were added to the number of shares reserved for issuance under our 2007 Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (1)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	22,113,763	$ 3.13	7,854,439 (2)
Equity compensation plans not approved by security holders	5,460,194(3)	2.23	1,860,754 (4)
Total	27,573,957	$ 5.36	9,715,193

(1) The weighted average exercise price does not take into account the shares subject to outstanding RSUs and PSUs, which have no exercise price.

(2) Represents 3,568,996 shares available for issuance under our the 2007 Plan, which plan permits the grant of incentive and non-qualified stock options (including PSOs), stock appreciation rights, restricted stock, stock awards and RSUs; and 4,285,443 shares available for issuance under the ESPP.

(3) Represents outstanding options under the 2008 Inducement Plan.

(4) Represents shares available for issuance under the 2008 Inducement Plan, under which we may only grant non-qualified stock options and RSUs.

Equity Compensation Plans Not Approved by Securityholders

In March 2008, in connection with our acquisition of Superscape Group plc, our Board of Directors adopted the 2008 Inducement Plan to augment the shares available under our then existing 2007 Plan. We have not sought stockholder approval for the 2008 Inducement Plan. As such, awards under the 2008 Inducement Plan are granted in accordance with Nasdaq Listing Rule 5635(c)(4) and only to persons not previously an employee or director, or following a bona fide period of non-employment, as an inducement material to such individuals entering into employment with us. The 2008 Inducement Plan, which had a ten-year term and expired on March 13, 2018, did not require the approval of our stockholders. We initially reserved 600,000 shares of our common stock for issuance under the 2008 Inducement Plan. On December 28, 2009, the Compensation Committee of our Board of Directors increased the number of shares reserved for issuance under the 2008 Inducement Plan by 819,245 shares. We used all of the 1,250,000 shares then available for a stock option grant to Niccolo M. de Masi in connection with his appointment as our new President and Chief Executive Officer. Furthermore, in connection with the acquisitions of Griptonite, Inc. and Blammo Games Inc., the Compensation Committee increased the number of shares reserved for issuance under our 2008

Inducement Plan by 1,050,000 shares to grant stock options to certain of the new non-executive officer employees of Griptonite and Blammo. In November 2012, the Compensation Committee further increased the number of shares available for issuance by an additional 300,000 shares, all of which we used to award a stock option grant to our newly hired President of Studios. In May 2013, the Compensation Committee amended the 2008 Inducement Plan to increase the number of shares available for grant by 200,000 shares in order to issue shares to new hires, including Chris Akhavan, our current Chief Revenue Officer who was at that time hired as our President of Publishing. In December 2015, the Compensation Committee approved an increase in the number of authorized shares of common stock available for grant by 1,000,000 shares in connection with grants made to Nick Earl upon his hiring as President of Global Studios. Finally, in November 2016, the Compensation Committee approved an increase in the number of authorized shares of common stock available for grant by 6,000,000 to grant stock options and RSUs to employees of Crowdstar in connection with our acquisition of Crowdstar. Accordingly, as of December 31, 2017, we had reserved a total of 9,969,245 shares of our common stock for grant and issuance under the 2008 Inducement Plan since its inception, of which, 5,460,194 shares were subject to outstanding stock options and RSUs and 1,860,754 shares remained available for issuance. The remaining 2,648,297 shares represent shares that were subject to previously granted stock options under the 2008 Inducement Plan that have been exercised by the option holders. On March 13, 2018, the 2008 Inducement Plan expired and was replaced by the 2018 Inducement Plan effective April 2, 2018.

The 2008 Inducement Plan initially permitted us to grant only non-qualified stock options. However, effective November 2013, the Compensation Committee amended the 2008 Inducement Plan to permit the award of RSUs under the plan. We may grant non-qualified stock options under the 2008 Inducement Plan at prices less than 100% of the fair value of the shares on the date of grant, at the discretion of our Board of Directors. The fair value of our common stock is determined by the last sale price of our stock on The Nasdaq Global Market on the date of determination. If any option granted under the 2008 Inducement Plan expires or terminates for any reason without being exercised in full, the unexercised shares will be available for grant under the 2008 Inducement Plan. All outstanding awards are subject to adjustment for any future stock dividends, splits, combinations, or other changes in capitalization as described in the 2008 Inducement Plan. If we were acquired and the acquiring corporation did not assume or replace the awards granted under the 2008 Inducement Plan, or if we were to liquidate or dissolve, all outstanding awards will expire on such terms as our Board of Directors determines.

The Board recommends that stockholders vote "FOR" the proposal to amend and restate our 2007 Equity Incentive Plan.

PROPOSAL NO. 3
ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with Section 14A of the Exchange Act, we are including in this proxy statement the opportunity for our stockholders to vote to approve, on a non-binding, advisory basis, the compensation of our Named Executive Officers as disclosed in this proxy statement. This non-binding advisory vote is commonly referred to as a "say on pay" vote. At our 2017 Annual Meeting of Stockholders, our stockholders approved advisory voting on our executive compensation on an annual basis. Accordingly, we are requesting that stockholders vote, in an advisory capacity, on our Named Executive Officer compensation as disclosed in the "Compensation Discussion and Analysis" and "Executive Compensation" sections of this proxy statement at the Annual Meeting.

We strongly encourage stockholders to review the information contained in the "Compensation Discussion and Analysis" and "Executive Compensation" sections of this proxy statement, which discuss how our executive compensation policies and procedures implement our compensation philosophy and contain tabular information and narrative discussion about the compensation of our Named Executive Officers. The Compensation Committee and the Board believe that these policies and procedures are effective in implementing our compensation philosophy and in achieving its goals.

While the results of this advisory vote are not binding, the Compensation Committee will consider the outcome of the vote in deciding whether to take any action as a result of the vote and when making future compensation decisions for our Named Executive Officers.

The Board recommends that stockholders vote "FOR" the following advisory resolution:

RESOLVED, that the stockholders approve, on an advisory basis, the compensation of the Company's named executive officers as described in the "Compensation Discussion and Analysis" and "Executive Compensation" sections and the accompanying tabular and narrative disclosures in this proxy statement pursuant to the compensation disclosure rules of the SEC.

PROPOSAL NO. 4

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, PRICEWATERHOUSECOOPERS LLP, FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018

Our Audit Committee has selected, and is submitting for ratification by the stockholders its selection of, PricewaterhouseCoopers LLP ("PwC") to serve as our independent registered public accounting firm for the year ending December 31, 2018. Although stockholder approval of this proposal is not required by law, the Audit Committee has determined that it is desirable to request that stockholders ratify this selection. Notwithstanding the selection, the Audit Committee, in its discretion, may appoint a different independent registered public accounting firm at any time, if the Audit Committee feels that such a change would be in the best interests of us and our stockholders. If our stockholders do not approve this Proposal No. 4, the Audit Committee will reconsider the selection of PwC as our independent registered public accounting firm for 2018.

The following table sets forth the aggregate fees and related expenses for which we were billed by PwC for professional services provided by them during 2017 and 2016. The Audit Committee considered the provision of the services corresponding to these fees, and the Audit Committee believes that the provision of these services is compatible with PwC maintaining its independence. The Audit Committee's pre-approval policies and procedures require prior approval by the Audit Committee of each engagement of PwC to perform services. All of the professional services listed below were approved in accordance with these policies.

	2017	2016
Audit fees	$ 2,108,033	$ 2,290,726
Audit-related fees	—	—
Tax fees	102,310	72,768
All other	2,700	2,700
Total	$ 2,213,043	$ 2,366,194

Audit Fees

These fees consist of amounts for professional services rendered in connection with the audit of our financial statements, reviews of the interim financial statements included in our quarterly reports on Form 10-Q, for attestation services related to compliance with the Sarbanes-Oxley Act of 2002, and statutory and regulatory filings or engagements. In 2016 these fees also included costs for audit work related to Crowdstar and implementation of a new enterprise resource planning software. In 2017, these fees further included costs for audit work related to restructuring and divestiture of our Moscow-based game development studio.

Audit-Related Fees

These fees consist of amounts for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements that are not reported under "Audit Fees."

Tax Fees

These fees consist of professional services rendered for tax advice, planning and compliance (domestic and international). These services include the preparation and review of income tax returns and international returns and assistance regarding transfer pricing; federal, state and international tax compliance; acquisitions; and general international tax planning.

All Other Fees

In both years, these fees consist of amounts paid for an annual subscription to PwC's online accounting and auditing research tool.

For more information about PwC, please see the "Audit Committee Report" contained in this Proxy Statement.

Representatives of PwC are expected to attend the Annual Meeting. These representatives will be given the opportunity to make a statement if they desire to do so, and they will be available to respond to appropriate questions.

The Board recommends that stockholders vote "FOR" the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2018.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board is composed of Dr. Ball and Messrs. Nada and Smith, each of whom is an independent director, as independence for audit committee members is defined in The Nasdaq Stock Market's listing standards.

The members of the Audit Committee assist the Board in fulfilling its responsibilities relating to the oversight of the accounting, financial reporting, internal controls, financial practices and audit activities of Glu and our subsidiaries.

In fulfilling its oversight role, the Audit Committee has reviewed and discussed our audited financial statements with management and our independent registered public accounting firm. The Audit Committee met eight times during 2017, including meetings with our independent registered public accounting firm, PricewaterhouseCoopers LLP, to review our quarterly and annual results. It is not the duty of the Audit Committee to plan or conduct audits or to determine that the financial statements are complete and accurate and conform to generally accepted accounting principles. Management is responsible for the preparation, presentation and integrity of our financial statements, accounting and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. PricewaterhouseCoopers LLP is responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles.

The Audit Committee discussed with our independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 1301, as amended (Communication with Audit Committees). The Audit Committee has received from the independent registered public accounting firm the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm that firm's independence.

Based upon the Audit Committee's review and discussions referred to above, the Audit Committee recommended to the Board that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 9, 2018.

Submitted by the Audit Committee of the Board,
Eric R. Ball (Chair)
Hany M. Nada
Benjamin T. Smith, IV

TRANSACTION OF OTHER BUSINESS

At the date of this proxy statement, the Board knows of no other business that will be conducted at the 2018 Annual Meeting of Stockholders, other than as described in this proxy statement. If any other matter or matters are properly brought before the Annual Meeting, or any adjournment or postponement of the Annual Meeting, the persons named in the accompanying form of proxy intend to vote the proxy on such matters in accordance with their best judgment.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC's rules allow us to incorporate by reference into this proxy statement the information we file with the SEC. This means that we can disclose important information to you by referring you to another document without restating that information in this document. Any information incorporated by reference into this proxy statement is considered to be part of this proxy statement from the date we file that document. Any reports filed by us with the SEC after the date of this proxy statement will automatically update and, where applicable, supersede any information contained in this proxy statement or incorporated by reference in this proxy statement.

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APPENDIX A

GLU MOBILE INC.

Amended & Restated 2007 Equity Incentive Plan

(As Amended ~~through June 8, 2017~~)

1. PURPOSE. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, and any Parents and Subsidiaries that exist now or in the future, by offering them an opportunity to participate in the Company's future performance through the grant of Awards. Capitalized terms not defined elsewhere in the text are defined in Section 27.

2. SHARES SUBJECT TO THE PLAN.

2.1 Number of Shares Available. Subject to Sections 2.5 and 22 and any other applicable provisions hereof, the total number of Shares reserved and available for grant and issuance pursuant to this Plan is Forty-Six ~~Thirty Six~~ Million Nine Hundred Seventy-Three Thousand One Hundred Ninety-One (46~~36~~,973,191) Shares plus (i) any reserved shares not issued or subject to outstanding grants under the Company's 2001 Stock Option Plan (the "***Prior Plan***") on the Effective Date (as defined below), (ii) shares that are subject to stock options granted under the Prior Plan that cease to be subject to such stock options after the Effective Date and (iii) shares issued under the Prior Plan before or after the Effective Date pursuant to the exercise of stock options that are, after the Effective Date, forfeited or shares issued under the Prior Plan that are repurchased by the Company at the original issue price.

2.2 Lapsed, Returned Awards. Shares subject to Awards, and Shares issued upon exercise of Awards, will again be available for grant and issuance in connection with subsequent Awards under this Plan to the extent such Shares: (i) are subject to issuance upon exercise of an Option or SAR granted under this Plan but which cease to be subject to the Option or SAR for any reason other than exercise of the Option or SAR; (ii) are subject to Awards granted under this Plan that are forfeited or are repurchased by the Company at the original issue price; (iii) are surrendered pursuant to an Exchange Program; (iv) are subject to Awards granted under this Plan that otherwise terminate without such Shares being issued; or (v) are used to satisfy applicable tax withholding obligations with respect to all types of Awards, except for Options and SARs. Any Award other than an Option or a SAR shall reduce the number of Shares available for issuance by 1.32 Shares. With respect to SARs, the gross number of Shares subject to a SAR will cease to be available under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Option or SAR will not become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. To the extent that any Award other than an Option or a SAR is forfeited, repurchased or terminates without Shares being issued pursuant to this Section 2.2, Shares may again be available for issuance under this Plan at the rate of 1.32 Shares for every such Share returned to the Plan.

2.3 Minimum Share Reserve. At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Awards granted under this Plan and all other outstanding but unvested Awards granted under this Plan.

2.4 Limitations. No more than Sixteen Million Six Hundred Sixty-Six Thousand Sixty-Six (16,666,666) Shares shall be issued pursuant to the exercise of ISOs.

2.5 Adjustment of Shares. If the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then (a) the number of Shares reserved for issuance and future grant under the Plan set forth in Section 2.1, (b) the Exercise Prices of and number of Shares subject to outstanding Options and SARs, (c) the number of Shares subject to other outstanding Awards, (d) the maximum number of shares that may be issued as ISOs set forth in Section 2.4, (e) the maximum number of Shares that may be issued to an individual or to a new Employee in any one calendar year set forth in Section 3 and (f) the number of Shares that are granted as Awards to Outside Directors as set forth in Section 12, shall be proportionately adjusted, subject to any required action by the

Board or the stockholders of the Company and in compliance with applicable securities laws; provided that fractions of a Share will not be issued.

2.6. Limitation on Outside Director Awards. No Outside Director may be granted any Awards or Awards denominated in shares that exceed in the aggregate six hundred thousand dollars ($600,000) in value (such value computed as of the date of grant in accordance with applicable financial accounting rules) in any calendar year, plus an additional aggregate six hundred thousand dollars ($600,000) in value for one-time awards to a newly appointed or elected Outside Director. The foregoing limit shall not apply to any Award made pursuant to deferred compensation arrangements in lieu of all or a portion of cash retainers.

2.7. Vesting/Acceleration Restriction. No portion of any Award shall vest prior to the first anniversary of the date of grant of the Award; provided, that vesting may accelerate in connection with death, Disability, or a Corporate Transaction. For purposes of Awards to Outside Directors, a vesting period will be deemed to be one year if it runs from the date of one annual meeting of the Company's stockholders to the next annual meeting of the Company's stockholders provided that such annual meetings are at least 50 weeks apart. Notwithstanding the foregoing, up to 5% of the Shares authorized for grant pursuant to Section 2.1may be granted with a minimum vesting schedule of less than one year.

3. ELIGIBILITY. ISOs may be granted only to Employees. All other Awards may be granted to Employees, Consultants, Directors and Outside Directors of the Company or any Parent or Subsidiary of the Company; provided such Consultants, Directors and Outside Directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. ~~No Participant will be eligible to receive more than One Million Five Hundred Thousand (1,500,000) Shares in any calendar year under this Plan pursuant to the grant of Awards except that new Employees of the Company or of a Parent or Subsidiary of the Company (including new Employees who are also officers and directors of the Company or any Parent or Subsidiary of the Company) are eligible to receive up to a maximum of One Million Five Hundred Thousand (1,500,000) Shares in the calendar year in which they commence their employment.~~

4. ADMINISTRATION.

4.1 Committee Composition; Authority. This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan, except, however, the Board shall establish the terms for the grant of an Award to Outside Directors. The Committee will have the authority to:

(a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;

(c) select persons to receive Awards;

(d) determine the form and terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Committee will determine;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine the Fair Market Value in good faith, if necessary;

(g) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary of the Company;

(h) grant waivers of Plan or Award conditions;

(i) determine the vesting, exercisability and payment of Awards;

(j) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

(k) determine whether an Award has been earned;

(l) determine the terms and conditions of any, and to institute any Exchange Program;

(m) reduce or waive any criteria with respect to Performance Factors;

(n) adjust Performance Factors to take into account changes in law and accounting or tax rules as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code with respect to persons whose compensation is subject to Section 162(m) of the Code; and

(o) make all other determinations necessary or advisable for the administration of this Plan.

4.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Award shall be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Award under the Plan. Any dispute regarding the interpretation of the Plan or any Award Agreement shall be submitted by the Participant or Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and the Participant. The Committee may delegate to one or more executive officers the authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, and such resolution shall be final and binding on the Company and the Participant.

4.3 [intentionally left blank]~~Section 162(m) of the Code and Section 16 of the Exchange Act. When necessary or desirable for an Award to qualify as "performance-based compensation" under Section 162(m) of the Code the Committee shall include at least two persons who are "outside directors" (as defined under Section 162(m) of the Code) and at least two (or a majority if more than two then serve on the Committee) such "outside directors" shall approve the grant of such Award and timely determine (as applicable) the Performance Period and any Performance Factors upon which vesting or settlement of any portion of such Award is to be subject. When required by Section 162(m) of the Code, prior to settlement of any such Award at least two (or a majority if more than two then serve on the Committee) such "outside directors" then serving on the Committee shall determine and certify in writing the extent to which such Performance Factors have been timely achieved and the extent to which the Shares subject to such Award have thereby been earned. Awards granted to Insiders must be approved by two or more "non-employee directors" (as defined in the regulations promulgated under Section 16 of the Exchange Act).~~

4.4 Awards subject to Company Clawback or Recoupment Policy. All Awards granted after the adoption of the Company's Compensation Recovery Policy (the "***Policy***") and subject to applicable law, shall be subject to clawback or recoupment pursuant to the Policy or any other compensation clawback or recoupment policy that may be adopted by the Board (or its Compensation Committee) from time to time thereafter or required by law during the term of Participant's employment or other service with the Company that is applicable to executive officers, employees, directors or other service providers of the Company, and in addition to any other remedies available under such policy and applicable law, may require the cancellation of outstanding Awards and the recoupment of any gains realized with respect to Awards.

5. OPTIONS. The Committee may grant Options to Participants and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("***ISOs***") or Nonqualified Stock Options ("***NQSOs***"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 Option Grant. Each Option granted under this Plan will identify the Option as an ISO or an NQSO. An Option may be, but need not be, awarded upon satisfaction of such Performance Factors during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the Option is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each Option; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to Options that are subject to different performance goals and other criteria.

5.2 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, or a specified future date. The Award Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 Exercise Period. Options may be exercisable within the times or upon the conditions as set forth in the Award Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who, at the time the ISO is granted, directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary of the Company ("***Ten Percent Shareholder***") will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted; provided that: (i) the Exercise Price of any Option (both ISOs and NQOs) will be not less than one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant and (ii) the Exercise Price of any ISO granted to a Ten Percent Shareholder will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 11. Notwithstanding the foregoing, NQSOs may be granted with an exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant solely pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

5.5 Method of Exercise. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Committee and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Committee may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 2.5 of the Plan. Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

5.6 Termination. The exercise of an Option will be subject to the following (except as may be otherwise provided in an Award Agreement):

(a) If the Participant is Terminated for any reason except for Cause or the Participant's death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable by the Participant on the Termination Date no later than three (3) months after the Termination Date (or such shorter time period or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be an NQSO), but in any event no later than the expiration date of the Options.

(b) If the Participant is Terminated because of the Participant's death (or the Participant dies within three (3) months after a Termination other than for Cause or because of the Participant's Disability), then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant's legal representative, or authorized assignee, no later than twelve (12) months after the Termination Date (or such shorter time period not less than six (6) months or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond (a) three (3) months after the Termination Date when the Termination is for any reason other than the Participant's death, or (b) twelve (12) months after the Termination Date when the Termination is for the Participant's death, deemed to be an NQSO), but in any event no later than the expiration date of the Options.

(c) If the Participant is Terminated because of the Participant's Disability, then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant (or the Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (with any exercise beyond (a) three (3) months after the Termination Date when the Termination is for a Disability that is not a "permanent and total disability" as defined in Section 22(e)(3) of the Code, or (b) twelve (12) months after the Termination Date when the Termination is for a Disability that is a "permanent and total disability" as defined in Section 22(e)(3) of the Code, deemed to be exercise of an NQSO), but in any event no later than the expiration date of the Options.

(d) If the Participant is terminated for Cause, then Participant's Options shall expire on such Participant's Termination Date, or at such later time and on such conditions as are determined by the Committee, but in any no event later than the expiration date of the Options.

5.7 Limitations on Exercise. The Committee may specify a minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent any Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISOs. With respect to Awards granted as ISOs, to the extent that the aggregate Fair Market Value of the Shares with respect to which such ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars ($100,000), such Options will be treated as NQSOs. For purposes of this Section 5.8, ISOs will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. Subject to Section 18 of this Plan, by written notice to affected Participants, the Committee may reduce the Exercise Price of outstanding Options without the consent of such Participants; provided, however, that the Exercise Price may not be reduced below the Fair Market Value on the date the action is taken to reduce the Exercise Price.

5.10 No Disqualification. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. RESTRICTED STOCK AWARDS.

6.1 Awards of Restricted Stock. A Restricted Stock Award is an offer by the Company to sell to a Participant Shares that are subject to restrictions ("***Restricted Stock***"). The Committee will determine to whom an offer will be made, the number of Shares the Participant may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the Plan.

6.2 Restricted Stock Purchase Agreement. All purchases under a Restricted Stock Award will be evidenced by an Award Agreement. A Participant accepts a Restricted Stock Award by signing and delivering to the Company an Award Agreement with full payment of the Purchase Price, within thirty (30) days from the date the Award Agreement was delivered to the Participant. If the Participant does not accept such Award within thirty (30) days, then the offer of such Restricted Stock Award will terminate, unless the Committee determines otherwise.

6.3 Purchase Price. The Purchase Price for a Restricted Stock Award will be determined by the Committee and may be less than Fair Market Value on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 11 of the Plan, and the Award Agreement.

6.4 Terms of Restricted Stock Awards. Restricted Stock Awards will be subject to such restrictions as the Committee may impose or are required by law. These restrictions may be based on completion of a specified number of years of service with the Company or upon completion of Performance Factors, if any, during any Performance Period as set out in advance in the Participant's Award Agreement. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

6.5 Termination of Participant. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

7. STOCK BONUS AWARDS.

7.1 Awards of Stock Bonuses. A Stock Bonus Award is an award to an eligible person of Shares (which may consist of Restricted Stock or Restricted Stock Units) for services to be rendered or for past services already rendered to the Company or any Parent or Subsidiary. All Stock Bonus Awards shall be made pursuant to an Award Agreement. No payment from Participant will be required for Shares awarded pursuant to a Stock Bonus Award.

7.2 Terms of Stock Bonus Awards. The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with the Company or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Stock Bonus Agreement. Prior to the grant of any Stock Bonus Award the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria.

7.3 Form of Payment to Participant. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment.

7.4 Termination of Participation. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

8. STOCK APPRECIATION RIGHTS.

8.1 Awards of SARs. A Stock Appreciation Right ("***SAR***") is an award to a Participant that may be settled in cash, or Shares (which may consist of Restricted Stock), having a value equal to (a) the difference between the Fair Market Value on the date of exercise over the Exercise Price multiplied by (b) the number of Shares with respect to which the SAR is being settled (subject to any maximum number of Shares that may be issuable as specified in an Award Agreement). All SARs shall be made pursuant to an Award Agreement.

8.2 Terms of SARs. The Committee will determine the terms of each SAR including, without limitation: (a) the number of Shares subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR; and (d) the effect of the Participant's Termination on each SAR. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted, and may not be less than Fair Market Value. A SAR may be awarded upon satisfaction of Performance Factors, if any, during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the SAR is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different Performance Factors and other criteria.

8.3 Exercise Period and Expiration Date. A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Award Agreement governing such SAR. The SAR Agreement shall set forth the expiration date; provided that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. The Committee may also provide for SARs to become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee). Notwithstanding the foregoing, the rules of Section 5.6 also will apply to SARs.

8.4 Form of Settlement. Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying (i) the difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times (ii) the number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment from the Company for the SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

9. RESTRICTED STOCK UNITS.

9.1 Awards of Restricted Stock Units. A Restricted Stock Unit ("***RSU***") is an award to a Participant covering a number of Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock). All RSUs shall be made pursuant to an Award Agreement.

9.2 Terms of RSUs. The Committee will determine the terms of an RSU including, without limitation: (a) the number of Shares subject to the RSU; (b) the time or times during which the RSU may be settled; and (c) the consideration to be distributed on settlement, and the effect of the Participant's Termination on each RSU. An RSU may be awarded upon satisfaction of such Performance Factors (if any) during any Performance Period as are set out in advance in the Participant's Award Agreement. If the RSU is being earned upon satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares deemed subject to the RSU. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria.

9.3 Form and Timing of Settlement. Payment of earned RSUs shall be made as soon as practicable after the date(s) determined by the Committee and set forth in the Award Agreement. The Committee, in its sole discretion, may settle earned RSUs in cash, Shares, or a combination of both.

9.4 Termination of Participant. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

10. PERFORMANCE SHARES.

10.1 Awards of Performance Shares. A Performance Share Award is an award to a Participant denominated in Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock). Grants of Performance Shares shall be made pursuant to an Award Agreement.

10.2 Terms of Performance Shares. The Committee will determine, and each Award Agreement shall set forth, the terms of each award of Performance Shares including, without limitation: (a) the number of Shares deemed subject to such Award; (b) the Performance Factors and Performance Period that shall determine the time and extent to which each award of Performance Shares shall be settled; (c) the consideration to be distributed on settlement, and the effect of the Participant's Termination on each award of Performance Shares. In establishing Performance Factors and the Performance Period the Committee will: (x) determine the nature, length and starting date of any Performance Period; (y) select from among the Performance Factors to be used; and (z) determine the number of Shares deemed subject to the award of Performance Shares. Prior to settlement the Committee shall determine the extent to which Performance Shares have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Performance Shares that are subject to different Performance Periods and different performance goals and other criteria.

10.3 Value, Earning and Timing of Performance Shares. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant. After the applicable Performance Period has ended, the holder of Performance Shares will be entitled to receive a payout of the number of Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Factors or other vesting provisions have been achieved. The Committee, in its sole discretion, may pay earned Performance Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Shares at the close of the applicable Performance Period) or in a combination thereof.

10.4 Termination of Participant. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

11. PAYMENT FOR SHARE PURCHASES.

Payment from Participant for Shares purchased pursuant to this Plan may be made in cash or by check or, where expressly approved for the Participant by the Committee and where permitted by law (and to the extent not otherwise set forth in the applicable Award Agreement):

(a) by cancellation of indebtedness of the Company to the Participant;

(b) by surrender of shares of the Company held by the Participant that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Award will be exercised or settled;

(c) by waiver of compensation due or accrued to the Participant for services rendered or to be rendered to the Company or a Parent or Subsidiary of the Company;

(d) by consideration received by the Company pursuant to a broker-assisted and/or same day sale (or other) cashless exercise program implemented by the Company in connection with the Plan;

(e) by any combination of the foregoing; or

(f) by any other method of payment as is permitted by applicable law.

12. GRANTS TO OUTSIDE DIRECTORS.

12.1 Types of Awards. Outside Directors are eligible to receive any type of Award offered under this Plan except ISOs. Awards pursuant to this Section 12 may be automatically made pursuant to policy adopted by the Board, or made from time to time as determined in the discretion of the Board.

12.2 Eligibility. Awards pursuant to this Section 12 shall be granted only to Outside Directors. An Outside Director who is elected or re-elected as a member of the Board will be eligible to receive an Award under this Section 12.

12.3 Vesting, Exercisability and Settlement. Except as set forth in Section 21, Awards shall vest, become exercisable and be settled as determined by the Board. With respect to Options and SARs, the exercise price granted to Outside Directors shall not be less than the Fair Market Value of the Shares at the time that such Option or SAR is granted.

13. WITHHOLDING TAXES.

13.1 Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy applicable federal, state, local and international withholding tax requirements prior to the delivery of Shares pursuant to exercise or settlement of any Award. Whenever payments in satisfaction of Awards granted under this Plan are to be made in cash, such payment will be net of an amount sufficient to satisfy applicable federal, state, local and international withholding tax requirements.

13.2 Stock Withholding. The Committee, in its sole discretion and pursuant to such procedures as it may specify from time to time, may require or permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to up to the maximum statutory amount, or (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to up to the maximum statutory amount. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

14. TRANSFERABILITY. Unless determined otherwise by the Committee, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution. If the Committee makes an Award transferable, such Award will contain such additional terms and conditions as the Committee deems appropriate. Notwithstanding the foregoing, in no event shall the Committee institute an Award Transfer Program without first receiving the consent of the Company's stockholders. All Awards shall be exercisable: (i) during the Participant's lifetime only by (A) the Participant, or (B) the Participant's guardian or legal representative; and (ii) after the Participant's death, by the legal representative of the Participant's heirs or legatees.

15. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.

15.1 Voting and Dividends. No Participant will have any of the rights of a shareholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a shareholder and have all the rights of a shareholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Purchase Price or Exercise Price, as the case may be, pursuant to Section 15.2. The Committee may not provide for the current payment of dividends with respect to any shares of Common Stock subject to an outstanding award granted under the Plan (or portion thereof) that has not vested. For any such award, the Committee may provide only for the accrual of dividends that will not be payable to the Participant unless and until, and only to the extent that, such award vests. No dividends shall be paid on Options or Stock Appreciation Rights.

15.2 Restrictions on Shares. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) a right to repurchase (a "***Right of Repurchase***") a portion of any or all Unvested Shares held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of the Participant's Termination Date and the date the Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Purchase Price or Exercise Price, as the case may be.

16. CERTIFICATES. All certificates for Shares or other securities delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

17. ESCROW; PLEDGE OF SHARES. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of the Participant's obligation to the Company under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, the Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

18. REPRICING; EXCHANGE AND BUYOUT OF AWARDS. Provided that stockholder approval is first obtained, the Committee (a) may reprice (i.e., reduce the Exercise Price) of) Options or SARs; (b) may, at any time or from time to time, implement an Exchange Program; or (c) may reduce the Exercise Price of outstanding Options or SARs without the consent of affected Participants by a written notice to them.

19. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE. An Award will not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

20. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary of the Company or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Participant's employment or other relationship at any time.

21. CORPORATE TRANSACTIONS.

21.1 Assumption or Replacement of Awards by Successor. In the event of a Corporate Transaction any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, then notwithstanding any other provision in this Plan to the contrary, such Awards will expire on such transaction at such time and on such conditions as the Board will determine; the Board (or, the Committee, if so designated by the Board) may, in its sole discretion, accelerate the vesting of such Awards in connection with such a Corporate Transaction in which the successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards. In addition, in the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, the Committee will notify the Participant in writing or electronically that such Award will be exercisable for a period of time determined by the Committee in its sole discretion, and such Award will terminate upon the expiration of such period. Awards need not be treated similarly in a Corporate Transaction.

Notwithstanding anything to the contrary in this Section 21.1, the Committee, in its sole discretion, may grant Awards that provide for acceleration upon a Corporate Transaction or in other events in the specific Award Agreements.

21.2 Assumption of Awards by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the Purchase Price or the Exercise Price, as the case may be, and the number and nature of Shares issuable upon exercise or settlement of any such Award will be adjusted appropriately pursuant to Section 424(a) of the Code).

21.3 Outside Directors' Awards. Notwithstanding any provision to the contrary herein, in the event of a Corporate Transaction, the vesting of all Awards granted to Outside Directors shall accelerate and such Awards shall become exercisable (as applicable) in full prior to the consummation of such event at such times and on such conditions as the Committee determines.

22. ADOPTION AND SHAREHOLDER APPROVAL. This Plan shall be submitted for the approval of the Company's shareholders, consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board.

23. TERM OF PLAN. Unless earlier terminated as provided herein, this Plan will become effective on the Effective Date and will terminate on June 4, 2025. This Plan and all Awards granted hereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

24. AMENDMENT OR TERMINATION OF PLAN. The Board may at any time terminate or amend this Plan in any respect, including, without limitation, amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; provided, however, that the Board will not, without the approval of the shareholders of the Company, amend this Plan in any manner that requires such shareholder approval; provided further, that a Participant's Award shall be governed by the version of this Plan then in effect at the time such Award was granted.

25. NONEXCLUSIVITY OF THE PLAN. Neither the adoption of this Plan by the Board, the submission of this Plan to the shareholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock awards and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

26. INSIDER TRADING POLICY. Each Participant who receives an Award shall comply with any policy adopted by the Company from time to time covering transactions in the Company's securities by Employees, officers and/or directors of the Company.

27. DEFINITIONS. As used in this Plan, and except as elsewhere defined herein, the following terms will have the following meanings:

"***Award***" means any award under the Plan, including any Option, Restricted Stock, Stock Bonus, Stock Appreciation Right, Restricted Stock Unit or award of Performance Shares.

"***Award Agreement***" means, with respect to each Award, the written or electronic agreement between the Company and the Participant setting forth the terms and conditions of the Award, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan.

"Award Transfer Program" means any program instituted by the Committee that would permit Participants the opportunity to transfer for value any outstanding Awards to a financial institution or other person or entity approved by the Committee. A transfer for "value" shall not be deemed to occur under this Plan where an Award is transferred by a Participant for bona fide estate planning purposes to a trust or other testamentary vehicle approved by the Committee.

"***Board***" means the Board of Directors of the Company.

"***Cause***" means (a) the commission of an act of theft, embezzlement, fraud, dishonesty, (b) a breach of fiduciary duty to the Company or a Parent or Subsidiary, or (c) a failure to materially perform the customary duties of Employee's employment.

"***Code***" means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"***Committee***" means the Compensation Committee of the Board or those persons to whom administration of the Plan, or part of the Plan, has been delegated as permitted by law.

"***Company***" means Glu Mobile Inc., or any successor corporation.

"***Consultant***" means any person, including an advisor or independent contractor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

"***Corporate Transaction***" means the occurrence of any of the following events: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then-outstanding voting securities; (ii) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; (iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

“***Director***” means a member of the Board.

“***Disability***” means total and permanent disability as defined in Section 22(e)(3) of the Code, provided, however, that except with respect to Awards granted as ISOs, the Committee in its discretion may determine whether a total and permanent disability exists in accordance with non-discriminatory and uniform standards adopted by the Committee from time to time, whether temporary or permanent, partial or total, as determined by the Committee.

“***Effective Date***” means the date of the underwritten initial public offering of the Company’s Common Stock pursuant to a registration statement is declared effective by the SEC.

“***Employee***” means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director’s fee by the Company will be sufficient to constitute “employment” by the Company.

“***Exchange Act***” means the United States Securities Exchange Act of 1934, as amended.

“***Exercise Price***” means the price at which a holder of an Option or SAR may purchase the Shares issuable upon exercise of an Option or SAR.

“***Exchange Program***” means a program pursuant to which (i) outstanding Awards are surrendered, cancelled or exchanged for cash, the same type of Award or a different Award (or combination thereof) or (ii) Participants would have the opportunity to participate in an Award Transfer Program.

“***Fair Market Value***” means, as of any date, the value of a share of the Company’s Common Stock determined as follows:

(a) if such Common Stock is then quoted on the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market (collectively, the “***Nasdaq Market***”), its closing price on the Nasdaq Market on the date of determination, or if there are no sales for such date, then the last preceding business day on which there were sales, as reported in *The Wall Street Journal* or such other source as the Board or the Committee deems reliable;

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal* or such other source as the Board or the Committee deems reliable;

(c) if such Common Stock is publicly traded but is neither quoted on the Nasdaq Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* or such other source as the Board or the Committee deems reliable;

(d) in the case of an Option or SAR made on the Effective Date, the price per share at which shares of the Company’s Common Stock are initially offered for sale to the public by the Company’s underwriters in the initial public offering of the Company’s Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or

(e) if none of the foregoing is applicable, by the Board or the Committee in good faith.

“***Insider***” means an officer or director of the Company or any other person whose transactions in the Company’s Common Stock are subject to Section 16 of the Exchange Act.

“***Option***” means an award of an option to purchase Shares pursuant to Section 5.

"***Outside Director***" means a Director who is not an Employee of the Company or any Parent or Subsidiary.

"***Parent***" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"***Participant***" means an Employee, Consultant or Director (including Outside Directors) who receives an Award under this Plan.

"***Performance Factors***" means the factors selected by the Committee, which may include, but are not limited to the, the following measures (whether or not in comparison to other peer companies) to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:

- Net revenue and/or net revenue growth;
- Earnings per share and/or earnings per share growth;
- Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;
- Operating income and/or operating income growth;
- Net income and/or net income growth;
- Total stockholder return and/or total stockholder return growth;
- Return on equity;
- Operating cash flow return on income;
- Adjusted operating cash flow return on income;
- Economic value added;
- Individual business objectives; and
- Company specific operational metrics.

"***Performance Period***" means the period of service determined by the Committee, not to exceed five (5) years, during which years of service or performance is to be measured for the Award.

"***Performance Share***" means an Award granted pursuant to Section 10 of the Plan.

"***Plan***" means this Glu Mobile Inc. 2007 Equity Incentive Plan.

"***Purchase Price***" means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option or SAR.

"***Restricted Stock Award***" means an award of Shares pursuant to Section 6 of the Plan, or issued pursuant to the early exercise of an Option.

"***Restricted Stock Unit***" means an Award granted pursuant to Section 9 of the Plan.

"***SEC***" means the United States Securities and Exchange Commission.

"***Securities Act***" means the United States Securities Act of 1933, as amended.

"***Shares***" means shares of the Company's Common Stock, as adjusted pursuant to Sections 2 and 21, and any successor security.

"***Stock Appreciation Right***" means an Award granted pursuant to Section 8 of the Plan.

"***Stock Bonus***" means an Award granted pursuant to Section 7 of the Plan.

"***Subsidiary***" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"***Termination***" or "***Terminated***" means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director, consultant, independent contractor or advisor to the Company or a Parent or Subsidiary of the Company. An employee will not be deemed to have ceased to provide services in the case of (i) sick leave, (ii) military leave, or (iii) any other leave of absence approved by the Committee; provided, that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing. In the case of any employee on an approved leave of absence, the Committee may make such provisions respecting suspension of vesting of the Award while on leave from the employ of the Company or a Parent or Subsidiary of the Company as it may deem appropriate, except that in no event may an Award be exercised after the expiration of the term set forth in the applicable Award Agreement. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "***Termination Date***").

"***Unvested Shares***" means Shares that have not yet vested or are subject to a right of repurchase in favor of the Company (or any successor thereto).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-33368

Glu Mobile Inc.

(Exact name of registrant as specified in its charter)

Delaware	**91-2143667**
(State or Other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*
875 Howard Street, Suite 100 San Francisco, California	**94103**
(Address of Principal Executive Offices)	*(Zip Code)*

(415) 800-6100
(Registrant's Telephone Number, Including Area Code)

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 $0.0001 per share	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

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 the 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 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) 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, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☑
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing price of such stock on such date as reported by The Nasdaq Global Select Market, was approximately $259,821,215. Shares of common stock held by each executive officer and director of the registrant and by each person who owns 10% or more of the registrant's outstanding common stock have been 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.

The number of outstanding shares of the registrant's common stock as of February 28, 2018 was 139,494,388.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for registrant's 2018 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after registrant's fiscal year ended December 31, 2017 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

The information in this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. For example, words such as “may,” “will,” “should,” “estimates,” “predicts,” “potential,” “continue,” “strategy,” “believes,” “anticipates,” “plans,” “expects,” “intends” and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this report, particularly in the section titled “Risk Factors,” and the risks discussed in our other Securities and Exchange Commission, or SEC, filings. We undertake no obligation to update the forward-looking statements after the date of this report, except as required by law.

PART I

Item 1. *Business*

General

Glu Mobile develops, publishes and markets a portfolio of free-to-play mobile games designed to appeal to a broad cross section of users who download and make purchases within our games through direct-to-consumer digital storefronts, such as the Apple App Store, Google Play Store, Amazon Appstore and others. Free-to-play games are games that a player can download and play for free, but which allow players to access a variety of additional content and features for a fee and to engage with various advertisements and offers that generate revenue for us. We have a portfolio of compelling games based on our own intellectual property such as *Contract Killer*, *Cooking Dash*, *Covet Fashion*, *Deer Hunter*, *Design Home* and *QuizUp*, as well as games based on or significantly incorporating third party licensed brands including *Restaurant Dash with Gordon Ramsay*, *Kim Kardashian: Hollywood*, *MLB Tap Sports Baseball* and *Racing Rivals*. We are headquartered in San Francisco, California, with U.S. offices in California in the cities of Burlingame and San Mateo, and international locations in Canada and India.

We were incorporated in Nevada in May 2001 as Cyent Studios, Inc. and changed our name to Sorrent, Inc. later that year. In November 2001, we incorporated a wholly owned subsidiary in California, and, in December 2001, we merged the Nevada corporation into this California subsidiary to form Sorrent, Inc., a California corporation. In May 2005, we changed our name to Glu Mobile Inc. In March 2007, we completed our initial public offering and our common stock is traded on the Nasdaq Global Select Market under the symbol “GLUU.” Except where the context requires otherwise, in this Annual Report on Form 10-K, references to “Company,” “Glu,” “Glu Mobile,” “we,” “us” and “our” refer to Glu Mobile Inc., and where appropriate, its subsidiaries.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to these reports, required of public companies with the SEC. The public can read and copy the materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549 and can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We make available free of charge on the Investor Relations section of our corporate website all of the reports we file with the SEC as soon as reasonably practicable after they are filed. Our internet website is located at www.glu.com and our Investor Relations website is located at www.glu.com/investors. The information on our website is not incorporated into this report, unless otherwise expressly stated. **Copies of our Annual Report on Form 10-K for the year ended December 31, 2017 may also be obtained, without charge, by contacting Investor Relations, Glu Mobile Inc., 875 Howard Street, Suite 100, San Francisco, California 94103 or by emailing IR@glu.com.**

Strategy and Business Developments

Our Strategy

Our goal is to become the leading developer and publisher of free-to-play mobile games. Our strategy for achieving this goal is comprised of three parts:

- Building Growth Games and Maximizing the Value of Evergreen Games;
- Attracting and Fostering Creative Leaders; and
- Cultivating Highly Creative Environments.

Building Growth Games and Maximizing the Value of Evergreen Games

The first prong of our strategy is to build growth games for smartphones and tablets as well as maximize the value we derive from our evergreen games. Growth games are titles that we continue to update with additional content and features and which grow revenue year over year. We believe a key component of driving revenue growth year over year from a growth title is the inclusion of community features which may involve users competing with each other, forming clubs or groups to cooperate in completing goals or events, or contributing their own original content to the game. *Covet Fashion*, *Design Home* and *MLB Tap Sports Baseball* are examples of our existing titles that are, or have the potential to be, growth games. We are focused on building growth games in what we refer to as "blue oceans," meaning that we seek to identify genres that are not oversaturated with competitive titles and where we believe we can become the leader in that genre. We currently publish titles primarily in four genres: home décor, sports and action, fashion and celebrity, and time management. We believe these are genres in which we have already established a leadership position, are otherwise aligned with our strengths or are conducive to the establishment of a growth game.

Evergreen titles are similar to growth titles in that we continue to update them with additional content and features, but differ from growth games in that our focus is to reduce and potentially reverse their year over year revenue declines; to the extent that we succeed in our efforts to grow annual revenue from an evergreen title, we would then consider such evergreen title to be a growth game. For example, we have recently succeeded in growing the quarterly revenues from *Kim Kardashian: Hollywood*, a title that we first released in June 2014. *Cooking Dash*, *Deer Hunter 2018*, *Kim Kardashian: Hollywood*, *Restaurant Dash with Gordon Ramsay* and *Racing Rivals* are examples of our existing evergreen titles.

While we have generally designed our games to incorporate social features that enhance the user's gameplay experience, as part of our product strategy we have further prioritized adding new social and community-based features, systems, and modes into our growth and evergreen titles. For example, *Covet Fashion* allows users to join "Fashion Houses" with other users and then borrow each others' clothes, receive advice on their looks, chat and work together to unlock additional rewards in special style challenges, *Racing Rivals* enables players across Apple's iOS and Google's Android platforms to compete against each other in real-time, synchronous racing, and our *Tap Sports Baseball* franchise allow players to challenge their friends to head-to-head matchups. We intend to continue to innovate to further enable our titles' ability to function as successful growth or evergreen titles. Many of our games also leverage technologies such as Apple's Game Center or Facebook Connect, which enables players to compare their high scores and achievements with their friends and against the global leaderboard.

We have begun to emphasize developing new titles based on original intellectual property. Reflecting this strategy, revenue from games based on our own intellectual property increased from 39.7% of our total revenues in 2016 to 59.1% of our total revenues in 2017. However, we also seek to selectively license and utilize key brands within our titles if we believe this will maximize their consumer appeal and revenue potential. For example, in 2017, we added content from Major League Baseball, or MLB, for the first time in our *Tap Sports Baseball* franchise, which helped us to meaningfully grow revenue from this franchise year over year. In addition, in 2018 we intend to release *WWE Universe*, a title featuring WWE Superstars, logos and marks, and have recently announced that we will be collaborating with Disney Consumer Products and Interactive Media on the development of an upcoming game. We have also worked with our celebrity licensors to engage their social media audiences and build games that will resonate with their unique fan bases. In particular, *Kim Kardashian: Hollywood* utilizes transmedia storytelling, leveraging Ms. Kardashian West's built-in social media fan base to drive installs and awareness of the game, and then attempts to surprise and delight those fans with real-world events and other game content based on her life. Our *Gordon Ramsay DASH* title utilizes Gordon Ramsay's personality to guide users to become a restaurateur in the image of Mr. Ramsay. We believe that we can continue to drive installs and awareness of our games through our licensing efforts with recognized brands, celebrities and social influencers that resonate with potential players of our games. Partnering with desirable licensing partners and renewing our existing licenses requires that we continue to develop successful games based on licensed content and are able to compete with other mobile gaming companies on financial and other terms in signing such partners. We also plan to continue introducing third-party licensed brands, properties and personalities into our games as additional licensed content, for cameo appearances or for limited time events in order to drive awareness and monetization.

We also plan to continue monitoring the successful aspects of our games to drive downloads and enhance monetization and retention as part of our product strategy, whether by optimizing advertising revenue within each title, including deeper meta game features, building enhanced and more complex core gameplay, adding additional social features, tournaments and events or otherwise.

Attracting and Fostering Creative Leaders

The second prong of our strategy is to attract, cultivate and retain proven creative leaders who will develop and update our growth and evergreen titles. Each creative leader is responsible for the long-term planning of his or her growth and evergreen titles and to identify and invest in long-term opportunities and concepts that have the potential to become top grossing hit titles. Our talent model is to attract the industry's finest and provide them with world-class infrastructure, tools, funding and the support to create hit games. We have made, and plan to make, significant investment in our creative leaders.

We have worked with our creative leaders to instill financial discipline and operational excellence in our organization by revamping our prototyping and greenlight processes. Prior to developing a new game, a creative leader works with a small team to rapidly prototype new ideas that have the potential to become growth games. We expect our creative leaders to fail fast and to either continue to iterate on a game concept or to move on to rapidly prototyping a new concept. Once the creative leader and his or her team have sufficiently iterated on their concept and are satisfied that their game has the potential to be a hit title, the creative leader will submit a playable version of the game for greenlighting. If the game is greenlit, we then commit larger investments in terms of headcount and resources.

Cultivating Highly Creative Environments

We believe a key part of building growth games and attracting and cultivating creative leaders is providing them with highly creative environments that are optimal for creating hit games. We recently moved into a new headquarters in San Francisco that was designed to foster collaboration among our game teams and focus the company around our core values and creative-led vision. Creative environments that support our creative leaders and other game development personnel are also needed to attract the level of talent that will support our growth and evergreen titles. We not only consolidated our studio footprint by moving into our new creative center in San Francisco, but have also significantly increased our investment in our low-cost, scaled center in Hyderabad, India which provides live operations for some of our evergreen titles, insourced art, quality assurance and repeatable sales, marketing and general and administrative functions. As part of this consolidation, we closed or sold development studios in Beijing, China; Bellevue, Washington; Portland, Oregon; San Mateo and Long Beach, California; and Moscow, Russia.

Business Developments

Since January 1, 2017, we have taken the following actions to support our business:

- We continued to focus our efforts on developing and publishing games for smartphones and tablet devices. Our significant achievements related to these efforts include the following:
  - We generated total revenue of $286.8 million for the year ended December 31, 2017, a 43.0% increase compared to total revenue of $200.6 million for the year ended December 31. 2016.

- In December 2017, we had approximately 3.8 million daily active users and 28.6 million monthly active users of our games on our primary distribution platforms, including Apple's App Store, the Google Play Store, Amazon's Appstore, Facebook, and the Mac App Store.

- As of December 31, 2017, we had approximately 1.7 billion cumulative installs of our games on our primary distribution platforms, including approximately 41.7 million installs during the fourth quarter of 2017.

- We successfully integrated Crowdstar following our acquisition of the company in November 2016. Most notably, we achieved significant success with our *Design Home* title that Crowdstar developed, which originally launched worldwide in November 2016. *Design Home* peaked at more than one million daily active users and has generated more than 34 million downloads as of December 31, 2017. In addition, *Design Home* has achieved #1 Top Free rankings on both the U.S. App Store for iPhone and the U.S. Google Play Store and peaked at the #11 and #27 rankings for Top Grossing games on the U.S. App Store for iPhone and the U.S. Google Play Store, respectively.

- We partnered with MLB to incorporate its brands and properties into our *MLB Tap Sports Baseball 2017* title. *MLB Tap Sports Baseball 2017* also includes current and former MLB players pursuant to our continuing agreements with the Major League Baseball Players Association, or MLBPA, and the Major League Baseball Players Alumni Association, or MLBPAA, including featuring 2016 National League Most Valuable Player Kris Bryant.

- In May 2017, we extended our partnership with award-winning chef Gordon Ramsay and launched a major update to our title featuring Chef Ramsay, rebranding the game *Restaurant Dash with Gordon Ramsay*.

- In June 2017, we announced that we had entered into a multi-year agreement with WWE to develop a mobile game featuring WWE Superstars, logos and marks. We expect to release our *WWE Universe* title during 2018 and believe it has the potential to be a growth title.

- In August 2017, we acquired Dairy Free Games, Inc., a developer of mobile real-time strategy games. Dairy Free Games has been developing *Titan World*, a real-time, player vs. player strategy game in which players collect and upgrade units, bases and abilities. We expect to release *Titan World* during 2018.

- In February 2018, we announced that we are collaborating with Disney Consumer Products and Interactive Media on the development of an upcoming mobile game that is expected to include characters and stories from across Disney and Pixar franchises.

Across the globe our industry is experiencing a trend where hit titles generally remain higher in the top grossing charts for longer. We believe this is due to the continued specialization and investment of teams and companies in their hit titles, and the live, social nature of certain games. Our strategy and the measures we have implemented to support our business position us to take advantage of these trends. We plan to focus on regularly updating and otherwise supporting our growth and evergreen titles in order to ensure that those games monetize and retain users for even longer periods of time. In addition, we plan to continue to invest in our creative leaders and the creative environments in which they and their teams work to increase our likelihood of creating significant hit growth titles in 2018 and beyond.

Our Products

We develop and publish a portfolio of mobile games designed to appeal to a broad cross section of the users of smartphones and tablet devices. Our portfolio of growth and evergreen titles is spread across the following genres:

- *Home Décor*

- *Design Home*, which launched in November 2016 and was acquired as part of our acquisition of Crowdstar, has become our most successful growth title. *Design Home* allows users to participate in daily Design Challenges in which they style three dimensional spaces with real, high-end furniture and décor. We are planning key updates for *Design Home* in 2018, including the introduction of a sixth daily event, language localization, an augmented reality mode, deeper game play and a richer social experience.

- *Sports and Action*

  - *MLB Tap Sports Baseball 2017*, which launched in March 2017, was the fourth installment in our popular Tap Sports Baseball franchise in which we partnered with the MLB, MLBPA and MLBPAA to include real-world baseball stars from each of the MLB's 30 teams. *MLB Tap Sports Baseball 2017* was the highest ranked baseball title in the Apple App Store's U.S. iPhone top grossing games rankings during 2017, and we meaningfully grew revenue from this franchise year over year. We expect to launch *MLB Tap Sports Baseball 2018* in March 2018.

  - *Deer Hunter 2018*, originally launched in September 2015 as *Deer Hunter 2016*, remained one of our top action titles during 2017. We released two major updates to this title in late 2016 and early 2017, one which added hunting dogs and the other which added an underwater hunting feature, which updates have helped increase revenue from this title. We believe that this is a good example of our ability to increase revenue from our evergreen titles and intend to apply these learnings to other titles.

  - *Racing Rivals*, originally released in the summer of 2013, remained one of the highest ranked racing games in the Apple App Store's U.S. iPhone top grossing games rankings during 2017. In January 2017, we transitioned the maintenance and daily operations of *Racing Rivals* to Carbonated, Inc. We intend to launch a major update to *Racing Rivals* in the second quarter of 2018 and believe that this update will have the potential to increase revenue from *Racing Rivals* during 2018 as compared with 2017.

  - We expect to add to our portfolio of sports and action titles through the worldwide release of *WWE Universe* in 2018.

- *Fashion and Celebrity*

  - *Covet Fashion*, which we acquired as part of our acquisition of Crowdstar, is a top grossing fashion title that was our third largest revenue contributor during 2017. *Covet Fashion* features continually changing content and daily Style Challenges to help drive engagement and monetization of its users.

  - *Kim Kardashian: Hollywood*, initially globally launched in June 2014, continues to be one of our top revenue-generating titles on an annual basis. In fact, we grew revenue from this title on a quarterly basis during the fourth quarter of 2017 compared with the prior quarter, demonstrating its continuing strength as an evergreen title.

- *Time Management*

  - *Cooking Dash*, launched in June 2015, continued to be one of our top revenue-generating titles for 2017. We released a significant update to this title during 2017 and expect this to continue to be one of our top evergreen titles during 2018.

  - *Restaurant Dash with Gordon Ramsay*, launched in June 2016, continued the success of *Cooking Dash* while increasing user retention and average revenue per daily active user. We extended our partnership with Chef Ramsay during 2017.

- We expect to add to our portfolio of time management titles through the release of *Dash Town* in 2018. *Dash Town* will offer a consolidated format bringing together many of our Dash titles in one game.

Our portfolio of evergreen titles also includes:

- *QuizUp*, released in 2013 by Plain Vanilla and acquired by us in December 2016, is a multiplayer trivia game where users can challenge friends to trivia games and create their own trivia competitions.

- *The Swift Life*, released in December 2017, was developed in conjunction with Taylor Swift and was the first title we launched that was designed to be a true social network rather than a game.

In addition to *MLB Tap Sports Baseball 2018*, *WWE Universe* and *Dash Town*, we may release additional titles during 2018, including potentially *Titan World* and a social casino game, depending on their performance during beta testing.

Across genres, we view our titles as either growth titles or catalog titles, and within the catalog group, our titles are either classified as evergreen titles or legacy titles. Legacy titles are those titles that are still published by us and earn revenue, but on which we expend little to no investment in terms of updates and enhancements.

We work to ensure that our games have consistently high production values, are visually appealing and have engaging core gameplay. These characteristics have typically helped to drive installs and awareness of our games and resulted in highly positive consumer reviews.

We have continued to improve monetization in our games, with our most popular games remaining successful for longer periods of time. The longevity of our most successful games derives from strong core gameplay, deep meta game features, regular content updates and social and community features, such as tournaments, player-versus-player gameplay and live events.

Our games historically have had "thick clients" due to their high production values and, in some cases, 3-D graphics. A thick client game means that our games have a large file size, often 150 megabytes or more, that resides on the player's device. Because of the inherent limitations of the digital platforms and telecommunications networks, which, at best, only allow applications that are less than 150 megabytes to be downloaded over a carrier's wireless network, users often must download one of our games either via a wireless Internet (wifi) connection or initially to their computer and then load the game to their device.

Our Revenue

We generate the majority of our revenue through "in-app-purchases," with the balance of our revenue generated by offers and in-game advertising. For certain of our games in which we incorporate licensed content, we share a portion of our revenue with the licensors featured in these titles.

In-App Purchases

Although users can download and play our free-to-play games free of charge, they can purchase virtual currency or virtual items to enhance their gameplay experience – we refer to these as "in-app purchases" or "micro-transactions." Some of the benefits that players receive from their in-app purchases include:

- *Play Longer Through Better Equipment* – We generally design our games to become significantly more challenging as the player advances through the game. For a game like *Cooking Dash*, players can purchase higher-quality ingredients and various boosts that can help them complete increasingly difficult levels more easily.
- *Play Longer Through Energy Replenishment* – We design some of our games, such as *Deer Hunter 2018* and *Kim Kardashian: Hollywood*, to have short playing sessions, the duration of which are limited by the energy available for each session. Players of *Deer Hunter 2018* and *Kim Kardashian: Hollywood* can use

their virtual currency to purchase items that will replenish their energy and enable them to extend their gameplay session.

- *Accelerate Game Progress* – Although some players are content to slowly "grind" their way through progressing in a game, others are willing to purchase items to accelerate their progression. For example, our *Tap Sports Baseball* titles enable players to spend their virtual currency to upgrade their roster of players and boost the effectiveness of such players, thus allowing the player to more quickly assemble a winning team.
- *Customization* – Our games generally enable players to express themselves by customizing their character, the world the character inhabits or a room. For example, *Covet Fashion* and *Design Home* each allow users to customize the look of their avatar or room, respectively, by purchasing clothing or home design elements. While in *Covet Fashion* users own a clothing or accessory item indefinitely after it is purchased and can use it in multiple events, *Design Home* limits the player to five uses of any purchased design element.

We sell virtual currency to consumers at various prices ranging from $0.99 to $99.99 (adjusted for local currencies for sales to players in foreign countries), which is consistent with storefront pricing guidelines, with the significant majority of player purchases occurring at the lower price points. The digital storefronts generally share with us 70% of the consumers' payments for in-app purchases, although these rates are generally lower for Android-based platforms in China; we do not have any special agreement or arrangement with respect to pricing or terms with any of the digital storefronts. Consumers may also acquire virtual currency and other virtual items through gameplay or by completing offers, as described below.

Offers and In-Game Advertising

In addition to in-app purchases of virtual currency, we also monetize our games through offers and in-game advertising. Optimizing advertising revenue within our games requires us to continue taking advantage of positive trends in the mobile advertising industry, particularly as brands continue to migrate budgets from web to mobile. Offers enable users to acquire virtual currency without paying cash but by instead taking specified actions, such as downloading another application, watching a short video, subscribing to a service or completing a survey. We work with third parties to provide these offers to players of our free-to-play games, and we receive a payment from the third party offer provider based on consumer response to these offers. We also work with third party advertising aggregators who embed advertising, such as ads appearing within the game between content transitions and as pop-up ads; the aggregators typically pay us based on the number of impressions, which is the number of times an advertisement is shown to a player, or conversions, which is the number of times players complete an advertiser's desired action. In addition, from time to time we work directly with other application developers to include advertising for their applications in our games, and the developers pay us based on either the number of impressions in our games or the number of users who download the developer's application. We also sometimes include virtual product integrations of goods directly into certain of our titles such as *Design Home*, *Covet Fashion* and *Kim Kardashian: Hollywood* and expect that we may generate increasing advertising revenue from these types of product integrations in the future.

Licensed Content

Following the success of *Kim Kardashian: Hollywood* and games incorporating licensed third-party brands and properties, like *Racing Rivals* and our *Tap Sports Baseball* titles, we increased our licensing efforts, both in terms of securing licenses to develop games based upon or significantly featuring celebrities and other third-party intellectual property and for cameo appearances or to otherwise incorporate third-party intellectual property into our games. However, we have more recently begun to emphasize developing new titles based on original intellectual property. In 2017, 2016, and 2015, games based on our own intellectual property accounted for approximately 59.1%, 39.7%, and 42.1% of our revenue, respectively. The increase from 2016 to 2017 was due primarily to the success of *Design Home* and *Covet Fashion* as well as the continued strength of *Cooking Dash*. The decrease from 2015 to 2016 was due to a higher percentage of our revenue being generated from titles that include third-party licensed brands, properties or other content, such as *Kim Kardashian: Hollywood*, *Kendall & Kylie*, *Restaurant Dash with Gordon Ramsay*, *Tap Sports Baseball 2016* and *Racing Rivals*. We expect to launch two new titles in 2018, *MLB Tap Sports Baseball 2018* and *WWE Universe*, that will include third-party licensed content. We intend to continue to selectively license and utilize key brands within our titles if we believe this will maximize their consumer appeal and revenue potential.

For games based on or significantly incorporating licensed brands, properties or other content, we share a portion of our revenue with the respective licensors. The average royalty rate that we paid on games based on licensed content (such as *Kim Kardashian: Hollywood, Restaurant Dash with Gordon Ramsay* and *Kendall & Kylie*) or significantly incorporating licensed content (such as *Racing Rivals* and *MLB Tap Sports Baseball 2017*) was approximately 18.2% of gross revenue in 2017, 21.9% in 2016, and 21.9% in 2015. However, the individual royalty rates that we pay can be meaningfully above or below the average based on a variety of factors, such as the strength of the licensed brand, our development and porting obligations, and the platforms on which we are permitted to distribute the licensed content.

Sales, Marketing and Distribution

We market, sell and distribute our games primarily through direct-to-consumer digital storefronts, such as Apple's App Store, the Google Play Store and Amazon's Appstore. In addition to publishing our smartphone games on direct-to-consumer digital storefronts, we also publish some of our titles on other platforms, such as the Mac App Store and Facebook. The significant majority of our smartphone revenue has historically been derived from Apple's iOS platform, which accounted for approximately 63.0%, 62.4%, and 60.5% of our total revenue in 2017, 2016, and 2015, respectively. We generated the majority of these iOS-related revenue from the Apple App Store, which represented 54.2%, 52.7%, and 51.7% of our total revenue in 2017, 2016, and 2015, respectively, with the significant majority of such revenue derived from in-app purchases. We generated the balance of our iOS-related revenue from offers and advertisements in games distributed on the Apple App Store and, to a far lesser extent, sales of premium games. In addition, we generated approximately 36.0%, 36.1%, and 38.1% of our total revenue in 2017, 2016, and 2015, respectively, from the Android platform. We generated the majority of our Android-related revenue from in-app purchases and sales of premium games made through the Google Play Store, which represented 30.3%, 27.6%, and 27.4% of our total revenue in 2017, 2016, and 2015, respectively. No other customer or digital storefront accounted for more than 10% of our total revenue in 2017, 2016, or 2015.

Because of the fragmentation inherent in the Android platform, we need to "port" – or convert into separate versions – our games for a significant percentage of the thousands of Android-based devices that are currently commercially available, many of which have different technical requirements.

As part of our efforts to successfully market our games on the direct-to-consumer digital storefronts, we attempt to educate the storefront owners about our title roadmap and seek to have our games featured or otherwise prominently placed within the storefront. We believe that the featuring or prominent placement of our games facilitates organic user discovery and is likely to result in our games achieving a greater degree of commercial success. We believe that a number of factors may influence the featuring or placement of a game, including:

- the perceived attractiveness of the title or brand;
- the quality of the game;
- the level of critical or commercial success of the game or of other games previously introduced by a publisher;
- incorporation of the storefront owner's latest technology in the publisher's title;
- how strong the consumer experience is on all of the devices that discover titles using any given digital storefront;
- the publisher's relationship with the applicable storefront owner and future pipeline of quality titles for it; and
- the current market share of the publisher.

The majority of our games have been featured on the Apple and Google storefronts when they were commercially released, which we believe is in part due to our efforts to be a consistently good partner with Apple and Google. In addition to our efforts to secure prominent featuring or placement for our games, we have also undertaken a number of marketing initiatives designed to acquire players and increase downloads of our games and increase sales of virtual currency, including:

- using social networking websites, such as Facebook and Twitter, to build a base of fans and followers to whom we can quickly and easily provide information about our games;
- paying third parties, including advertising networks, social media channels and social influencers, to advertise or incentivize consumers to download our games through offers or recommendations;
- using "push" notifications to alert users of sales on virtual currency or items in our games;
- cross-promoting our games through banner advertisements in our other games, as well as advertising our games in our competitors' games;
- having our celebrity partners market their games to their fans through their social media channels; and
- undertaking extensive outreach efforts with video game websites and related media outlets, such as providing reviewers with access to our games prior to launch.

In addition, certain of our games featuring celebrities or other licensed content like *Kim Kardashian: Hollywood* generate significant attention through word of mouth, particularly through social media channels. We look to leverage existing social media presences in order to increase the virality and commercial success of our games. In addition, in games like *Racing Rivals*, we are able to build and maintain a highly engaged community of players around the title. Social-based methods for promoting our games include in-game events where players compete with and against each other, in-game social promotions and regular content updates, including in-game content that leverages real world events, such as holiday promotions or current events in the life of our celebrity partners.

We have also made significant investments in our proprietary analytics and in the development and implementation of various monetization techniques in our titles. With our enhanced analytics capabilities, we intend to devote resources towards segmenting and learning more about the players of each of our franchises and further monetizing our highest spending and most engaged players. We aim to connect the data, insights and knowledge gained from our analytics and monetization techniques to every element of our business – from marketing to merchandising – in order to improve player retention and monetization.

Development Studios

Our creative leaders have primary responsibility for overseeing game development for our growth and evergreen titles. The internal studios that develop our games are located in San Francisco, Burlingame and San Mateo, California; and Toronto, Canada. In addition, as part of our restructuring activities in 2016 and the acquisition of *QuizUp* from Plain Vanilla in December 2016, we moved certain of our catalog titles to our Hyderabad, India location to run live operations and produce content updates for these games. Furthermore, in December 2017 we divested our Moscow, Russia development studio and are in the process of transitioning *Deer Hunter 2018* as well as additional legacy titles that were developed by the Moscow studio to Hyderabad. The divestiture of our Moscow studio was the final step in our nearly two-year long effort to consolidate our studio footprint. In 2016 and 2017, we closed studios in Beijing, China; San Mateo, California; Long Beach, California; Portland, Oregon; and Bellevue, Washington. In addition, in January 2017 we transitioned development and live operations of our *Racing Rivals* title to Carbonated.

Our studios are generally supported by central services personnel in our San Francisco, California headquarters who provide expertise with respect to areas such as user experience and business intelligence, with each studio leveraging such central services to varying degrees. In August 2017, we consolidated certain central technology functions, including business intelligence and software development kit (SDK) development, under our Chief Revenue Officer's organization to better align these departments with Glu's user acquisition and advertising revenue teams.

Our game development process involves a significant amount of creativity, particularly with respect to developing original intellectual property franchises or games in which we license intellectual property from celebrities, Hollywood studios or other owners of brands, properties and other content. Creative and technical studio expertise is necessary to design games that appeal to players who typically play in short bursts and to develop games that work well on mobile phones and tablets with their inherent limitations, such as small screen sizes and control buttons. During 2018, we plan to hire additional game development personnel and invest in technical studio expertise to drive content and features in our growth and evergreen titles and to prototype ideas that we believe can become hit growth titles.

Despite our actions in 2016 and 2017 to reduce our geographical footprint and consolidate studios, our development personnel are located in five cities in three different countries, which results in certain inherent complexities. To address these issues, we instituted our Glu University training program. Glu University is designed to increase interaction among our studio teams, including having international studio team members regularly spend time in our U.S. studios. The goal of this program is to ensure that we increase the uniformity, quality and commercial success of our games. In addition, we believe that our strategy of focusing our development efforts on building and maintaining growth and evergreen titles will help ensure more efficient use of our talent and resources across our studios and further promote the sharing of expertise and best practices.

Product Development

We have developed proprietary technologies and product development processes that are designed to enable us to rapidly and cost effectively develop and publish games that meet the expectations and preferences of consumers and the needs of our distributors. These technologies and processes include:

- core development platforms;
- broad development capabilities;
- application hosting;
- porting tools and processes;
- provisioning and billing capabilities;
- localization capabilities, including supporting multiple languages and customization for specific markets, such as China;
- capabilities for integrating and configuring third-party advertising plug-ins, including for maximization of advertising revenue through placements that complement game flow;
- networking technologies for supporting game saves, guilds, matchmaking, leaderboards, and in-game messaging; and
- merchandising, monetization tools and marketing platforms.

Since the markets for our products are characterized by rapid technological change, particularly in the technical capabilities of mobile phones and tablets, and changing end-user preferences, continuous investment is required to innovate and publish new games, regularly update our games, and modify existing games for distribution on new platforms.

We have continued to utilize measures designed to ensure that we publish and launch games that have a greater likelihood of being commercially successful, while identifying earlier in the development process game concepts and designs that are unlikely to produce hits. Prior to developing a new game, a creative leader works with a small team to rapidly prototype new ideas that have the potential to become growth games. We expect our creative leaders to fail fast and to either continue to iterate on a game concept or to move on to rapidly prototyping a new concept. Once the creative leader and his or her team have sufficiently iterated on their concept and are satisfied that their game has the potential to be a hit title, the creative leader will submit a playable version of the game for greenlighting. If the game is greenlit, only at that point will we commit larger investments in terms of headcount and resources.

In addition, we plan to continue holding detailed post-mortems for all products to review and analyze the positive and negative results from each new game launch. These are in addition to our regular Glu University training sessions where we formally share best practices and learnings amongst the leadership of all functions of our global studios.

We use third-party development tools to create many of our games, including a game development engine licensed from Unity Technologies to create most of our newest games. In addition, we rely on our own servers and third-party infrastructure to operate our games and to maintain and provide our analytics data. In particular, a significant portion of game traffic is hosted by Amazon Web Services, which provides us server redundancy by using multiple locations on various distinct power grids, and we expect to continue utilizing Amazon for a significant portion of our hosting services for the foreseeable future.

Research and development expenses were $92.4 million, $81.9 million, and $72.9 million for 2017, 2016, and 2015, respectively.

Seasonality

Many new smartphones and tablets are released in, or shortly before, the fourth calendar quarter to coincide with the holiday shopping season. Because many players download our games soon after they purchase or receive their new devices, we generally experience seasonal sales increases based on the holiday selling period. Although we believe that the majority of this holiday impact occurs during the fourth quarter, some of this seasonality also occurs for us in our first calendar quarter due to some lag between device purchases and game purchases. However, the impact of this seasonality on our operating results is significantly affected by our title release schedule. In addition, companies' advertising budgets are generally highest during the fourth quarter and decline significantly in the first quarter of the following year, which affects the revenue we derive from advertisements and offers in our games. Conversely, our marketing expenses also increase in the fourth quarter, since demand for marketing is higher during the holiday season and this increased demand drives up marketing costs.

Competition

Developing, distributing and selling mobile games is a highly competitive business, characterized by frequent product introductions and rapidly emerging new platforms, technologies and storefronts. For players, we compete primarily on the basis of game quality, brand and customer reviews. We compete for space on user's smartphones and tablet devices in terms of the number of applications on their device and the amount of storage consumed by such applications. We also compete more generally for the time and attention of users of smartphones and tablet devices who are spending ever-increasing amounts of time on social media, messaging and music, movie and television streaming applications. We compete for promotional and digital storefront placement based on our relationship with the digital storefront owner, historical performance, game quality, perception of sales potential, customer reviews and relationships with celebrities and other licensors of brands and other content. For content licensors, we compete based on royalty and other economic terms, historical financial performance, perceptions of development quality, speed of execution, distribution breadth and relationships with storefront owners. We also compete for experienced and talented employees, which competition we expect to encounter as we execute on our strategy to hire creative leaders that have a proven track record of success.

We compete with a continually increasing number of companies, including Activision (the parent company of King Digital Entertainment), DeNA, Disney, Electronic Arts (EA Mobile), Gameloft, Gamevil, GREE, GungHo Online Entertainment, Netease, Netmarble, Nexon, Rovio, Warner Brothers, and Zynga and many well-funded private companies, including DoubleDown, Jam City, Machine Zone, Miniclip, Niantic, Playrix, Pocket Gems, Scopely, Storm

8/Team Lava, and Supercell. We also face competition from online game developers and distributors who are primarily focused on specific international markets. We could also face increased competition if those companies choose to compete more directly in the United States or the other markets that are significant to us or if large companies with significant online presences such as Apple, Google, Amazon, Facebook, Microsoft or Verizon, choose to enter or expand in the games space or develop competing games. In addition, we also face competition from mobile applications and websites focused on the home design market, which may include games, e-commerce titles, design applications and others seeking to displace our *Design Home* title which is a leading title in the currently unsaturated home design application market. Competitors in this space include, or may include, established game developers, established real estate companies, interior design companies, e-commerce companies and other well-funded private companies looking to enter the home design market. We also compete for downloads and time spent on mobile devices with companies that develop popular social media and messaging applications, such as Facebook (with its Facebook, Facebook Messenger, Instagram, WhatsApp and other applications), Pinterest, Reddit, Snapchat, Twitter, Vevo and YouTube, companies that develop streaming music, movie and television applications, such as Pandora, Spotify, Tidal, HBO Go, Netflix, Amazon Prime and Hulu, and with companies that create non-gaming related software applications for celebrities.

In addition, given the open nature of the development and distribution for smartphones and tablets and the relatively low barriers to entry, we also compete or will compete with a vast number of small companies and individuals who are able to create and launch games and other content for these devices using relatively limited resources and with relatively limited start-up time or expertise. As an example of the competition that we face, it has been estimated that more than 3.2 million applications, including more than 800,000 active games, were available on Apple's U.S. App Store as of February 28, 2018. The proliferation of titles in these open developer channels makes it difficult for us to differentiate ourselves from other developers and to compete for players without substantially increasing our marketing expenses and development costs.

Some of our competitors and our potential competitors have one or more advantages over us, either globally or in particular geographic markets, which include:

- significantly greater financial resources;
- greater experience with free-to-play games, building and maintaining growth or evergreen titles, and building social and community features into mobile games, as well as more effective game monetization;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- larger installed user bases from their existing mobile games;
- larger installed user bases from related platforms, such as console gaming or social networking websites, to which they can market and sell mobile games;
- more substantial intellectual property of their own from which they can develop games without having to pay royalties;
- lower labor and development costs and better overall economies of scale;
- greater platform-specific focus, experience and expertise;
- broader global distribution and presence; and
- greater talent, both in overall headcount and in terms of experience in creating successful titles.

Intellectual Property

Our intellectual property is an essential element of our business. We use a combination of trademark, copyright, trade secret and other intellectual property laws, confidentiality agreements and license agreements to protect our intellectual property. Our employees and independent contractors are required to sign agreements acknowledging that all inventions, trade secrets, works of authorship, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership that they may claim in those works. We also vigorously defend our intellectual property. For example, in November 2014, we filed a complaint against Hothead Games, Inc., or Hothead, in the United States District Court for the Northern District of California alleging that Hothead had willfully infringed certain of our copyrights and trade dress contained in our *Deer Hunter 2014* game through Hothead's release of its game, *Kill Shot.* On August 3, 2015, we entered into a settlement agreement with Hothead in which Hothead agreed to make payments to us, including ongoing payments and we agreed to allow Hothead to continue to publish the *Kill Shot* game. Despite our precautions, it may be possible for third parties to obtain and use without our consent intellectual property that we own or license. Unauthorized use of our intellectual property by third parties, including piracy, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business. In addition, some of our competitors have in the past released games that are nearly identical to successful games released by their competitors in an effort to confuse the market and divert users from the competitor's game to the copycat game. To the extent that these tactics are employed with respect to any of our games, it could reduce our revenue.

Our trademarks that have been registered with the U.S. Patent and Trademark Office include Glu, Crowdstar, our 2-D 'g' character logo, our 3-D 'g' character logo and several of our game titles, including *Blood & Glory, Contract Killer, Cooking Dash, Deer Hunter, Diner Dash, Eternity Warriors, Frontline Commando, Gun Bros, Heroes of Destiny, QuizUp*, *Racing Rivals* and *Tap Sports*. In addition, we have trademark applications pending with the U.S. Patent and Trademark Office for other of our game titles. For certain titles we do not yet have, and do not intend to seek, trademark registration. We also own, or have applied to own, one or more registered trademarks in certain foreign countries, depending on the relevance of each brand to other markets. Registrations of both U.S. and foreign trademarks are renewable every ten years.

We have six patents issued by the U.S. Patent and Trademark Office and have eleven patent applications pending. In addition, we have two international patents issued through the Patent Cooperation Treaty (PCT), which correspond to two of our six issued U.S. patents, and we have two international patent applications pending with the PCT, which correspond to four of our eleven U.S. patent applications.

We also use third-party development tools to create many of our games, including a game development engine licensed from Unity Technologies to create most of our newest games.

From time to time, we encounter disputes over rights and obligations concerning intellectual property. If we do not prevail in these disputes, we may lose some or all of our intellectual property protection, be enjoined from further sales of our games or other applications determined to infringe the rights of others, and/or be forced to pay substantial royalties to a third party, any of which would have a material adverse effect on our business, financial condition and results of operations.

Government Regulation

We are subject to various federal, state and international laws and regulations that affect our business, including those relating to the privacy and security of customer and employee personal information and those relating to the Internet, behavioral tracking, mobile applications, advertising and marketing activities, sweepstakes and contests, and gambling. Additional laws in all of these areas are likely to be passed in the future, which could result in significant limitations on or changes to the ways in which we can collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with our customers, and deliver products and services, or may significantly increase our compliance costs. As our business expands to include new uses or collection of data that are subject to privacy or security regulations, our compliance requirements and costs will increase and we may be subject to increased regulatory scrutiny.

Financial Information about Segments and Geographic Areas

We manage our operations and allocate resources as a single reportable segment. Financial information about our segment and geographic areas is incorporated into this section by reference to Note 12 of Notes to Consolidated Financial Statements contained in Item 8 of this report. In addition, financial information regarding our operations, assets and liabilities, including our total net revenue and net loss for the years ended December 31, 2017, 2016, and 2015, and our total assets as of December 31, 2017 and 2016, is included in our Consolidated Financial Statements contained in Item 8 of this report.

Employees

As of December 31, 2017, we had 546 employees, of which 369 were based in the United States and Canada, and 177 were based in Asia. We have not experienced any employment-related work stoppages and consider relations with our employees to be good. We believe that our future success depends in part on our continued ability to hire, assimilate and retain qualified employees.

Executive Officers

The following table shows Glu's executive officers as of March 1, 2018 and their areas of responsibility. Their biographies follow the table.

Name	Age	Position
Niccolo M. de Masi	37	Executive Chairman
Nick Earl	52	President and Chief Executive Officer
Eric R. Ludwig	48	Executive Vice President, Chief Operating Officer and Chief Financial Officer
Chris Akhavan	35	Chief Revenue Officer
Scott J. Leichtner	47	Vice President, General Counsel and Corporate Secretary

Niccolo M. de Masi has served as our Executive Chairman since November 2016, President and Chief Executive Officer from January 2010 to November 2016, as one of our directors since January 2010, as interim Chairman of our board of directors from July 2014 to December 2014 and as the Chairman of our board of directors since December 2014. Mr. de Masi currently serves as the President of Essential, a mobile phone hardware company. Prior to joining Glu, Mr. de Masi was the Chief Executive Officer and President of Hands-On Mobile, a mobile technology company and developer and publisher of mobile entertainment, from October 2009 to December 2009, and previously served as the President of Hands-On Mobile from March 2008 to October 2009. Prior to joining Hands-On Mobile, Mr. de Masi was the Chief Executive Officer of Monstermob Group PLC, a mobile entertainment company, from June 2006 to February 2007. Mr. de Masi joined Monstermob in 2004 and, prior to becoming its Chief Executive Officer, held positions as its Managing Director and as its Chief Operating Officer, where he was responsible for formulating and implementing Monstermob's growth and product strategy. Prior to joining Monstermob, Mr. de Masi worked in a variety of corporate finance and operational roles within the technology, media and telecommunications (TMT) sector, beginning his career with JP Morgan on both the TMT debt capital markets and mergers and acquisitions teams in London. He has also worked as a physicist with Siemens Solar and within the Strategic Planning and Development divisions of Technicolor. Mr. de Masi has served as a director of Xura, Inc. since November 2015. Mr. de Masi holds an M.A. degree in Physics and an MSci. degree in Electronic Engineering—both from Cambridge University.

Nick Earl has served as our President and Chief Executive officer since November 2016 and prior to that was our President of Global Studios from November 2015 to November 2016. Before joining us, from November 2014 to September 2015, Mr. Earl served as President of Worldwide Studios at Kabam. From September 2001 to October 2014, Mr. Earl served in several management positions at Electronic Arts, including most recently as Senior Vice President & General Manager of EA Mobile. From 1999 to 2001, Mr. Earl served as VP Product Development at Eidos. From April 1993 to March 1999, Mr. Earl served as an executive producer / GM at The 3DO Company. Mr. Earl holds a B.A. in Economics from the University of California at Berkeley.

Eric R. Ludwig has served as our Chief Operating Officer since October 2014, as our Executive Vice President, Chief Financial Officer since October 2011 and as our Chief Financial Officer since August 2008. Mr. Ludwig previously held the position of Senior Vice President, Chief Financial Officer and Chief Administrative Officer from September 2010 to October 2011. Prior to becoming our Chief Financial Officer, Mr. Ludwig served as our Vice President, Finance, Interim Chief Financial Officer from May 2008 to August 2008, served as our Vice President, Finance from April 2005 to May 2008 and served as our Director of Finance from January 2005 to April 2005. In addition, Mr. Ludwig has served as our Assistant Secretary since July 2006. Prior to joining us, from January 1996 to January 2005, Mr. Ludwig held various positions at Instill Corporation, an on-demand supply chain software company, most recently as Chief Financial Officer, Vice President, Finance and Corporate Secretary. Prior to Instill, Mr. Ludwig was Corporate Controller at Camstar Systems, Inc., an enterprise manufacturing execution and quality systems software company, from May 1994 to January 1996. He also worked at Price Waterhouse L.L.P. from May 1989 to May 1994. Mr. Ludwig holds a B.S. in Commerce from Santa Clara University and is a Certified Public Accountant (inactive).

Chris Akhavan has served as our Chief Revenue Officer since May 2016. Prior to this, Mr. Akhavan served as our President of Publishing from April 2013 to May 2016. Before joining us, from January 2010 to April 2013, Mr. Akhavan served in several management positions at Tapjoy, Inc., a provider of incentivized offers, most recently as Senior Vice President, Partnerships. From April 2009 to January 2010, Mr. Akhavan was a Manager, Publisher Network at RockYou!, a social gaming company, and from October 2007 to November 2008, he served as a Strategic Partner Manager at VideoEgg (now SAY Media), an advertising inventory and platform provider. Mr. Akhavan holds a B.A. in Economics from the University of California at Santa Cruz.

Scott J. Leichtner has served as our Vice President, General Counsel and Corporate Secretary since September 2010. Mr. Leichtner joined Glu in June 2009 as our Senior Corporate Counsel. Prior to joining us, Mr. Leichtner was a corporate attorney at Fenwick & West LLP, a law firm focused on serving technology clients, from October 1997 to May 2009. Mr. Leichtner holds an A.B. in Political Science from Duke University and a J.D. from the University of Michigan.

Item 1A. *Risk Factors*

Our business is subject to many risks and uncertainties, which may affect our future financial performance. If any of the events or circumstances described below occurs, our business and financial performance could be harmed, our actual results could differ materially from our expectations and the market value of our stock could decline. The risks and uncertainties discussed below are not the only ones we face. There may be additional risks and uncertainties not currently known to us or that we currently do not believe are material that may harm our business and financial performance. Because of the risks and uncertainties discussed below, as well as other variables affecting our operating results, past financial performance should not be considered as a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods.

We have a history of net losses, may incur substantial net losses in the future and may not achieve and sustain profitability or growth in future periods.

We have incurred significant losses since inception, including a net loss of $97.6 million in 2017 and a net loss of $87.4 million in 2016. As of December 31, 2017, we had an accumulated deficit of $436.1 million. While we conducted several restructurings during 2017 aimed at reducing our fixed costs and operating more efficiently, our costs may continue to rise as we implement additional initiatives designed to increase revenue, potentially including: investing more heavily in our existing titles as part of our product strategy; increasing our spending on user acquisition efforts, particularly for our growth titles; hiring additional staff in our San Francisco Bay Area and Hyderabad, India locations, including new creative leaders and their teams; developing new games with greater complexity, higher production values and deeper social features; running live operations on our games; and taking other steps to strengthen our company. We anticipate that the costs of acquiring new players and otherwise marketing our new titles will continue to rise, particularly since advertising costs in our industry have generally been rising and we have encountered increasing difficulties in generating downloads of our games as users spend more time on alternative software applications, such as social media, messaging, and streaming applications. During 2017, we significantly increased our strategic investment in user acquisition for our *Design Home* title to leverage the game’s momentum and maximize its revenue potential. While we believe that we will more than recoup these marketing expenditures by generating additional revenues over the long term, our analysis may prove incorrect and we may not generate a positive return on investment from these expenditures. We may also continue to incur significant costs to acquire rights to third party intellectual property, including incurring significant minimum guaranteed royalty payments. If our revenue does not increase at a rate sufficient to offset these additional expenses, if the launch dates for our games are delayed, if we do not realize a sufficient return on our strategic investment in user acquisition for *Design Home*, if we experience unexpected significant increases in operating expenses or if we are required to take additional charges related to impairments or restructurings we will continue to incur losses. For example, during the fiscal year ended December 31, 2017, we recorded a $27.3 million impairment related to certain contractual minimum guarantee payments made to certain of our celebrity licensors and other prepaid royalties. We have also taken restructuring charges in the past, including $6.0 million during 2017 related to headcount reductions and other restructuring activities. Furthermore, given the declines in overall downloads of mobile gaming applications and the significant amount of time and attention users are dedicating to social media and other non-gaming applications, increasing revenue has been, and may continue to be, challenging. This industry trend has been negatively impacting us, as the number of downloads of sequels to certain of our most successful franchises, including the launches of *Deer Hunter 2016* (which we have rebranded *Deer Hunter 2018*) and *Eternity Warriors 4*, as well as for our more recent titles, such as *The Swift Life*, *Nicki Minaj: The Empire*, *Britney Spears: American Dream*, *Restaurant Dash with Gordon Ramsay*, and *Rival Fire*, have downloaded at significantly lower rates as compared to previous new titles.

If we fail to develop and publish new mobile games that achieve market acceptance, as well as continue to enhance our existing games, particularly our most successful games, our revenue would suffer.

Our business depends on developing and publishing mobile games that consumers will download and spend time and money playing. We must continue to invest significant resources in research and development, technology, analytics and marketing to introduce new games and continue to update our successful evergreen and growth games, and we often must make decisions about these matters well in advance of a product's release to timely implement them. Our success depends, in part, on unpredictable and volatile factors beyond our control, including consumer preferences and the number of applications they are willing to download to and maintain on their devices, competing gaming and non-gaming related applications, new mobile platforms and the availability of other entertainment activities. If our games do not meet consumer expectations, or they are not brought to market in a timely and effective manner, our business, operating results and financial condition would be harmed. It can be difficult for us to predict with certainty when we will launch a new game as games may require longer development schedules or beta testing periods to meet our quality standards and our players' expectations. For example, we experienced delays in the development and commercial release of *The Swift Life*, and, following global launch, the title has not been commercially successful. If the new titles that we intend to release in 2018, including *MLB Tap Sports Baseball 2018* and *WWE Universe*, also do not meet our expectations or if their worldwide commercial launch is delayed for any reason, our business, operating results and financial condition would be harmed. Even if our games are successfully introduced in a timely fashion and initially adopted, a failure to continually update them with compelling content or a subsequent shift in the entertainment preferences of consumers could cause a decline in our games' popularity that could materially reduce our revenue and harm our business, operating results and financial condition, which effect would be magnified for our most successful games and, in particular, *Design Home*. It is difficult to predict when and how quickly the popularity and revenue of one of our games will decline. In particular, in connection with our product strategy, we expect to commit more resources to updating, adding new features to and enhancing our existing titles as opposed to launching as many new titles as we have in prior years. However, we may not be successful in updating our existing titles, such as was the case with our updates of *Covet Fashion* in the first quarter of 2017 and *Racing Rivals* in the fourth quarter of 2016 which were received poorly by some of our players and, in the case of *Racing Rivals*, resulted in decreased revenue. In addition, while we currently plan to add new features to *Design Home*, including language localization, an augmented reality mode, deeper game play and a richer social experience, our efforts may not result in increased revenues and could cause a decline in the game's popularity. If rates of revenue decline are higher than expected in a particular quarterly period, our new games are not launched in a timely manner or fail to download and/or monetize as we anticipate, the expenditures we make on user acquisition do not result in increased revenues, or the enhancements we make to existing titles do not result in increased revenues or decreased rates of revenue decline, we may not meet our expectations or the expectations of securities analysts or investors for a given quarter. In addition, our *Kim Kardashian: Hollywood* game benefitted significantly from awareness of the game through media coverage and social media channels, and such viral success can be difficult to predict or to repeat in the future, or as in the case of *Kendall & Kylie*, may not translate into the level of sustained commercial success we experienced with *Kim*

Kardashian: Hollywood. Furthermore, we compete for the discretionary spending of consumers, who face a vast array of entertainment choices, including social media and other non-gaming related apps, games played on personal computers and consoles, television, movies, sports and the Internet. If we are unable to sustain sufficient interest in our games compared to other forms of entertainment, our business and financial results would be seriously harmed.

In addition to the market factors noted above, our ability to successfully develop games for mobile devices and their ability to achieve commercial success will depend on our ability to:

- achieve a positive return on investment from our marketing and user acquisition efforts;
- minimize launch delays and cost overruns on the development of new games;
- effectively monetize our games;
- release games compatible with an increasingly diverse set of mobile devices;
- minimize and quickly resolve bugs or outages; and
- acquire and successfully integrate high quality mobile game assets, personnel or companies.

These and other uncertainties make it difficult to know whether we will succeed in continuing to develop successful mobile games and launch these games in accordance with our operating plan. If we do not succeed in doing so, our business, financial condition, results of operations and reputation will suffer.

Successfully developing and monetizing free-to-play games is a challenging business model.

We face significant challenges in achieving our goal of become the leading developer and publisher of free-to-play mobile games. The most successful launches of free-to-play games tend to include socio-competitive gameplay, deep meta game features, player versus player activities, regularly updated content and other complex technological and creative attributes. While we are working to include such features in our games through our growth and evergreen strategy, we may not successfully update our games to include these features or they may not be well received by our players. For example, the significant update to *Racing Rivals* that we released in the fourth quarter of 2016 was poorly received by players and led to a significant decline in revenue from this title. If we are unable to successfully implement our growth and evergreen strategy, or if we incur excessive expenses in this effort, our financial performance and ability to grow revenue would be negatively affected, and we may be unable to launch successful new titles due to a diversion of talent and resources to our existing growth and evergreen titles. Additionally, our existing games compete with our new offerings and the offerings of our competitors, and revenue from our existing games have declined over time, a trend that we have limited experience reversing on a consistent basis. Our efforts to develop new growth games and enhance our existing growth and evergreen titles may prove unsuccessful or, even if successful, it may take more time than we anticipate to achieve significant revenue because, among other reasons:

- our strategy assumes that a large number of players will download our games because they are free and that we will then be able to effectively monetize the games; however, players may not widely download our games for a variety of reasons, including
  - competition for downloads not only with other mobile games but also with social media and other non-gaming related applications;
  - limits on the number of mobile applications players are willing to download to and maintain on their devices;
  - poor consumer reviews or other negative publicity;

    - ineffective or insufficient marketing efforts;
    - lack of sufficient social and community features;
    - lack of prominent storefront featuring;
    - failure to reach and maintain Top Free App Store rankings;
    - the relatively large file size of some of our games, which has been exacerbated due to Apple's requirement that games released on the Apple App Store include 64-bit support; in particular, our games often utilize a significant amount of the available memory on a user's device and tend to consume additional space as players advance through our games, which may cause players to delete our games once the file size grows beyond the capacity of their devices' storage limitations; and
    - the inherent limitations of the smartphone platforms and telecommunications networks, which at most only allow applications that are less than 150 megabytes to be downloaded over a carrier's wireless network; as a result, players must download our games that exceed 150 megabytes either via a wireless Internet (wifi) connection or initially to their computer and then side-load them to their device;

- even if our games are widely downloaded, we may fail to retain users or optimize the monetization of these games, such as has been the case with our *Kendall & Kylie* title, which may occur for a variety of reasons, including poor game design or quality, lack of socio-competitive features, gameplay issues such as game unavailability, long load times or an unexpected termination of the game due to data server or other technical issues, lack of differentiation from predecessor games or other competitive games, lack of innovative features that surprise and delight our players, differences in user demographics and purchasing power or our failure to effectively respond and adapt to changing user preferences through game updates;

- future licensed property games that we release may fail to resonate with consumers and may cost more to build than other titles due to the minimum guaranteed royalty payments to our licensors;

- we intend to continue to develop games based upon our own intellectual property, rather than celebrities or well-known licensed brands and properties, and we may encounter difficulties in generating sufficient consumer interest in and downloads of our original intellectual property games, particularly considering we have experienced significantly fewer downloads of more recent launches of game sequels as compared to their predecessors;

- many well-funded public and private companies have released, or plan to release, free-to-play games, including titles in the home design category or games incorporating the same licensed brands that we intend to use in our games (e.g., WWE and Disney/Pixar), and this competition will make it more difficult for us to differentiate our games and derive significant revenue from them;

- we may have difficulty hiring proven creative leaders and the experienced monetization, live operations, server technology, user experience and product management personnel that we require to support our growth and evergreen gaming strategy, or may face difficulties in developing our technology platform and incorporating it into our products or developing unique gameplay;

- we will depend on the proper and continued functioning of our own servers and third-party infrastructure to operate our connected games that are delivered as a service; and

- the impact of potential regulatory issues, including:

    - the Federal Trade Commission, or the FTC, has previously indicated that it intends to review issues related to in-app purchases, particularly with respect to games that are marketed primarily to minors (for example, the FTC reached a settlement with Apple in January 2014 and with Google in September 2014 on this issue, and in April 2016, a federal court granted summary judgment in favor of the FTC finding Amazon liable for unfairly billing consumers for unauthorized in-app purchases by minors), and the FTC might issue rules significantly restricting or even prohibiting in-app purchases or name us as a defendant in a future class-action lawsuit;

- various jurisdictions are assessing the legality of "loot boxes," which are commonly used in some of our top games, and Apple has recently updated its terms of service to require publishers to publish the odds of winning the items contained in loot boxes, which could harm the monetization of our games that utilize loot boxes; and

- various legislators, administrative bodies and courts, primarily in Europe, have taken actions (including imposing fines) or may be considering taking actions (including antitrust enforcement) against Apple and Google, which are our primary distribution platforms, and Facebook, which is our primary user acquisition channel.

If we do not achieve a sufficient return on our investment with respect to our free-to-play business model, it will negatively affect our operating results and may require us to formulate a new business strategy.

We rely on a very small portion of our total players for nearly all of our revenue that we derive from in-app purchases.

We rely on a very small portion of our total players for nearly all of our revenue derived from in-app purchases (as opposed to advertisements and incentivized offers) and installation rates and user-growth have declined for us with many of our most recent product launches. Since the launch of our first free-to-play titles in the fourth quarter of 2010, the percentage of unique paying players for our largest revenue-generating free-to-play games has typically been less than 2%, when measured as the number of unique paying users on a given day divided by the number of unique users on that day, though this percentage fluctuates, and it may be higher than 2% for some of our games during specific, relatively short time periods, such as immediately following worldwide launch or the week following content updates, marketing campaigns or certain other events. To significantly increase our revenue, we must increase the number of downloads of our games, increase the number of players who convert into paying players by making in-app purchases or enrolling in subscriptions, increase the amount that our paying players spend in our games and/or increase the length of time our players generally play our games. We might not succeed in our efforts to increase the monetization rates of our users, particularly if we do not increase the amount of social features in our games or otherwise succeed in our growth and evergreen gaming strategy. We have also encountered difficulties in retaining our players as the average monthly active users, or MAU, for our games declined 20% from 35.9 million in the fourth quarter of 2016 to 28.6 million in the fourth quarter of 2017. If we are unable to convert non-paying players into paying players, or if we are unable to retain our paying players or if the average amount of revenue that we generate from our players does not increase or declines, our business may not grow, our financial results will suffer, and our stock price may decline.

We derive the majority of our revenue from Apple's App Store and the Google Play Store, and if we are unable to maintain a good relationship with each of Apple and Google or if either of these storefronts were unavailable for any prolonged period of time, our business will suffer.

The majority of our smartphone revenue has historically been derived from Apple's iOS platform, which accounted for 63.0% of our total revenue for 2017 compared with 62.4% and 60.5% of our total revenue for 2016 and 2015, respectively. We generated the majority of this iOS-related revenue from the Apple App Store, which represented 54.2%, 52.7% and 51.7% of our total revenue 2017, 2016 and 2015, respectively, with the significant majority of such revenue derived from in-app purchases. We generated the balance of our iOS-related revenue from offers and advertisements in games distributed on the Apple App Store and, to a far lesser extent, sales of premium games. In addition, we derived approximately 36.0%, 36.1%, and 38.1% of our total revenue for 2017, 2016 and 2015, respectively, from the Android platform. We generated the majority of our Android-related revenue from the Google Play Store, which represented 30.3%, 27.6% and 27.4% of our total revenue for 2017, 2016 and 2015, respectively, with the significant majority of such revenue derived from in-app purchases. We believe that we have good relationships with each of Apple and Google, which have contributed to the majority of our games released in the last several years being featured on their respective storefronts upon commercial release. If we do not continue to receive prominent featuring, users may find it more difficult to discover our games and we may not generate significant revenue from them. We may also be required to spend significantly more on marketing campaigns to generate substantial revenue on these platforms. For example, in the second half of 2016, Apple began displaying paid search advertisements for applications in the Apple App Store search results for the first time. We have purchased, and may continue to purchase, such advertising to ensure the prominence of our games in the Apple App Store which could result in our marketing expenses increasing significantly. Additionally, our efforts to advertise through search advertisements in the Apple App Store may not be successful and may not result in additional users or monetization. In addition, currently neither Apple nor Google charge a publisher when it features one of their apps. If either Apple or Google were to charge publishers to feature an app, it could cause our marketing expenses to increase considerably. Accordingly, any change or deterioration in our relationship with Apple or Google could materially harm our business and likely cause our stock price to decline.

We also rely on the continued functioning of the Apple App Store and the Google Play Store. In the past these digital storefronts have been unavailable for short periods of time or experienced issues with their in-app purchasing functionality. For example, on March 11, 2015, the Apple App Store experienced an approximately 12-hour global outage, which resulted in players and potential players of our games being unable to both download our games and make in-app purchases within our games during such outage. If such events recur on a prolonged basis or other similar issues arise that impact our ability to generate revenue from these storefronts, it would have a material adverse effect on our revenue and operating results. In addition, if these storefront operators fail to provide high levels of service, our players' ability to access our games may be interrupted or players may not receive the virtual currency or goods for which they have paid, which may adversely affect our brand.

The operators of digital storefronts on which we publish our free-to-play games and the advertising channels through which we acquire some of our players in many cases have the unilateral ability to change and interpret the terms of our and others' contracts with them.

We distribute our free-to-play games through direct-to-consumer digital storefronts, for which the distribution terms and conditions are often "click through" agreements that we are not able to negotiate with the storefront operator. For example, we are subject to each of Apple's and Google's standard click-through terms and conditions for application developers, which govern the promotion, distribution and operation of apps, including our games, on their storefronts. Each of Apple and Google can unilaterally change its standard terms and conditions with no prior notice to us. In addition, the agreement terms can be vague and subject to changing interpretations by the storefront operator. Further, these storefront operators typically have the right to prohibit a developer from distributing its applications on its storefront if the developer violates its standard terms and conditions. For example, in the fourth quarter of 2014, Apple informed developers that beginning on February 1, 2015 all new applications, and beginning June 1, 2015 all updates to existing applications, submitted to the Apple App Store must include 64-bit support. Building our games to support 64-bit development has increased the file sizes of our games making it more difficult for players to download our games and potentially negatively impacting the number of downloads and active users of our titles, particularly for those games where we are unable to keep file sizes below 150 megabytes, which is the maximum file size that can currently be downloaded over any carrier's wireless network (requiring download over wifi networks). More recently, in the fourth quarter of 2017, Apple updated its terms of service to require publishers to disclose a player's odds of winning the various items contained within loot boxes. Glu utilizes loot boxes in many of its current games and the games it intends to release in 2018, and it is possible that this new disclosure requirement will negatively impact the monetization of these titles. If Apple or Google, or any other key storefront operator, determines that we or one of our key vendors are violating its standard terms and conditions, by a new interpretation or otherwise, or prohibits us from distributing our games on its storefront, it would materially harm our business and likely cause our stock price to significantly decline.

In addition, in the first quarter of 2014, Facebook prohibited HasOffers, whose software development kit we had incorporated into our games to track advertising metrics, from participating in Facebook's mobile measurement program because Facebook asserted that HasOffers had violated its agreement with Facebook. As a result, we removed HasOffers' software development kit from our games and replaced it with software from a new vendor, which did not adversely impact our revenue or operations. Any similar changes or prohibitions in the future, including any changes by Facebook of its advertising platform, which we rely on for a majority of our user acquisition activities, could negatively impact our revenue or otherwise materially harm our business, and we may not receive significant or any advance warning of such changes.

Our financial results could vary significantly from quarter to quarter and are difficult to predict, which in turn could cause volatility in our stock price.

Our revenue and operating results could vary significantly from quarter to quarter 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. In addition, we may not be able to accurately predict our future revenue or results of operations. We base our current and future expense levels on our internal operating plans and sales forecasts, and our operating costs are to a large extent fixed. As a result, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenue, and even a small shortfall in revenue could disproportionately and adversely affect financial results for that quarter.

In addition to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly results include:

- our ability to increase the number of our paying players and the amount that each paying player spends in our games;

- the popularity and monetization rates of our new games released during the quarter and the ability of games released in prior periods to sustain their popularity and monetization rates;

- the number and timing of new games released by us and our competitors, particularly those games that may represent a significant portion of revenue in a quarter, which timing can be impacted by internal development delays, longer than anticipated beta testing periods, shifts in product strategy and how quickly digital storefront operators review and approve our games for commercial release;

- changes in the prominence of storefront featuring for our games and those of our competitors;

- the loss of, or changes to, one of our distribution platforms;

- changes to the Apple iOS platform or the Google Android platform that we are not able to adapt to our game offerings;

- fluctuations in the size and rate of growth of overall consumer demand for smartphones, tablets, games and related content;

- the amount and timing of charges related to any future impairments of goodwill, intangible assets, prepaid royalties and guarantees; for example, in 2017, we impaired $27.3 million related to contractual minimum guarantee royalty payments made to certain celebrity licensors and other prepaid royalties, and in future periods we may be required to impair our goodwill due to further declines in our business and/or stock price, or take additional large impairments related to contractual minimum guarantee commitments if the associated games we are developing are not successful;

- changes in the mix of revenue derived from games based on original intellectual property versus licensed intellectual property;

- changes in the mix of revenue derived from in-app purchases, advertisements and offers, which mix often depends on the nature of new titles launched during the quarter;

- changes in the mix of revenue derived from first party titles and third party titles, including revenue from *Racing Rivals* now that we have transitioned development for this title to Carbonated;

- changes in the amount of money we spend marketing our titles in a particular quarter, including the average amount we pay to acquire each new user, as well as changes in the timing of these marketing expenses within the quarter;

- decisions by us to incur additional expenses, such as increases in research and development, restructuring expenses, or unanticipated increases in vendor-related costs, such as hosting fees;

- the timing of successful mobile device launches;

- the seasonality of our industry;

- changes in accounting rules, such as those governing recognition of revenue, including the period of time over which we recognize revenue for in-app purchases of virtual currency and goods within some of our games, as well as estimates of average playing periods and player life; and

- macro-economic fluctuations in the United States and global economies, including those that impact discretionary consumer spending.

The markets in which we operate are highly competitive, and many of our competitors have significantly greater resources than we do.

Developing, distributing and selling mobile games is a highly competitive business, characterized by frequent product introductions and rapidly emerging new platforms, technologies and storefronts. For players, we compete primarily on the basis of game quality, brand and customer reviews. We compete for space on user's smartphones and tablet devices in terms of the number of applications on their device and the amount of storage consumed by such applications. We also compete more generally for the time and attention of users of smartphones and tablet devices who are spending ever-increasing amounts of time on social media, messaging and music, movie and television streaming applications. We compete for promotional and digital storefront placement based on our relationship with the digital storefront owner, historical performance, game quality, perception of sales potential, customer reviews and relationships with celebrities and other licensors of brands and other content. For content licensors, we compete based on royalty and other economic terms, historical financial performance of prior licensed content titles, perceptions of development quality, speed of execution, distribution breadth and relationships with storefront owners. We also compete for experienced and talented employees, which competition we expect to encounter as we execute on our strategy to hire creative leaders that have a proven track record of success.

We compete with a continually increasing number of companies, including Activision (the parent company of King Digital Entertainment), DeNA, Disney, Electronic Arts (EA Mobile), Gameloft, Gamevil, GREE, GungHo Online Entertainment, Netease, Netmarble, Nexon, Nintendo, Rovio, Warner Brothers, and Zynga and many well-funded private companies, including DoubleDown, Jam City, Machine Zone, Miniclip, Niantic, Playrix, Pocket Gems, Scopely, Storm 8/Team Lava, and Supercell. We also face competition from online game developers and distributors who are primarily focused on specific international markets. We could also face increased competition if those companies choose to compete more directly in the United States or the other markets that are significant to us or if large companies with significant online presences such as Apple, Google, Amazon, Facebook, Microsoft or Verizon, choose to enter or expand in the games space or develop competing games. In addition, we also face competition from mobile applications and websites focused on the home design market, which may include games, e-commerce titles, design applications and others seeking to displace our *Design Home* title which is a leading title in the currently unsaturated home design application market. Competitors in this space include, or may include, established game developers, established real estate companies, interior design companies, e-commerce companies and other well-funded private companies looking to enter the home design market. We also compete for downloads and time spent on mobile devices with companies that develop popular social media and messaging applications, such as Facebook (with its Facebook, Facebook Messenger, Instagram, WhatsApp and other applications), Pinterest, Reddit, Snapchat, Twitter, Vevo and YouTube, companies that develop streaming music, movie and television applications, such as Pandora, Spotify, Tidal, HBO Go, Netflix, Amazon Prime and Hulu, and with companies that create non-gaming related software applications for celebrities.

In addition, given the open nature of the development and distribution for smartphones and tablets and the relatively low barriers to entry, we also compete or will compete with a vast number of small companies and individuals who are able to create and launch games and other content for these devices using relatively limited resources and with relatively limited start-up time or expertise. As an example of the competition that we face, it has been estimated that more than 3.2 million applications, including more than 800,000 active games, were available on Apple's U.S. App Store as of February 28, 2018. The proliferation of titles in these open developer channels makes it difficult for us to differentiate ourselves from other developers and to compete for players without substantially increasing our marketing expenses and development costs.

Some of our competitors and our potential competitors have one or more advantages over us, either globally or in particular geographic markets, which include:

- significantly greater financial resources;
- greater experience with free-to-play games, building and maintaining growth or evergreen titles, and building social and community features into mobile games, as well as more effective game monetization;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- larger installed user bases from their existing mobile games;
- larger installed user bases from related platforms, such as console gaming or social networking websites, to which they can market and sell mobile games;
- more substantial intellectual property of their own from which they can develop games without having to pay royalties;
- lower labor and development costs and better overall economies of scale;
- greater platform-specific focus, experience and expertise;
- broader global distribution and presence; and
- greater talent, both in overall headcount and in terms of experience in creating successful titles.

If we are unable to compete effectively or we are not as successful as our competitors in our target markets, our sales could decline, our margins could decline and we could lose market share, any of which would materially harm our business, operating results and financial condition.

Our players may decide to select competing forms of entertainment instead of playing our games.

We also face competition for the leisure time, attention and discretionary spending of our players. Other forms of leisure time activities, such as social media and messaging applications, personal computer and console games, television, movies, sports, and the Internet, are generally much larger and more well-established options for consumers. In addition, competition for the attention of players on their mobile devices is intense, as the number of apps on mobile devices is increasing dramatically. In particular, non-gaming applications for mobile devices, such as social media and messaging, music, movie and television streaming, and dating applications, have become increasingly popular, making it more difficult for mobile games to generate the same level of consumer interest and number of downloads as in prior periods. In addition, Kim Kardashian West, Kendall Jenner and Kylie Jenner have launched their own personal media applications, and those applications, or similar applications launched by these celebrity partners could compete with our titles that feature such celebrities for the time, attention and spending of our players. If our players do not find our games to be compelling or if other leisure time activities are perceived by our players to offer greater variety, affordability, interactivity and overall enjoyment, our business could be materially and adversely affected.

Securing license agreements to develop, publish and market games based on or significantly incorporating celebrities, third-party licensed brands, properties, and other content typically requires that we make minimum guaranteed royalty and other payments to such licensors, and to the extent such payments become impaired, our operating results would be harmed.

In connection with partnerships with celebrities and other licensors of third-party brands, properties and content, we have incurred and may continue to incur significant minimum guaranteed royalty and other payments. As a result, we may incur impairments on such payments if our forecasts for these games are lower than we anticipated at the time we entered into the agreements. For example, in 2017, we impaired $27.3 million related to contractual minimum guaranteed royalty payments made to certain of our celebrity licensors and other prepaid royalties; as of December 31, 2017 we had remaining prepaid royalty balances totaling $12.3 million. We expect to continue to selectively license third-party licensed brands, properties and other content and to pay minimum guaranteed royalty payments in connection with such deals. As a result, we may be required to take impairments in future periods if the games we are developing that have significant contractual minimum guarantee commitments associated with them are not successful.

If we do not successfully establish and maintain awareness of our brand and games, if we fail to develop high-quality, engaging games that are differentiated from our prior games, if we incur excessive expenses promoting and maintaining our brand or our games or if our games contain defects or objectionable content, our operating results and financial condition could be harmed.

We believe that establishing and maintaining our brand is critical to establishing a direct relationship with players who purchase our products from direct-to-consumer channels and to maintaining our existing relationships with distributors and content licensors, as well as potentially developing new such relationships. Increasing awareness of our brand and recognition of our games is particularly important in connection with our strategic focus of developing games based on our own intellectual property. Our ability to promote the Glu brand and increase recognition of our games depends on our ability to develop high-quality, engaging games, including integrating the level of social and community features appropriate for a game's target audience and partnering with brands with fan bases that can support successful mobile games. If consumers, digital storefront owners and branded content owners do not perceive our existing games as high-quality or if we introduce new games that are not favorably received by them, then we may not succeed in building brand recognition and brand loyalty in the marketplace. In addition, globalizing and extending our brand and recognition of our games is costly and involves extensive management time to execute successfully. Although we make significant sales and marketing expenditures in connection with the launch of our games, these efforts may not succeed in increasing awareness of our brand or the new games. If we fail to increase and maintain brand awareness and consumer recognition of our games, our potential revenue could be limited, our costs could increase and our business, operating results and financial condition could suffer.

In addition, if a game contains objectionable content, we could experience damage to our reputation and brand. Our games may contain violence or other content that some consumers may find objectionable. For example, Apple has assigned each of our shooter games a 17-and-older rating due to its violence. In addition, Google required us to submit two versions of our *Blood & Glory* and *Contract Killer*: *Zombies* games, one of which did not depict blood. Despite these ratings and precautions, consumers may be offended by some of our game content and children to whom these games are not targeted may choose to play them without parental permission nonetheless. In addition, our employees or employees of outside developers could include hidden features in our games without our knowledge, which might contain profanity, graphic violence, sexually explicit or otherwise objectionable material. Users of our games, particularly games with social messaging features, may utilize these features for illegal purposes or target certain users through these features. If consumers believe that a game we published contains objectionable content or may expose them to nefarious individuals, it could harm our brand, consumers could refuse to download it or demand a refund for any in-app purchases, and could pressure the digital storefront operators to no longer allow us to publish the game on their platforms. Similarly, if any of our games are introduced with defects or have playability issues, we may receive negative user reviews and our brand may be damaged. For example, our *Racing Rivals* title experienced playability and user interface issues after the release of an update in the fourth quarter of 2016 that introduced new graphics, which particularly affected users of some Android devices and harmed monetization of the game. These issues could be exacerbated if our customer service department does not timely and adequately address issues that our players have encountered with our games.

We have depended on a small number of games for a significant portion of our revenue in recent fiscal periods. If these games do not succeed or we do not release highly successful new games, our revenue would decline.

In the mobile gaming industry, new games are frequently introduced, but a relatively small number of games account for a significant portion of industry sales. Similarly, a significant portion of our revenue comes from a limited number of games, although the games in that group have shifted over time. Our top three titles for 2017, *Design Home*, *MLB Tap Sports Baseball 2017* and *Covet Fashion,* each accounted for greater than 10% of our revenue in 2017 and collectively generated approximately 48.7% of our revenue during the year, while our top four titles for 2016, *Kim Kardashian: Hollywood*, *Cooking Dash, Tap Sports Baseball 2016* and *Racing Rivals*, each accounted for greater than 10% of our revenue in 2016 and collectively generated approximately 56.8% of our revenue during the year; no other game generated more than 10% of our revenue during these respective years. We expect our dependency on a small number of games for a majority of our revenue will continue for the foreseeable future as we implement measures to make our successful games into growth or evergreen titles and plan to release fewer titles in 2018 than we have in past years. In particular, our growth title *Design* Home has accounted for a successively larger percentage of our quarterly revenues since its launch which has increased our reliance on the success of this title. Our evergreen titles strategy is one where we hope to reduce period over period declines in revenue from our existing successful titles and position ourselves to convert these into growth titles that grow revenue on a year over year basis. While we experienced some success with this strategy during 2017, in particular for *Kim Kardashian: Hollywood*, we may not consistently succeed in implementing or executing on it, which could cause our revenue to decline in 2018. In addition, revenue from *Kim Kardashian: Hollywood* is in part tied to the continued popularity of Kim Kardashian West and her marketing efforts through social media and other channels, and we have little to no control over these matters and they are hard for us to predict. Accordingly, we must continue to launch new games that generate significant revenue to continue to grow revenue in the future, which we have sometimes failed to do. For example, celebrity titles that we launched in 2015 through 2017 featuring Taylor Swift, Nicki Minaj, Britney Spears and Katy Perry all failed to generate meaningful revenue, and revenue from our *Kendall & Kylie* title declined significantly from its peak level following global launch in February 2016. In addition, sequels to some of our most successful game franchises have failed to download and monetize at the levels of predecessor versions, and we have experienced disappointing results from several games based on film franchises, including our *James Bond: World of Espionage* game. Failure to differentiate, innovate and otherwise improve our games and game franchises would lead to revenue declines.

We rely on a combination of our own servers and technology and third party infrastructure to operate our games. If we experience any system or network failures, unexpected technical problems, cyber attacks or any other interruption to our games, it could reduce our sales, increase costs, or result in a loss of revenue or loss of end users of our games.

We rely on digital storefronts and other third-party networks to deliver games to our players and on their or other third parties' billing systems to track and account for our game downloads. We also rely on our own servers and third-party infrastructure to operate our connected games, and we expect that our reliance on such third-party infrastructure and our technology platform will increase as we continue to add additional social features and functionality into our games. In particular, a significant portion of our game traffic is hosted by Amazon Web Services, which service provides server redundancy and uses multiple locations on various distinct power grids. Amazon may terminate its agreement with us upon 30 days' notice. In addition, Amazon has experienced brief power outages on occasion during the past several years that have affected the availability of certain of our games during such outages. While none of these events adversely impacted our business, a similar outage of a longer duration could. In addition, the operation of our online-only games depends on the continued functionality of our technology platform. As a result, we could experience unexpected technical problems with regard to the operation of our online-only games, particularly if the number of concurrent users playing our games is significantly more than we anticipate. Any technical problem with, cyber attack on, or loss of access to these third parties' or our systems, servers or other technologies, including our technology platform, could result in the inability of end users to download or play our games, cause interruption to gameplay, prevent the completion of billing for a game or result in the loss of users' virtual currency or other in-app purchases, interfere with access to some aspects of our games or result in the theft of end-user personal information. For example, in the second quarter of 2017, we experienced technical issues with our *Covet Fashion* title that caused an extended outage and resulted in certain users receiving in-game currency erroneously. If users are unable to access and play our games for any period of time, if virtual assets are lost, or if users do not receive their purchased virtual currency, we may receive negative publicity and game ratings, we may lose players of our games, we may be required to issue refunds, and we may become subject to regulatory investigation or class action litigation, any of which would negatively affect our business. Any of these problems could require us to incur substantial repair costs, distract management from operating our business and result in a loss of revenue.

Cyber attacks, security breaches, and computer viruses could harm our business, reputation, brand and operating results.

Cyber attacks, security breaches, and computer viruses have occurred on our systems in the past and may occur on our systems in the future. We store sensitive information, including personal information about our employees. In addition, our games involve the storage and transmission of players' personal information in our facilities and on our equipment, networks and corporate systems run by us or managed by third-parties including Apple, Google, and Facebook. Security breaches of our systems or the systems of third-parties on which we rely could expose us to litigation, remediation costs, increased costs for security measures, loss of revenue, damage to our reputation and potential liability. Our player data, corporate systems, third-party systems and security measures may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, and, as a result, an unauthorized party may obtain access to our data, our employees' data, our players' data or our advertisers' data. In addition, outside parties may attempt to fraudulently induce employees to disclose information in order to gain access to our data, our employees' data, our players' data or our advertisers' data. We were the victim of a cyber attack in early November 2014, when an animal rights group took down our main website and user forums, and in January 2016 another cyber attack caused us to take down our user forums for nearly a week. In May 2016, one of our employees fell victim to a spear phishing attack in which the employee uploaded sensitive employee information to a third party website. In October 2013, we were also the victim of a "CryptoLocker" ransomware attack that temporarily prevented our access to sensitive company files. Although these incidents did not result in a material loss of revenue, any future incidents, particularly of longer duration, could damage our brand and reputation and result in a material loss of revenue. Given the global nature of our business and the low cost, relative ease and proliferation of internet enabled devices, we may be at increased risk for cyber attacks and, specifically, denial of service attacks, such as the denial of service attacks that affected Dyn in October 2016. In addition, as highlighted by reports that ISIS terrorists may have used Sony's PlayStation 4 network to plan attacks, the chat and other social features in our games could potentially be used by terrorist organizations or other criminals to communicate or for other nefarious purposes, which could severely damage our brand and reputation. If an actual or perceived security breach occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose players and advertisers, and we could suffer significant legal and financial harm due to such events or in connection with remediation efforts and costs, investigation costs or penalties, litigation, regulatory and enforcement actions, changed security and system protection measures. Any of these actions could have a material and adverse effect on our business, reputation and operating results. In addition, the cost and operational consequences of investigating, remediating, eliminating and putting in place additional information technology tools and devices designed to prevent actual or perceived security breaches, as well as the costs to comply with any notification obligations resulting from such a breach, could have a significant impact on our financial and operating results.

We use a game development engine licensed from Unity Technologies to create many of our games. If we experience any prolonged technical issues with this engine or if we lose access to this engine for any reason, it could delay our game development efforts and cause our financial results to fall below expectations for a quarterly or annual period, which would likely cause our stock price to decline.

We use a game development engine licensed from Unity Technologies to create many of our games, and we expect to continue to use this engine for the foreseeable future. Because we do not own this engine, we do not control its operation or maintenance nor do we control how the engine is updated or upgraded. As a result, any prolonged technical issues with this engine might not be resolved quickly, despite the fact that we have contractual service level commitments from Unity. In addition, to the extent that we require any functionality that is not offered by Unity, as was the case when Apple initially announced its 64-bit requirement, we are dependent on Unity to update or upgrade its engine to offer such functionality. Furthermore, although Unity cannot terminate our agreement absent an uncured material breach of the agreement by us, we could lose access to this engine under certain circumstances, such as a natural disaster that impacts Unity or a bankruptcy event. If we experience any prolonged issues with the operation of the Unity game development engine, if the Unity game development engine does not offer the functionality we require or if we lose access to this engine for any reason, it could delay our game development efforts and cause us to not meet revenue expectations for a quarterly or annual period, which would likely cause our stock price to decline. For example, in the first quarter of 2016, we were unable to implement a significant update to our *Racing Rivals* title due to programming bugs in the Unity game development engine, which update we believe could have helped to increase revenue for that title during the quarter. Further, if one of our competitors acquired Unity, the acquiring company would be less likely to renew our agreement, which expires in October 2019, which could impact our game development efforts in the future, particularly with respect to sequels to games that were created on the Unity engine.

We derive a significant portion of our revenue from advertisements and offers that are incorporated into our free-to-play games through relationships with third parties. If we lose the ability to provide these advertisements and offers for any reason, if we become victim to advertising fraud or if any events occur that negatively impact the revenue we receive from these sources, it would negatively impact our operating results.

We derive revenue from our free-to-play games through in-app purchases, advertisements and offers. We incorporate advertisements and offers into our games by implementing third parties' software development kits. We rely on these third parties to provide us with a sufficient inventory of advertisements and offers to meet the demand of our user base. If we exhaust the available inventory of these third parties, it will negatively impact our revenue. If our relationship with any of these third parties terminates for any reason, or if the commercial terms of our relationships do not continue to be renewed on favorable terms, we would need to locate and implement other third party solutions, which could negatively impact our revenue, at least in the short term. In addition, we may be susceptible to various types of advertising fraud, which could reduce the effectiveness of our advertising campaigns or cause us to pay money to advertising firms for installations that were wrongly attributed to such firms. While we have implemented measures to detect and prevent advertising fraud, such measures may not prove effective, which would harm our user acquisition efforts and could harm our revenues. Furthermore, the revenue that we derive from advertisements and offers is subject to seasonality, as companies' advertising budgets are generally highest during the fourth quarter and decline significantly in the first quarter of the following year, which negatively impacts our revenue in the first quarter (and conversely tends to significantly increase our marketing expenses in the fourth quarter).

The actions of the storefront operators can also negatively impact the revenue that we generate from advertisements and offers. For example, in the second quarter of 2011, Apple began prohibiting virtual currency-incented advertising offers in games that directed users to download other applications from the Apple App Store in order to complete the offer. These offers accounted for approximately one-third of our revenue during the three months ended September 30, 2011, and our inability to use such offers has negatively impacted our revenue. In addition, during the second quarter of 2014, there were reports that Apple was considering prohibiting certain types of virtual currency-incented video advertising in games that promoted other applications available on the Apple App Store. These incented video advertisements generate a meaningful percentage of our overall revenue, and any prohibition of these advertisements would have had a negative impact on our revenue. Any similar changes in the future that impact our revenue that we generate from advertisements and offers could materially harm our business.

We rely on assumptions and estimates to calculate certain of our key metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

Certain of our key metrics, including the number of our daily and monthly active users, our average revenue per daily user and the average useful life of our paying players, is calculated using internal company data from multiple analytics systems that have not been independently verified. While these numbers are based on what we believe to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring these metrics across our large user base around the world. We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy, but these efforts may not prove successful and we may discover material inaccuracies. In addition, our methodology for calculating these metrics may differ from the methodology used by other companies to calculate similar metrics. For example, we currently treat an individual who plays two different Glu games on the same day or who plays the same game on two different devices during the same day (e.g., iPhone and an iPad) as two active users for each such day when we average or aggregate active users over time. As such, the calculations of our active users may not precisely reflect the actual number of people using our titles. We may also discover unexpected errors in our internal data that resulted from technical or other errors. Furthermore, our Crowdstar studio utilizes a separate analytics system from the rest of our company, which could result in internal inconsistencies or errors. If we determine that any of our metrics are not accurate, we may be required to revise or cease reporting such metrics and it may harm our reputation and business.

We may not, or may be unable to, renew our existing content licenses when they expire and may not choose to obtain additional licenses or be able to obtain new licenses on favorable terms, which could negatively impact our revenue if we fail to replace such revenue with revenue from games based on our own intellectual property.

Although we generated 93.3% of our revenue from games based on our own intellectual property during 2013, that percentage declined to 62.7% in 2014, 42.1% in 2015 and 39.7% in 2016, largely due to the majority of our revenue being generated from games that are based on or substantially incorporate third-party intellectual property, such as *Kim Kardashian: Hollywood*, *Kendall & Kylie*, *Racing Rivals,* the *Tap Sports Baseball* franchise and *Restaurant Dash with Gordon Ramsay*. While our revenue from our own intellectual property increased to 59.1% during 2017, we still expect to continue to derive significant revenue from titles incorporating third-party intellectual property, such as the *Tap Sports Baseball* franchise and *WWE Universe*, and expect to continue to develop new titles featuring third-party intellectual property, such as in connection with our recently announced relationship with Disney Consumer Products and Interactive Media through which we expect to release a title in 2019. Certain of our licenses expire at various times during the next several years, and we may be unable to renew these licenses on terms favorable to us or at all, and we may have difficulties obtaining licenses from new content owners on terms acceptable to us, if at all. In addition, these licensors could decide to license to our competitors or develop and publish their own mobile games, competing with us in the marketplace. We also license certain brands and their assets for our *Covet Fashion* and *Design Home* titles without the provision of a license fee or royalty. These licensors could decide to no longer license their assets under the current terms, and to instead charge a one-time payment, ongoing royalty or both, which may adversely affect the profitability of these titles. Failure to maintain or renew our existing licenses or to obtain additional licenses would prevent us from continuing to offer our current licensed games and introducing new mobile games based on such licensed content, which could harm our business, operating results and financial condition.

We publish games developed by third parties, which exposes us to a number of potential operational and legal risks.

Publishing games developed by third parties exposes us to a number of potential operational and legal risks. For example, we may be required to provide third party developers with upfront license fees or non-recoupable minimum guaranteed royalties in order to obtain the rights to publish their games, and we may incur significant costs marketing these games after they have been commercially launched. For example, we agreed to significant license fee and minimum guaranteed royalty payments to an affiliate of Tencent to license and publish Tencent's *WeFire* game in the United States and international markets outside of Asia under the title *Rival Fire.* Due to *Rival Fire's* poor performance in terms of downloads and monetization since its launch in July 2016, we impaired $14.5 million in 2016 related to these payments. Other third-party games that we license and publish may not be commercially successful, particularly if they fail to appeal to Western audiences, and may not generate the amount of revenue necessary for us to fully recoup minimum guaranteed royalty and license fee payments. We and other mobile gaming companies have failed in the past to achieve commercial success in bringing successful games developed and launched in Asia to Western markets, including with respect to our efforts to publish and monetize *Rival Fire*. In addition, if any of the games created by third party developers with which we work infringe intellectual property owned by others, or otherwise violate any third party's rights or any applicable laws and regulations, such as laws with respect to data collection and privacy, we would be exposed to potential legal risks by publishing these games.

Our business and growth may suffer if we are unable to hire and retain key personnel.

Our future success will depend, to a significant extent, on our ability to attract, retain and motivate our key personnel, namely our management team, creative leaders and experienced game development personnel. In particular, we experienced a change in our management team in November 2016 which included the appointment of Nick Earl as our President and Chief Executive Officer. Mr. Earl is critical to our vision, strategic direction, products and technology and the continued retention of the other members of our senior management team is important to our continued development. In addition, to grow our business, execute on our business strategy and replace departing employees, we must identify, hire and retain qualified personnel, particularly creative leaders and additional game development teams to support our new product launches and monetization, live operations, server technology, user experience and product management personnel to support our growth and evergreen games. Attracting and retaining proven creative leaders is difficult in a competitive hiring market. We are actively seeking to hire additional creative leaders, but we may not be able to attract these new creative leaders or retain our existing creative leaders. The gaming and technology industries are also traditionally male dominated, so it may be difficult for us to recruit and retain talented female personnel who may be needed to help us optimize our games that are targeted to a more female-focused audience, including our games in the home décor, fashion and time management genres. Volatility of our stock price, changes in our compensation structure for our executive officers that relies on performance linked stock awards, the lack of success of some of our recent product launches such as *The Swift Life* and recent headcount reductions may make it more difficult for us to attract and retain top talent. Competition for qualified management, game development and other staff is intense, particularly in the San Francisco Bay Area where we are headquartered. In addition, attracting and retaining qualified personnel may be particularly difficult for us if our stock price remains at current levels or declines in the future, since individuals may elect to seek employment with other companies that they believe have better long-term prospects or that present better opportunities for earning equity-based compensation. Competitors have in the past and may in the future attempt to recruit our employees, and our management and key employees are not bound by agreements that could prevent them from terminating their employment at any time. As we continue to develop expertise in free-to-play mobile gaming and building and maintaining growth and evergreen titles, our competitors may increasingly seek to recruit our employees, particularly from our development studios. In addition, we do not maintain a key-person life insurance policy on any of our officers. Our business and growth may suffer if we are unable to hire and retain key personnel.

Any restructuring actions and cost reduction initiatives that we undertake may not deliver the results we expect, and these actions may adversely affect our business.

During the last several years we have implemented restructuring actions and cost reduction initiatives to streamline operations and improve cost efficiencies. Our most recent restructurings included reductions in personnel in Bellevue, Washington; San Francisco, California; Long Beach, California; Portland, Oregon; and Beijing, China, as well as the divestiture of our Moscow, Russia game development studio. Our most recent restructurings and divestiture and other such efforts could result in disruptions to our operations and adversely affect our business. For example, in connection with the divestiture of our Moscow studio, we are in the process of transitioning certain titles that were developed or operated by the Moscow studio, including *Deer Hunter 2018*, to our Hyderabad, India studio. If this transition is not successfully executed, it could result in a decline in revenues from these titles. In addition, we cannot be sure that the cost reduction and streamlining initiatives will be as successful in reducing our overall expenses as we expect or that additional costs will not offset any such reductions or streamlining. If our operating costs are higher than we expect or if we do not maintain adequate control of our costs and expenses, our operating results will suffer.

We may not realize the benefits expected through our strategic relationship with Tencent and other aspects of the relationship could have adverse effects on our business.

In April 2015, we entered into a strategic relationship with Tencent, a leading Internet company in China and arguably the world's largest gaming company. Tencent, through a controlled affiliate, agreed to invest $126.0 million in exchange for approximately 16.3% of our total outstanding common stock on a post-transaction basis. In November 2015, we entered into an agreement with an affiliate of Tencent to license and publish its game, *WeFire*, in the United States and international markets outside of Asia under the name *Rival Fire,* which we launched in July 2016. In light of the poor performance of the title in terms of monetization and downloads, and the related contractual prepaid royalty commitments and license fees under our agreement with the affiliate of Tencent, we impaired $14.5 million in the third quarter of 2016. In addition, we may not succeed in entering into any other agreements or operating partnerships with Tencent in the future. Even if we do enter into additional operational partnerships, it could take months to years to fully realize the benefits of such partnerships and, to the extent such agreements involve publishing our games in China, some of our platform partners in China and other parts of Asia may view such a partnership negatively, and in fact, some partners in China may already view the fact that Tencent is a significant investor in us negatively, and we may find it more difficult to obtain featuring of our games from such partners in China going forward.

Tencent, through its controlled affiliates, held approximately 20.3% of the aggregate voting power of our common stock as of December 31, 2017, and could acquire up to 25.0% of the voting power through open-market purchases of our common stock. While Tencent has agreed to cause these shares to be voted with the majority recommendation of the independent members of our board of directors on most matters, Tencent could have considerable influence over matters such as approving a potential acquisition of us. Tencent was also granted the right to designate a member of our board of directors, initially appointing Tencent Senior Vice President, Steven Ma, and in January 2017 appointing Ben Feder, Tencent's President of International Partnerships (North America), as Mr. Ma's replacement on our board of directors. Mr. Feder or any future Tencent designee could have an actual or apparent conflict of interest in such matters. Tencent's investment in and position with us could also discourage others from pursuing any potential acquisition of us, which could have the effect of depriving the holders of our common stock of the opportunity to sell their shares at a premium over the prevailing market price.

Our reported financial results could be adversely affected by changes in financial accounting standards or by the application of existing or future accounting standards to our business as it evolves.

Our reported financial results are impacted by the accounting policies promulgated by the SEC and accounting standards bodies and the methods, estimates and judgments that we use in applying our accounting policies. The frequency of accounting policy changes may accelerate, including conversion to unified international accounting standards. Policies affecting revenue recognition have affected, and could further significantly affect, the way we account for revenue. For example, the accounting for revenue derived from smartphone platforms and free-to-play games, particularly with regard to revenue generated from online digital storefronts, is still evolving and, in some cases, uncertain. In particular, we were required to file an amendment to our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 to restate or revise the financial statements contained in those reports (including for the year ended December 31, 2011) because we did not correctly apply the applicable revenue recognition accounting guidance relating to our smartphone revenue. While we believe that we are now correctly accounting for our smartphone revenue, this is an area that continues to involve significant discussion among accounting professionals and which is not completely settled. It is possible that the relative application, interpretation and weighting of the factors that relate to whether we should be considered the principal in the sales transaction of games sold through digital storefronts may evolve, and we may in the future conclude that our new accounting policy for smartphone revenue, as reflected in the restated financial statements, is incorrect, which could result in another restatement of affected financial statements. In addition, we currently defer revenue related to virtual goods and currency over the average playing period of paying users, which approximates the estimated weighted average useful life of the transaction. While we believe our estimates are reasonable based on available game player information, we may revise such estimates in the future as our games' operation periods change. Any adjustments arising from changes in the estimates of the lives of these virtual items would be applied to the current quarter and prospectively on the basis that such changes are caused by new information indicating a change in the game player behavior patterns of our paying users. Any changes in our estimates of useful lives of these virtual items may result in our revenue being recognized on a basis different from prior periods' and may cause our operating results to fluctuate. As we enhance, expand and diversify our business and product offerings, the application of existing or future financial accounting standards, particularly those relating to the way we account for our smartphone revenue, could have a significant adverse effect on our reported results although not necessarily on our cash flows.

If we are unable to maintain effective internal control over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial statements. In connection with the restatement of our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, management, including our Chief Executive Officer and Chief Financial Officer, reassessed the effectiveness of our internal control over financial reporting as of December 31, 2012. Based on this reassessment using the guidelines established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992, management had concluded that we did not maintain effective internal control over financial reporting as of December 31, 2012 because of a material weakness related to the application of revenue accounting guidance to our smartphone revenue for sales through digital storefronts. This control deficiency resulted in the misstatement of our revenue and cost of revenue, including gross margin percentages, and the related balance sheet accounts and financial disclosures for the years ended December 31, 2011 and 2012 (and the restatement of unaudited interim condensed consolidated financial statements for the quarters ended March 31, June 30, and September 30 for such years). Although we have remediated this material weakness, if we are otherwise unable to maintain adequate internal controls for financial reporting, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls as required pursuant to the Sarbanes-Oxley Act, it could result in another material misstatement of our financial statements that would require a restatement, investor confidence in the accuracy and timeliness of our financial reports may be impacted or the market price of our common stock could be negatively impacted.

Conversion of key internal systems and processes, particularly our ERP system, and problems with the design or implementation of these systems and processes could interfere with, and therefore harm, our business and operations.

We recently underwent a multi-phase project to convert certain key internal systems and processes, including our enterprise resource planning, or ERP, system to a cloud based system. In connection with the transition to our new ERP system, we shutdown certain of our legacy ERP systems in the third quarter of 2016, which affected certain of our processes in the second half of 2016 and may continue to impact our processes. While we have transitioned to our new ERP system, we may need to resolve issues that arise in connection with this transition. We have invested, and will continue to invest, significant capital and human resources in the design and implementation of these systems and processes. Any problems in the functioning of the new systems or processes, particularly any that impact our operations, could adversely affect our ability to process payments, record and transfer information in a timely and accurate manner, recognize revenue, file SEC reports in a timely manner, or otherwise run our business. Even if we encounter these adverse effects, as noted above, the design and implementation of these new systems and processes may be more time consuming than we anticipated and could negatively impact our business, financial condition, and results of operations.

Our business will suffer if our acquisition and strategic investment activities are unsuccessful or disrupt our ongoing business, which may involve increased expenses and may present risks not contemplated at the time of the transactions.

We have acquired and invested in, and may continue to acquire and invest in, companies, products and technologies that complement our strategic direction. Acquisitions and investments involve significant risks and uncertainties, including:

- diversion of management's time and a shift of focus from operating the business to issues related to negotiation of acquisition or investment terms, integration and administration;

- our ability to successfully integrate acquired technologies and operations into our business and maintain uniform standards, controls, policies and procedures;

- potential employee morale and retention issues resulting from any reductions in compensation, or changes in management, reporting relationships, or future prospects;

- potential product development delays resulting from any changes and disruptions that may follow the acquisition;

- significant competition from other acquirors and investors as the gaming industry consolidates and challenges in offering attractive consideration given the volatility of our stock price and potential difficulties in obtaining alternative financing;

- challenges retaining the key employees, customers and other business partners of the acquired or investee business;

- our ability to realize synergies expected to result from an acquisition or strategic investment;

- an impairment of acquired goodwill and other intangible assets or investments in future periods would result in a charge to earnings in the period in which the write-down occurs, such as the case with each of the charges we took in the second and third quarters of 2016 for our investments in Plain Vanilla;

- the internal control environment of an acquired or investee entity may not be consistent with our standards and may require significant time and resources to improve;

- in the case of foreign acquisitions or strategic investments, 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;

- liability for activities of the acquired or investee companies before the acquisition or investment, including violations of laws, rules and regulations, commercial disputes, tax liabilities, intellectual property and other litigation claims or disputes, accounting standards and other known and unknown liabilities;

- harm to our brand and reputation; and

- harm to our existing business relationships with business partners and advertisers as a result of the acquisition.

In particular, we acquired Crowdstar in the fourth quarter of 2016 in a multi-step transaction that did not involve the cooperation of Crowdstar's management, where the former Chief Executive Officer of Crowdstar did not continue with the company post-acquisition and where we did not receive customary representations, warranties or indemnities from the acquired company. While the integration of Crowdstar into our company has to date proceeded relatively smoothly and Crowdstar's top titles, *Covet Fashion* and *Design Home*, are generating significant revenue, we still face risks and uncertainties in connection with this acquisition. For example, we may not be able to retain key Crowdstar employees for a variety of reasons, including the fact that we intend to relocate the Crowdstar team from Burlingame, California to our new San Francisco headquarters, and the loss of key Crowdstar employees could affect revenue derived from *Covet Fashion* and *Design Home*. In addition, we continue to face other risks related to the Crowdstar acquisition, including the risk of unknown liabilities or claims arising or being asserted.

In addition, if we issue equity securities as consideration in an acquisition or strategic investment, as we did for our acquisitions of Griptonite, Inc., Blammo Games Inc., GameSpy Industries, Inc., PlayFirst, Inc. and Cie Games, Inc., our current stockholders' percentage ownership and earnings per share would be diluted. We may also need to raise additional capital in the event we use a significant amount of cash as consideration in an acquisition. Because acquisitions and strategic investments are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect our business and operating results.

We currently transact business in more than 100 countries and in dozens of different currencies, with the Euro, Canadian Dollar and Indian Rupee being the primary international currencies in which we transact business. Conducting business in currencies other than U.S. Dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. We experienced significant fluctuations in currency exchange rates in 2016 and 2017, and expect to experience continued significant fluctuations in the future. We incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency, and an increasing percentage of our international revenue is from customers who pay us in currencies other than the U.S. Dollar. Fluctuations in the exchange rates between the U.S. Dollar and those other currencies could result in the U.S. Dollar equivalent of these expenses being higher and/or the U.S. Dollar equivalent of the foreign-denominated revenue being lower than would be the case if exchange rates were stable. This could negatively impact our operating results. To date, we have not engaged in exchange rate hedging activities, and we do not expect to do so in the foreseeable future.

We face added business, political, regulatory, operational, financial and economic risks as a result of our international operations and distribution, any of which could increase our costs and adversely affect our operating results.

International sales represented approximately 24.5%, 25.7%, and 31.3% of our revenue during 2017, 2016 and 2015, respectively. To target international markets, we develop games that are customized for consumers in those markets. We have international offices located in Canada and India. We expect to increase our international presence, as we intend to increase the number of our employees in our Hyderabad, India office. Risks affecting our international operations include:

- our ability to develop games that appeal to the tastes and preferences of consumers in international markets;
- difficulties developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- multiple and conflicting laws and regulations, including complications due to unexpected changes in these laws and regulations;
- our ability to develop, customize and localize games that appeal to the tastes and preferences of consumers in international markets;
- competition from local game developers that have significant market share in certain foreign markets and a better understanding of local consumer preferences;
- potential violations of the Foreign Corrupt Practices Act and local laws prohibiting improper payments to government officials or representatives of commercial partners;
- regulations that could potentially affect the content of our products and their distribution, particularly in China where multiple governmental bodies must review and approve of any gaming application before it may be published;
- foreign exchange controls that might prevent us from repatriating income earned in countries outside the United States;
- potential adverse foreign tax consequences, since due to our international operations, we must pay income tax in numerous foreign jurisdictions with complex and evolving tax laws;
- political, economic and social instability, including the ongoing hostilities in Syria and the Crimea region;
- restrictions on the export or import of technology;
- trade and tariff restrictions and variations in tariffs, quotas, taxes and other market barriers; and
- difficulties in enforcing intellectual property rights in certain countries.

These risks could harm our international operations, which, in turn, could materially and adversely affect our business, operating results and financial condition.

We may also liquidate or cease operating some of our foreign subsidiaries in the future which may raise additional risks. For example, we are in the process of winding down and liquidating certain of our subsidiaries in China and Japan. These liquidation efforts will require us to obtain approvals from various government agencies in China and Japan, which could impose taxes and penalties upon us related to such liquidations.

If we fail to deliver our games at the same time as new mobile devices are commercially introduced, our revenue may

suffer.

Our business depends, in part, on the commercial introduction of new mobile devices with enhanced features, including larger, higher resolution color screens, improved audio quality, and greater processing power, memory, battery life and storage. For example, the introduction of new and more powerful versions of Apple's iPhone and iPad and devices based on Google's Android operating system, have helped drive the growth of the mobile games market. In addition, consumers generally purchase the majority of content, such as our games, for a new device within a few months of purchasing it. We do not control the timing of these device launches. The mobile games market could also be disrupted by new technologies, such as the introduction of next generation virtual reality devices. Some manufacturers give us access to their new devices prior to commercial release. If one or more major manufacturers were to stop providing us access to new device models prior to commercial release, we might be unable to introduce games that are compatible with the new device when the device is first commercially released, and we might be unable to make compatible games for a substantial period following the device release. If we do not adequately build into our title plan the demand for games for a particular mobile device or experience game launch delays, we miss the opportunity to sell games when new mobile devices are shipped or our end users upgrade to a new mobile device, our revenue would likely decline and our business, operating results and financial condition would likely suffer.

If the use of smartphones and tablet devices as game platforms and the proliferation of mobile devices generally do not increase, our business could be adversely affected.

While the number of people using mobile Internet-enabled devices, such as smartphones and tablet devices, has increased dramatically in the past few years, the mobile market, particularly the market for mobile games, is still emerging, and it may not grow as we anticipate. Our future success is substantially dependent upon the continued growth of use of mobile devices for games, as opposed to social media applications or other uses. The proliferation of mobile devices may not continue to develop at historical rates and consumers may not continue to use mobile Internet-enabled devices as platforms for games. We believe that historic rates of adoption and download of new applications in the United States will not continue to rise, and will instead decline, as the U.S. mobile application market enters a mature state. In addition, new and emerging technologies could make the mobile devices on which our games are currently released obsolete, requiring us to transition our business model to develop games for other next-generation platforms.

Changes to digital platforms' rules relating to "loot boxes," or the potential adoption of regulations or legislation impacting loot boxes, could require us to make changes to some of our games' economies or design, which could negatively impact the monetization of these games and harm our revenues.

In December 2017, Apple updated its terms of service to require publishers of applications that include "loot boxes" to disclose the odds of receiving each type of item within the loot box to customers prior to purchase. Loot boxes are a commonly used monetization technique in free-to-play mobile games in which a player can acquire a virtual loot box, typically through game play or by using virtual currency, but the player does not know which virtual item he or she will receive (which may be a common, rare or super rare item, and may be a duplicate of an item the player already has in his or her inventory) until the loot box is opened. The player will always receive one or more virtual items when he or she opens the loot box, but the player does not know exactly which item(s) until the loot box is opened. We utilize loot boxes in some of our top games including our *Tap Sports Baseball* franchise, *Kim Kardashian Hollywood* and *Racing Rivals*, and we intend to use loot boxes in our upcoming *WWE Universe* title. We are in the process of complying with Apple's new rules relating to loot boxes and do not currently believe that they will have a material impact on the monetization of our games that utilize loot boxes. However, in the event that Apple changes its terms of service to include more onerous requirements or if Apple (or Google) were to prohibit the use of loot boxes in games distributed on its digital platform, it would require us to redesign the economies of the affected games and would likely cause our revenues generated from these games to decline. In addition, various jurisdictions, including Australia, Belgium, the Netherlands, the United Kingdom, and the states of Hawaii and Washington, are reviewing or have indicated that they intend to review the legality of loot boxes and whether they constitute gambling. To the extent that one or more jurisdictions determine that loot boxes constitute gambling or they otherwise elect to regulate the use of loot boxes, it could require us to stop utilizing loot boxes within our games that are distributed in such territories, which would negatively impact our revenues.

Our business is subject to increasing governmental regulation. If we do not successfully respond to these regulations, our business may suffer.

We are subject to a number of domestic and foreign laws and regulations that affect our business. Not only are these laws constantly evolving, which could result in their being interpreted in ways that could harm our business, but legislation is also continually being introduced that may affect both the content of our products and their distribution. In the United States, for example, numerous federal and state laws have been introduced which attempt to restrict the content or distribution of games. Legislation has been adopted in several states, and proposed at the federal level, that prohibits the sale of certain games to minors. If such legislation is adopted, it could harm our business by limiting the games we are able to offer to our customers or by limiting the size of the potential market for our games. We may also be required to modify certain games or alter our marketing strategies to comply with new and possibly inconsistent regulations, which could be costly or delay the release of our games. For example, the United Kingdom's Office of Fair Trading issued principles in 2014 relating to in-app purchases in free-to-play games that are directed towards children 16 and under. In addition, in response to a request made by the European Commission, Google no longer labels free-to-play games as free in European Union countries. Similarly, in the fourth quarter of 2014, Apple changed its label for free-to-download applications from "FREE" to "GET" in the Apple App Store. The FTC has also indicated that it intends to review issues related to in-app purchases, particularly with respect to games that are marketed primarily to minors; the FTC reached settlement agreements with Apple and Google on this subject and won a lawsuit against Amazon on this subject. If the FTC issues rules significantly restricting or even prohibiting in-app purchases, it would significantly impact our business strategy. In addition, two self-regulatory bodies in the United States (the Entertainment Software Rating Board) and in the European Union (Pan European Game Information (PEGI)) provide consumers with rating information on various products such as entertainment software similar to our products based on the content (for example, violence, sexually explicit content, language). Furthermore, the Chinese government has adopted measures designed to eliminate violent or obscene content in games, along with regulations that may require us to obtain approval from certain government agencies in China, including the Ministry of Culture and General Administration of Press and Publication, in order to continue to publish any of our games in China. Any one or more of these factors could harm our business by limiting the products we are able to offer to our customers, by limiting the size of the potential market for our products, or by requiring costly additional differentiation between products for different territories to address varying regulations.

Furthermore, the growth and development of free-to-play gaming and the sale of virtual goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours. We anticipate that scrutiny and regulation of our industry will increase and that we will be required to devote legal and other resources to addressing such regulation. For example, existing laws or new laws regarding the regulation of currency and banking institutions may be interpreted to cover virtual currency or goods. If that were to occur we may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may depend on us meeting certain capital and other requirements and we may be subject to additional regulation and oversight, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding these activities may dampen the growth of free-to-play gaming and impair our business.

We sometimes offer our players various types of sweepstakes, giveaways and promotional opportunities, and launched a version of our *Frontline Commando: D-Day* game utilizing the Skillz technology platform that allowed players to compete against each other in tournaments for cash prizes. We have also in the past through a partnership with Probability PLC offered a suite of Glu branded mobile slots games in the United Kingdom and might continue to explore opportunities with respect to real money gambling. We are subject to laws in a number of jurisdictions concerning the operation and offering of such activities and games, many of which are still evolving and could be interpreted in ways that could harm our business. Any court ruling or other governmental action that imposes liability on providers of online services could result in criminal or civil liability and could harm our business.

In addition, because our services are available worldwide, certain foreign jurisdictions and others may claim that we are required to comply with their laws, including in jurisdictions where we have no local entity, employees or infrastructure.

The laws and regulations concerning data privacy and data security are continually evolving, and our actual or

perceived failure to comply with these laws and regulations could harm our business.

We are subject to federal, state and foreign laws regarding privacy and the protection of the information that we collect regarding our users, which laws are currently in a state of flux and likely to remain so for the foreseeable future. The U.S. government, including the FTC and the Department of Commerce, is continuing to review the need for greater regulation over collecting information concerning consumer behavior on the Internet and on mobile devices. For example, the European Union's General Data Protection Regulation, which will become effective in May 2018, creates new individual privacy rights and imposes worldwide obligations on companies handling personal data, which has resulted in a greater compliance burden for us and other companies with European users and could result in us incurring substantial monetary penalties if we are found to be in violation of these regulations. Various U.S. state and federal regulators have also continued to expand the scope of data elements worthy of, and subject to, privacy protections, creating a multi-layered regulation regime that may be applicable to our business and will require time and resources to address. Additionally, the Children's Online Privacy Protection Act requires companies to obtain parental consent before collecting personal information from children under the age of 13. In January 2014, the FTC announced a settlement with Apple related to in-app purchases made by minors. In April 2016, the FTC was also successful in a lawsuit against Amazon, with a Federal District Court granting summary judgment in favor of the FTC, finding Amazon liable for unfairly billing consumers for unauthorized in-app purchases by minors. If we do not follow existing laws and regulations, as well as the rules of the smartphone platform operators, with respect to privacy-related matters, or if consumers raise any concerns about our privacy practices, even if unfounded, it could damage our reputation and operating results.

All of our games are subject to our privacy policy and our terms of service located on our corporate website. If we fail to comply with our posted privacy policy, terms of service or privacy-related laws and regulations, including with respect to the information we collect from users of our games, it could result in proceedings against us by governmental authorities or others, which could harm our business. In addition, interpreting and applying data protection laws to the mobile gaming industry is often unclear. These laws may be interpreted and applied in conflicting ways from state to state, country to country, or region to region, and in a manner that is not consistent with our current data protection practices. Complying with these varying requirements could cause us to incur additional costs and change our business practices. Further, if we fail to adequately protect our users' privacy and data, it could result in a loss of player confidence in our services and ultimately in a loss of users, which could adversely affect our business.

In the area of information security and data protection, many states have passed laws requiring notification to users when there is a security breach for personal data, such as the 2002 amendment to California's Information Practices Act, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to implement. Costs to comply with these laws may increase as a result of changes in interpretation. Furthermore, any failure on our part to comply with these laws may subject us to significant liabilities. The security measures we have in place to protect our data and the personal information of our employees, customers and partners could be breached due to cyber-attacks initiated by third party hackers, employee error or malfeasance, fraudulent inducement of our employees to disclose sensitive information or otherwise. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any breach or unauthorized access could materially interfere with our operations or our ability to offer our services or result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our data, which could have an adverse effect on our business and operating results.

Some of our players may make sales or purchases of virtual goods used in our games through unauthorized or fraudulent third-party websites, which may reduce our revenue.

Virtual goods in our games have no monetary value outside of our games. Nonetheless, some of our players may make sales and/or purchases of our virtual goods, such as virtual currency for our *Tap Sports Baseball* games or cars for our *Racing Rivals* game, through unauthorized third-party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on third-party websites and the virtual goods offered may have been obtained through unauthorized means such as exploiting vulnerabilities in our games, from scamming our players with fake offers for virtual goods or other game benefits, or from credit card fraud. We do not generate any revenue from these transactions. These unauthorized purchases and sales from third-party sellers could reduce our revenues by, among other things:

- decreasing revenue from authorized transactions;
- creating downward pressure on the prices we charge players for our virtual currency;
- increasing chargebacks from unauthorized credit card transactions;
- causing us to lose revenue from dissatisfied players who stop playing a particular game;
- increasing costs we incur to develop technological measures to curtail unauthorized transactions;
- resulting in negative publicity or harm our reputation with players and partners; and
- increasing customer support costs to respond to dissatisfied players.

To discourage unauthorized purchases and sales of our virtual goods, we state in our terms of service that the buying or selling of virtual currency and virtual goods from unauthorized third party sellers may result in bans from our games or legal action. We have banned players as a result of such activities. We have also employed technological measures to help detect unauthorized transactions and continue to develop additional methods and processes by which we can identify unauthorized transactions and block such transactions. However, there can be no assurance that our efforts to prevent or minimize these unauthorized or fraudulent transactions will be successful.

Our stock price has fluctuated and declined significantly since our initial public offering in March 2007, and may continue to fluctuate, may not rise and may decline further.

The trading price of our common stock has fluctuated in the past and is expected to continue to fluctuate in the future, as a result of a number of factors, many of which are outside our control, such as changes in the operating performance and stock market valuations of other technology companies generally, or those in our industry in particular, such as Activision, Electronic Arts and Zynga. We also experience stock price volatility as investors monitor the performance of our games through third-party tools, such as App Annie and other measurements of the performance of our games.

In addition, The Nasdaq Global Select Market on which our common stock is listed has in the past experienced extreme price and volume fluctuations that have affected the market prices of many companies, some of which appear to be unrelated or disproportionate to their operating performance. These broad market fluctuations could adversely affect the market price of our common stock. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. Securities class action litigation against us could result in substantial costs and divert our management's attention and resources.

If we do not adequately protect our intellectual property rights, it may be possible for third parties to obtain and improperly use our intellectual property and our business and operating results may be harmed.

Our intellectual property is essential to our business. We rely on a combination of patent, copyright, trademark, trade secret and other intellectual property laws and contractual restrictions on disclosure to protect our intellectual property rights. To date, we have only six issued U.S. patents and eleven U.S. patent applications currently outstanding, including two that we inherited through acquisitions, so we will not be able to protect the majority of our technologies from independent invention by third parties. In addition, we have filed foreign patent applications on two of the issued U.S. patents. Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise to obtain and use our technology and games, and some parties have distributed "jail broken" versions of our games where all of the content has been unlocked and made available for free. Further, some of our competitors have released games that are nearly identical to successful games released by their competitors in an effort to confuse the market and divert users from the competitor's game to the copycat game. We believe that these tactics were employed by Hothead Games in their game *Kill Shot*, which we believed infringed certain Glu copyrights and trade dress contained in our *Deer Hunter Classic* game. We initiated litigation against Hothead Games in November 2014, and we entered into a settlement agreement with Hothead in August 2015 in which Hothead agreed to make payments to us, including ongoing payments, and we agreed to allow Hothead to continue to publish the *Kill Shot* game. To the extent competitors continue to copy our games, it could reduce the amount of revenue we are able to generate from any infringed games. Monitoring unauthorized use of our games is difficult and costly, and we cannot be certain that the steps we have taken will prevent piracy and other unauthorized distribution and use of our technology and games, particularly in certain international jurisdictions, such as China, where the laws may not protect our intellectual property rights as fully as in the United States. In the future, we may institute additional litigation to enforce our intellectual property rights, which could result in substantial costs and divert our management's attention and our resources.

In addition, although we require our third-party developers to sign agreements not to disclose or improperly use our trade secrets, to acknowledge that all inventions, trade secrets, works of authorship, developments and other processes generated by them on our behalf are our property and to assign to us any ownership they may have in those works, it may still be possible for third parties to obtain and improperly use our intellectual properties without our consent. This could harm our brand, business, operating results and financial condition.

We may become involved in intellectual property disputes, which may disrupt our business and require us to pay significant damage awards.

Third parties may sue us for intellectual property infringement, or initiate proceedings to invalidate our intellectual property, which, if successful, could disrupt our business, cause us to pay significant damage awards or require us to pay licensing fees. For example, on August 20, 2014, Inventor Holdings, LLC, a Delaware limited liability company, filed a complaint in the U.S. District Court for the District of Delaware alleging that we were infringing one of its patents and seeking unspecified damages, including interest, costs, expenses and an accounting of all infringing acts, attorneys' fees and such other costs as the Court deems just and proper. In September 2015, the Court granted our motion to dismiss the case brought by Inventor Holdings. In addition, in November 2014, Telinit Technologies, LLC, a Texas company, filed a complaint in the U.S. District Court for the Eastern District of Texas, Marshall Division, alleging that we were infringing one of its patents and seeking unspecified damages, attorneys' fees and costs. We settled the dispute with Telinit for an immaterial amount in January 2015. Finally, in November 2015, Just Games Interactive LLC (d/b/a Kung Fu Factory, f/k/a Tiny Fun Studios), or Just Games, filed a complaint against us and Kristen Jenner (f/k/a Kris Kardashian) in the U.S. District Court for the Central District of California. The complaint alleged direct copyright infringement against us and seeking at least $10.0 million in damages as well as other relief, including costs, permanent and temporary injunctive relief, an accounting of profits, a constructive trust and such other costs the Court deemed just and proper. We filed a motion to dismiss the complaint on January 27, 2016. On February 1, 2016, Just Games filed a voluntary motion to dismiss their case against us without prejudice. Despite our prior successes in defending against such claims, claims against us in the future could result in our being enjoined from using our intellectual property or licensed intellectual property, and we might incur significant licensing fees and could be forced to develop alternative technologies. We may also be required to pay penalties, judgments, royalties or significant settlement costs. If we fail or are unable to develop non-infringing technology or games or to license the infringed or similar technology or games on a timely basis, we may be forced to withdraw games from the market or be prevented from introducing new games. We might also incur substantial expenses in defending against third-party claims, regardless of their merit.

In addition, we use open source software in some of our games and expect to continue to use open source software in the future. We may face claims from companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our games, any of which would have a negative effect on our business and operating results.

We may become a party to litigation and regulatory inquiries, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flows.

We may become subject to various legal proceedings, claims and regulatory inquiries that arise out of the ordinary conduct of our business and are not yet resolved and additional claims and inquiries may arise in the future. In addition, events may occur that give rise to a potential risk of litigation. The number and significance of regulatory inquiries have increased as our business has grown and evolved. Any proceedings, claims or inquiries initiated by or against us, whether successful or not, may be time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of doing business, require us to change our business practices or products, require significant amounts of management time, result in diversion of significant operations resources or otherwise harm our business and future financial results.

"Cheating" programs, scam offers, black-markets and other offerings or actions by unrelated third parties that seek to exploit our games and players affect the game-playing experience and may lead players to stop playing our games or divert revenue to unrelated third parties.

Unrelated third parties have developed, and may continue to develop, "cheating" programs, scam offers, black-markets and other offerings that may decrease our revenue generated from our virtual economies, divert our players from our games or otherwise harm us. Cheating programs enable players to exploit vulnerabilities in our games to obtain virtual currency or other items that would otherwise generate in-app purchases for us, play the games in automated ways or obtain unfair advantages over other players who do play fairly. Unrelated third parties attempt to scam our players with fake offers for virtual goods or other game benefits. We devote resources to discover and disable these programs and activities, but if we are unable to do so in a prompt and timely manner, our operations may be disrupted, our reputation damaged and players may play our games less frequently or stop playing our games altogether. This may lead to lost revenue from paying players, increased cost of developing technological measures to combat these programs and activities, legal claims relating to the diminution in value of our virtual currency and goods, and increased customer service costs needed to respond to disgruntled players.

Unanticipated changes in our income tax rates or exposure to additional tax liabilities may affect our future financial results.

Our future effective income tax rates may be favorably or unfavorably affected by unanticipated changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws or their interpretation. Determining our worldwide provision for income taxes requires significant judgments. The estimation process and applicable laws are inherently uncertain, and our estimates are not binding on tax authorities. Our effective tax rate could also be adversely affected by a variety of factors, many of which are beyond our control. Recent and contemplated changes to U.S. tax laws, including limitations on a taxpayer's ability to claim and utilize foreign tax credits and defer certain tax deductions until earnings outside of the United States are repatriated to the United States, could impact the tax treatment of our foreign earnings. Further, the taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business is not consistent with the manner in which we report our income to the jurisdictions, which could increase our worldwide effective tax rate and harm our financial position and results of operations. Foreign tax authorities may also interpret or change tax regulations such that we may be subject to tax liabilities upon closure or liquidation of a foreign subsidiary. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine if our provision for income taxes is adequate. These continuous examinations may result in unforeseen tax-related liabilities, which may harm our future financial results.

We must charge, collect and/or pay taxes other than income taxes, such as payroll, value-added, sales and use, net worth, property and goods and services taxes, in both the United States and foreign jurisdiction. If tax authorities assert that we have taxable nexus in a jurisdiction, they may seek to impose past as well as future tax liability and/or penalties. Any such impositions could also cause significant administrative burdens and decrease our future sales. Moreover, state and federal legislatures have been considering various initiatives that could change our tax position regarding sales and use taxes.

Finally, as we change our international operations, adopt new products and new distribution models, implement changes to our operating structure or undertake intercompany transactions in light of changing tax laws, our tax expense could increase.

Our facilities are located near known earthquake fault zones, and the occurrence of an earthquake or other natural disaster could damage our facilities and equipment, which could require us to curtail or cease operations.

Our principal offices are located in the San Francisco Bay Area, an area known for earthquakes. We are also vulnerable to damage from other types of disasters, including power loss, fires, explosions, floods, communications failures, terrorist attacks and similar events. If any natural or other disaster were to occur, our ability to operate our business could be impaired.

If securities or industry analysts do not publish research about our business, or publish negative or misinformed reports about our business, our share price and trading volume could decline and/or become more volatile.

The trading market for our common stock is affected by the research and reports that securities or industry analysts publish about our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or lower their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. In addition, our share price and the volatility of our shares can be affected by misinformed or mistaken research reports on our business.

Our common stock price may be affected by third-party data regarding our games.

Third parties publish daily data about us and other mobile gaming companies with respect to downloads of our games, daily and monthly active users and estimated revenue generated by our games. These metrics can be volatile, particularly for specific games, and in many cases do not accurately reflect the actual levels of usage of our games across all platforms or the revenue generated by our games. To the extent that securities analysts or investors base their views of our business or prospects on such third-party data, the price of our common stock may be affected by such third party data and may not reflect the actual performance of our business.

Sales of substantial amounts of our common stock in the public markets, or the perception that such sales might occur, could reduce the price that our common stock might otherwise attain and may dilute your voting power and your ownership interest in us.

The market price of shares of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors and their affiliates, executive officers, employees and significant stockholders, under our current shelf registration statements, through a large number of shares of our common stock becoming available for sale, or the perception in the market that holders of a large number of shares intend to sell their shares. For example, Tencent is free to sell the 21,000,000 shares it acquired from us in the second quarter of 2015 on the open-market, subject only to our black-out periods and other limitations under our insider trading policy.

Some provisions in our certificate of incorporation and bylaws, as well as Delaware law, may deter third parties from seeking to acquire us.

Our certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors, including the following:

- our board of directors is classified into three classes of directors with staggered three-year terms;
- 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;
- our stockholders are able to take action only at a meeting of stockholders and not by written consent;
- only our board of directors and not our stockholders is able to fill vacancies on our board of directors;

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

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

In addition, as a Delaware corporation, we are subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such 15% or greater stockholder, although our board of directors waived this provision with respect to Tencent’s potential acquisition of greater than 15% of our shares in connection with the transaction in which we initially sold shares of our common stock to an affiliate of Tencent.

We have no plans to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not have any plans to pay cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors 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 investments.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We lease our San Francisco, California corporate headquarters, an office building of approximately 57,000 square feet. The San Francisco facility currently accommodates our principal executive, marketing, business development, human resources, finance, legal, information technology and administrative activities, two of our development studios, and other development activities.

We lease additional domestic office space in Burlingame and San Mateo, California. We lease offices for our foreign operations in: Toronto, Canada and Hyderabad, India. These additional domestic and international facilities primarily accommodate development studios, and customer care activities, and total approximately 87,500 square feet.

We believe our space is adequate for our current needs and that suitable additional or substitute space will be available to accommodate the foreseeable expansion of our operations. See Note 8 of the Notes to Consolidated Financial Statements in Item 8 of this report for more information about our lease commitments.

Item 3. ***Legal Proceedings***

From time to time, we are subject to various claims, complaints and legal actions in the normal course of business. We are not currently party to any pending litigation, the outcome of which will have a material adverse effect on our operations, financial position or liquidity. However, the ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on us because of defense costs, potential negative publicity, diversion of management resources and other factors.

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 Information for Common Stock

Our common stock has been listed on The Nasdaq Global Select Market under the symbol "GLUU" since our initial public offering in March 2007. The following table sets forth, for the periods indicated, the high and low intra-day prices for our common stock as reported on The Nasdaq Global Select Market. The closing price of our common stock on February 28, 2018 was $3.71.

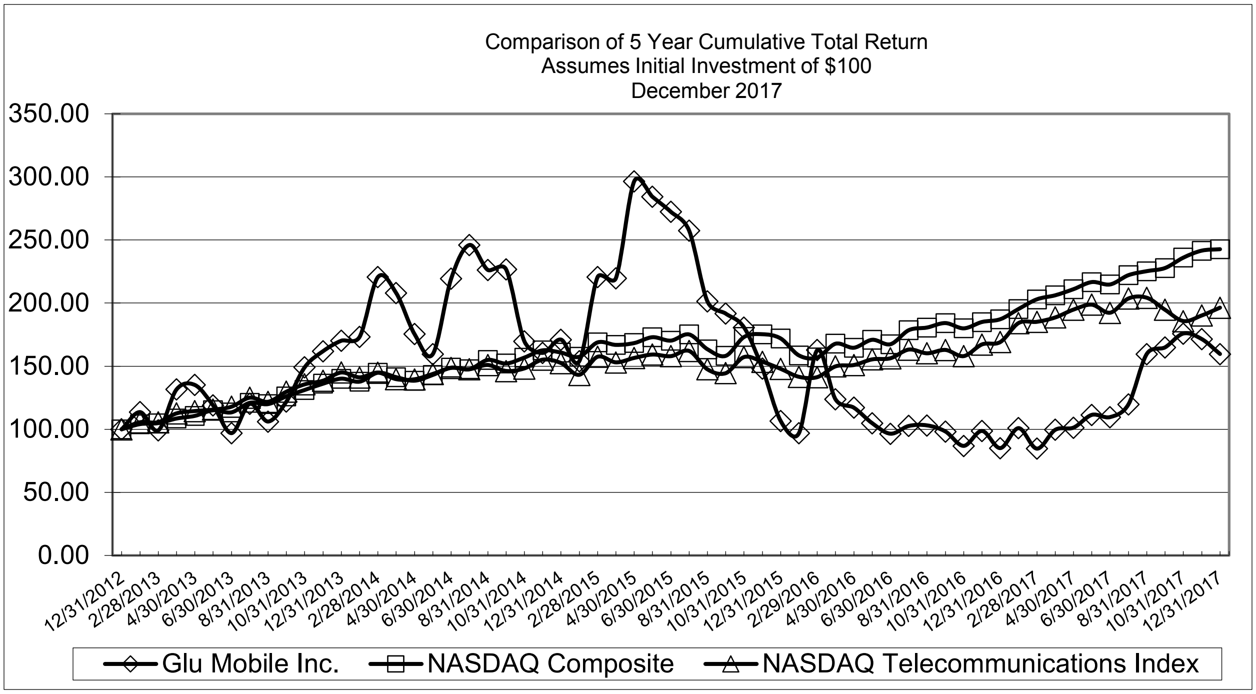
	High	Low
Year ended December 31, 2016		
First quarter	$ 4.00	$ 1.98
Second quarter	$ 3.09	$ 2.09
Third quarter	$ 2.95	$ 2.05
Fourth quarter	$ 2.45	$ 1.73
Year ended December 31, 2017		
First quarter	$ 2.58	$ 1.85
Second quarter	$ 2.77	$ 2.21
Third quarter	$ 3.83	$ 2.42
Fourth quarter	$ 4.95	$ 3.49

Our stock price has fluctuated and declined significantly since our initial public offering. Please see the Risk Factor – "Our stock price has fluctuated and declined significantly since our initial public offering in March 2007, and may continue to fluctuate, may not rise and may decline further" – in Item 1A of this report.

Stock Price Performance Graph

The following graph shows a comparison from December 31, 2012 through December 31, 2017 of the cumulative total return for an investment of $100 (and the reinvestment of dividends) in our common stock, the Nasdaq

Composite Index and the Nasdaq Telecommunications Index. Such returns are based on historical results and are not intended to suggest future performance.



The information under the heading "Stock Price Performance Graph" shall not be deemed "soliciting material" or to be "filed" for purposes of Section 18 of the Exchange Act of 1934, and shall not be incorporated by reference into any registration statement or other document filed by us with the SEC, whether made before or after the date of this report, regardless of any general incorporation language in such filing, except as expressly set forth by specific reference in such filing.

Stockholders

As of February 28, 2018, we had approximately 47 record holders of our common stock and thousands of additional beneficial holders.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our Board of Directors.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. *Selected Financial Data*

The following selected consolidated financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 8, "Financial Statements and Supplementary Data," and other financial data included elsewhere in this report. Our historical results of operations are not necessarily indicative of results of operations to be expected for any future period.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(In thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Revenue	$ 286,827	$ 200,581	$ 249,900	$ 223,146	$ 105,613
Cost of revenue:					
Platform commissions, royalties and other	103,499	75,239	95,682	80,736	32,371
Impairment of prepaid royalties and guarantees	27,323	30,107	2,502	256	435
Impairment and amortization of intangible assets	10,331	14,792	9,553	4,767	4,238
Total cost of revenue	141,153	120,138	107,737	85,759	37,044
Gross profit	145,674	80,443	142,163	137,387	68,569
Operating expenses(1):					
Research and development	92,420	81,879	72,856	64,284	46,877
Sales and marketing	104,356	48,050	48,240	45,076	26,120
General and administrative	34,425	30,225	26,092	25,019	15,550
Amortization of intangible assets	—	—	201	508	1,336
Restructuring charge	6,019	2,279	1,075	435	1,448
Total operating expenses	237,220	162,433	148,464	135,322	91,331
(Loss)/Income from operations	(91,546)	(81,990)	(6,301)	2,065	(22,762)
Interest and other (expense) income, net	(6,850)	(5,751)	(743)	(1,472)	10
(Loss)/Income before income taxes	(98,396)	(87,741)	(7,044)	593	(22,752)
Income tax benefit (provision)	826	301	(141)	7,555	2,843
Net (loss)/income	(97,570)	(87,440)	(7,185)	8,148	(19,909)
Net (loss)/income per share:					
Basic	$ (0.72)	$ (0.66)	$ (0.06)	$ 0.09	$ (0.28)
Diluted	$ (0.72)	$ (0.66)	$ (0.06)	$ 0.08	$ (0.28)
Weighted average common shares outstanding:					
Basic	135,715	131,804	118,775	91,826	71,453
Diluted	135,715	131,804	118,775	96,922	71,453
(1) Includes stock-based compensation expense as follows:					
Research and development	$ 6,460	$ 4,567	$ 3,563	$ 7,422	$ 1,948
Sales and marketing	1,289	1,091	1,082	701	303
General and administrative	7,314	7,605	7,041	3,510	2,034

	As of December 31,				
	2017	2016	2015	2014	2013
	(In thousands)				
Cash and cash equivalents and short-term investments	$ 63,764	$ 102,102	$ 180,542	$ 70,912	$ 28,496
Total assets	299,298	339,504	402,986	251,663	87,011
Total long-term liabilities	12,534	22,350	25,932	3,936	2,357
Total stockholder's equity	$ 153,860	$ 232,814	$ 306,428	$ 171,706	$ 46,697

Please see Note 1, Note 3 and Note 8 of our Notes to Consolidated Financial Statements for a discussion of factors such as impairment of prepaid royalties and guarantees, business combinations and any material uncertainties that may materially affect the comparability of the information reflected in selected financial data, described in Item 6 of this report.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in Item 8, "Financial Statements and Supplementary Data" of this report. In addition to our historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results and the timing of certain events could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in Item 1A, "Risk Factors."

Our Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, includes the following sections:

- An Overview that discusses at a high level our operating results and some of the trends that affect our business;

- Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments underlying our financial statements;

- Recent Accounting Pronouncements;

- Results of Operations, including a more detailed discussion of our revenue and expenses; and

- Liquidity and Capital Resources, which discusses key aspects of our statements of cash flows, changes in our balance sheets and our financial commitments.

Overview

This overview provides a high-level discussion of our operating results and some of the trends that affect our business. We believe that an understanding of these trends is important to understanding our financial results for fiscal 2017, as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this report, including our consolidated financial statements and accompanying notes.

Financial Results and Trends

Revenue for 2017 was $286.8 million, a 43.0% increase compared to 2016, in which we reported revenue of $200.6 million. The increase in total revenue was primarily related to a $79.7 million increase in our revenue from micro-transactions (in-app purchases) and a $7.4 million increase in our revenue from advertisements and offers. The increase was primarily related to an increase in revenue from the launch of *MLB Tap Sports Baseball 2017* in March 2017, the launch of *Restaurant Dash with Gordon Ramsay* in June 2016 and the addition of *Covet Fashion* and *Design Home* through our acquisition of Crowdstar in November 2016. This increase was partially offset by declining revenue on a year over year basis from catalog titles such as *Tap Sports Baseball 2016, Kendall & Kylie, Kim Kardashian: Hollywood*, *Racing Rivals,* and *Cooking Dash.*

Revenue for 2016 was $200.6 million, a 19.7% decrease compared to 2015, in which we reported revenue of $249.9 million. The decrease in total revenue was primarily related to a $43.7 million decrease in our revenue from micro-transactions (in-app purchases) and a $5.7 million decrease in our revenue from advertisements and offers. The decrease was primarily related to declining revenue on a year-over-year basis from catalog titles such as *Kim Kardashian: Hollywood*, *Racing Rivals, Deer Hunter 2014* and *Contract Killer: Sniper* and our inability to fully replace such declining revenue with revenue from new title launches, such as *Katy Perry Pop*, *Kendall & Kylie*, *Britney Spears: American Dream,* and *Nicki Minaj: The Empire,* which have not generated enough revenue or retained users at the rates necessary to offset the declining catalog revenue.

We have concentrated our product development efforts towards developing games for smartphone and tablet devices. We generate the majority of our revenue from Apple's iOS platform, which accounted for 63.0%, 62.4%, and 60.5% of our total revenue for the years ended December 31, 2017, 2016, and 2015, respectively. We generated the majority of this iOS-related revenue through the Apple App Store, which represented 54.2%, 52.7%, and 51.7% of our total revenue for the years ended December 31, 2017, 2016, and 2015, respectively, with the significant majority of such revenue derived from in-app purchases. We generated the balance of our iOS-related revenue from offers and advertisements in games distributed on the Apple App Store. In addition, we generated approximately 36.0%, 36.1%, and 38.1% of our total revenue for the years ended December 31, 2017, 2016, and 2015, respectively, from the Android platform. We generated the majority of our Android-related revenue through the Google Play Store, which represented 30.3%, 27.6%, 27.4% of our total revenue for the years ended December 31, 2017, 2016, and 2015, respectively, with the significant majority of such revenue derived from in-app purchases. We generated the balance of our Android-related revenue from other platforms that distribute apps that run the Android operating system (e.g., the Amazon App Store) and through offers and advertisements in games distributed through the Google Play Store and other Android platforms.

We currently publish titles primarily in four genres: home décor, sports and action, fashion and celebrity, and time management. We believe these are genres in which we have already established a leadership position, are otherwise aligned with our strengths or are conducive to the establishment of a strong growth title. Across genres, we view our titles as either growth titles or catalog titles, and within the catalog group, our titles are either classified as evergreen titles or legacy titles. Growth titles are titles that we continue to update with additional content and features and which grow revenue year over year. Evergreen titles are similar to growth titles in that we continue to update them with additional content and features, but differ from growth titles in that our focus is to reduce and potentially reverse their year over year revenue declines; to the extent that we succeed in our efforts to grow annual revenue from an evergreen title, we would then consider such evergreen title to be a growth title. Legacy titles are those titles that are still published by us and earn revenue, but on which we expend little to no investment in terms of updates and enhancements.

We established our leadership position in the home décor genre with our release of *Design Home* in November 2016, which was the first title launched by Crowdstar following the acquisition. We are planning key updates for *Design Home* in 2018, including the introduction of a sixth daily event, language localization, an augemented reality mode, and deeper game play and a richer social experience. Our leadership in the sports and action category remains strong with our Tap Sports Baseball and Deer Hunter franchises and *Racing Rivals* title, and we furthered our leadership with the launch of *MLB Tap Sports Baseball 2017* in March 2017 which includes licensed content from Major League Baseball, or MLB, for the first time together with current and former MLB players pursuant to our continuing agreements with the Major League Baseball Players Association, or MLBPA, and Major League Baseball Players Alumni Association, or MLBPAA. We expect to launch *MLB Tap Sports Baseball 2018* in March 2018 and expect to add to our portfolio of sports and action titles through the worldwide release of *WWE Universe* in 2018. We established our leadership in the fashion and celebrity gaming genre when we launched *Kim Kardashian: Hollywood* in June 2014, and extended our leadership position through our acquisition of Crowdstar in November 2016 and its successful *Covet Fashion* title. The time management genre includes our Cooking Dash and Diner Dash franchises, and our leadership position in this genre was bolstered by our successful release of *Restaurant Dash with Gordon Ramsay* (which was originally branded as *Gordon Ramsay DASH*) in June 2016. We expect to add to our portfolio of time management titles through the release of *Dash Town* in 2018.

We believe that our games consistently have high production values, are visually appealing and have engaging core gameplay. These characteristics have typically helped to drive installs and awareness of our games and resulted in highly positive consumer reviews. The majority of our games have been featured on Apple and Google storefronts when they were commercially released, which we believe is the result of us being a good partner of Apple and Google.

We work closely with our celebrity and brand licensors to engage their social media audiences and build games that will resonate with their unique fan bases. For example, our *Kim Kardashian: Hollywood* title utilizes transmedia storytelling, leveraging Ms. Kardashian West's built-in social media fan base to drive installs and awareness of the game, and then attempting to surprise and delight those fans with real-world events and other game content based on her life. Our goal is for the game content to become entwined with Ms. Kardashian West's persona and social media presence, and to otherwise enhance interaction with her fans. We also leverage the strength of well-known brands and licensors to provide users with more realistic experiences, such as the case with *MLB Tap Sports Baseball 2017* which features all MLB clubs and uniforms and current and former MLB players. We also plan to work to build and nurture social communities in and around the games themselves, creating a new vehicle for strong, personal engagement with the brand or celebrity's fan base.

For us to continue driving installs and awareness of our games and to improve monetization and retention of our players, we must ensure that each of our games, whether in development or already live, has compelling gameplay and a core monetization loop that incentivizes players to make in-app purchases. In addition, we must regularly update our games with compelling new content, deliver socio-competitive features like tournaments, contests, player-versus-player gameplay and live events and build and nurture social media communities around our franchises both in-game and holistically via community features such as dedicated social channels. We have also made significant investments in our proprietary analytics and monetization infrastructure. With our enhanced analytics capabilities, we intend to devote resources towards segmenting and learning more about the players of each of our franchises and further monetizing our highest spending and most engaged players. We aim to connect our analytics and monetization infrastructure to every element of our business – from marketing to merchandising – in order to improve player retention and monetization.

We also plan to continue monitoring the successful aspects of our games to drive downloads and enhance monetization and retention as part of our product strategy, whether by optimizing advertising revenue within each title, securing additional compelling licensing arrangements, building enhanced and more complex core gameplay, adding deep meta game features and additional social features, tournaments and events, offering subscriptions for in game durables and consumables to players or otherwise. Optimizing advertising revenue within our games requires us to continue taking advantage of positive trends in the mobile advertising space, particularly as brands continue to migrate budgets from web to mobile. Continuing to drive installs and awareness of our games through licensing efforts requires that we continue to partner with celebrities, social influencers, organizations and brands that resonate with potential players of our games. Partnering with desirable licensing partners and renewing our existing licenses with our most successful partners requires that we continue to develop successful games based on licensed content and are able to compete with other mobile gaming companies on financial and other terms in signing such partners. We also plan to continue introducing third-party licensed brands, properties and personalities into our games as additional licensed content, for cameo appearances or for limited time events in order to drive awareness and monetization.

Across the globe our industry is evidencing that hit titles generally remain higher in the top grossing charts for longer. We believe this is due to the continued specialization and investment of teams and companies in their hit titles, and the live, social nature of certain games. Our strategy and the measures we have implemented to support our business position us to take advantage of these trends, as evidenced by the continued strength of our *Design Home*, *Covet Fashion*, *Kim Kardashian: Hollywood, Cooking Dash, Restaurant Dash with Gordon Ramsay,* and *Deer Hunter 2018* titles and the year over year growth of our Tap Sports Baseball franchise. We plan to focus on regularly updating and otherwise supporting our growth and evergreen titles in order to ensure that those games monetize and retain users for even longer periods of time and to drive a larger part of our aggregate revenue from our existing titles, which we successfully accomplished in 2017 with our *Design Home* title. In particular, we significantly increased our marketing expenditures for *Design Home* during the second, third and fourth quarters of 2017 compared with first quarter of 2017 levels in an effort to leverage the game's momentum and maximize its revenue potential. As a result of this investment in *Design Home* as well as our significant marketing expenditures for *MLB Tap Sports Baseball 2017* which launched at the end of the first quarter of 2017, our sales and marketing expenses significantly increased in the last three quarters of 2017 compared with the first quarter of 2017. We expect our sales and marketing expense will decrease in absolute dollar values in 2018. In addition, we plan to continue to invest in our creative leaders and the creative environments in which they and their teams work to increase our likelihood of creating significant hit growth titles.

Our net loss in the year ended December 31, 2017 was $97.6 million versus net loss of $87.4 million in the year ended December 31, 2016. This change was primarily due to an increase in cost of revenue of $21.0 million, which was mostly comprised of a $28.5 million increase in platform commissions, hosting costs and royalties offset by a $4.5 million decrease in impairment and amortization of intangible assets and a $2.8 million decrease in impairments of prepaid royalties and minimum guarantees. The change in net loss was also due to an increase in operating expenses of $74.8 million, which mainly consisted of a $56.3 million increase in sales and marketing expenses primarily attributable to higher user acquisition expenditures related to *Design Home* and a net increase in interest and other expenses of $1.1 million, primarily attributable to a $6.5 million charge related to the loss on sale of a foreign subsidiary during the year ended December 31, 2017, offset by an increase in revenue of $86.2 million. See "—Results of Operations—Comparison of the Years Ended December 31, 2017 and 2016" below for further details. Our operating results were also affected by fluctuations in foreign currency exchange rates of the currencies in which we incurred meaningful operating expenses (principally the British Pound Sterling, Euro, Chinese Renminbi, Russian Ruble, Canadian Dollar, and Indian Rupee), and our customers' reporting currencies, which fluctuated significantly in 2016 and 2017.

Our net loss in the year ended December 31, 2016 was $87.4 million versus net loss of $7.2 million in the year ended December 31, 2015. This substantial increase was primarily due to an a decrease in revenue of $49.3 million, an increase in cost of revenue of $12.4 million, primarily attributable to $20.2 million in royalty impairments related to certain contractual minimum guarantee payments made to certain of our celebrity licensors and other prepaid royalties and $14.5 million in royalty impairment related to the prepaid guaranteed royalty and license fee payments that we have made to an affiliate of Tencent related to our *Rival Fire* game, an increase in operating expenses of $14.0 million, and a net increase in interest and other expenses of $5.0 million, primarily attributable to a $1.9 million charge related to the change in fair value of our investment in promissory notes issued to us by Plain Vanilla, and a $2.4 million impairment charge related to the call option for Plain Vanilla, See "—Results of Operations—Comparison of the Years Ended December 31, 2016 and 2015" below for further details. Our operating results were also affected by fluctuations in foreign currency exchange rates of the currencies in which we incurred meaningful operating expenses (principally the British Pound Sterling, Euro, Chinese Renminbi, Russian Ruble, and Indian Rupee), and our customers' reporting currencies, which fluctuated significantly in 2015 and 2016.

Our ability to achieve and sustain profitability depends not only on our ability to grow our revenue, but also on our ability to manage our operating expenses. As noted above, we significantly increased our sales and marketing expenditures in 2017 compared to 2016. We expect our sales and marketing expenses to decline in 2018 compared to 2017. Additionally, the largest component of our recurring expenses is personnel costs, which consist of salaries, benefits and incentive compensation, including bonuses and stock-based compensation. We have conducted several restructurings since December 2015, and as part of these restructuring efforts, we have transitioned development and live operations of our *Racing Rivals* title to Carbonated Inc., or Carbonated. However, the cost reductions from these restructurings were largely offset by personnel costs related to our acquisition of Crowdstar in November 2016. In December 2017, we sold our wholly owned subsidiary in Moscow and are transitioning the catalog games developed and/or operated by the Moscow studio to a more cost-effective location in Hyderabad, India. In 2018, we intend to focus on reducing our operating costs and realigning our studios to be more efficient. These efforts may be partially offset by our plans to continue hiring additional development personnel in the San Francisco Bay Area, including additional proven creative leaders, and in Hyderabad, India.

Cash and cash equivalents at December 31, 2017 totaled $63.8 million, a decrease of $38.3 million from the $102.1 million balance at December 31, 2016. This decrease was primarily related to $28.2 million of cash used in operations, including minimum guaranteed royalty payments of $24.3 million to our licensors and $5.7 million of payments associated with restructuring activities and $13.7 million of cash used in investing activities, which was partially offset by $3.8 million of cash provided by financing activities.

Key Operating Metrics

We manage our business by tracking various non-financial operating metrics that give us insight into user behavior in our games. The three metrics that we use most frequently are Daily Active Users (DAU), Monthly Active Users (MAU), and Average Revenue Per Daily Active User (ARPDAU). Our methodology for calculating DAU, MAU, and ARPDAU may differ from the methodology used by other companies to calculate similar metrics.

DAU is the number of individuals who played a particular smartphone game on a particular day. An individual who plays two different games on the same day is counted as two active users for that day when we aggregate DAU across games. In addition, an individual who plays the same game on two different devices during the same day (e.g., an iPhone and an iPad) is also counted as two active users for each such day when we average or aggregate DAU over time. Average DAU for a particular period is the average of the DAUs for each day during that period. We use DAU as a measure of player engagement with the titles that our players have downloaded.

MAU is the number of individuals who played a particular smartphone game in the month for which we are calculating the metric. An individual who plays two different games in the same month is counted as two active users for that month when we aggregate MAU across games. In addition, an individual who plays the same game on two different devices during the same month (e.g., an iPhone and an iPad) is also counted as two active users for each such month when we average or aggregate MAU over time. Average MAU for a particular period is the average of the MAUs for each month during that period. We use the ratio between DAU and MAU as a measure of player retention.

ARPDAU is total free-to-play smartphone revenue – consisting of micro-transactions, advertisements and offers – for the measurement period divided by the number of days in the measurement period divided by the DAU for the measurement period. ARPDAU reflects game monetization. Under our revenue recognition policy, we recognize this revenue over the estimated average playing period of a user, but our methodology for calculating our DAU does not align with our revenue recognition policy for micro-transactions and offers, under which we defer revenue. For example, if a title is introduced in the last month of a quarter, we defer a substantial portion of the micro-transaction and offer revenue to future months, but the entire DAU for the newly released title is included in the month of launch.

In addition, we also analyze social followers when determining which celebrities we might wish to partner with in developing games. Our social followers metric represents the aggregate number of individuals who follow our celebrity licensors on social media platforms (as reported by such platforms). We calculate the aggregate number of social followers of a particular celebrity by adding the total followers of such celebrity on Facebook, Twitter, Instagram, and Vevo. There is fan overlap among these social channels and among our various celebrity licensors, and such aggregate numbers have not been deduplicated. We use the number of social followers as a measure of the potential reach and engagement a particular celebrity may have with players of our games.

We calculate DAU, MAU and ARPDAU primarily from our main distribution platforms: Apple's App Store, the Google Play Store and Amazon's Appstore; we are not able to calculate these metrics across all of our distribution channels. In addition, the platforms that we include for purposes of this calculation have changed over time, and we expect that they will continue to change as our business evolves, but we do not expect that we will adjust prior metrics to take any such additions or deletions of distribution platforms into account. We believe that calculating these metrics for only our primary distribution platforms at a given period is generally representative of the metrics for all of our distribution platforms. Moreover, we rely on the data analytics software that we incorporate into our games to calculate and report the DAU, MAU and ARPDAU of our games, and we make certain adjustments to the analytics data to address inconsistencies between the information as reported and our DAU and MAU calculation methodology.

We have estimated the DAU and MAU for certain older titles because the analytics tools incorporated into those titles are incompatible with newer device operating systems (e.g., iOS 11), preventing us from collecting complete data. For these titles, we estimate DAU and MAU by extrapolating from each affected title's historical data in light of the behavior of similar titles for which complete data is available. The table below sets forth our aggregate DAU, MAU and ARPDAU for all of our then-active smartphone titles for the periods specified, followed by a qualitative discussion of the changes in these metrics. Aggregate DAU and MAU include users of both our free-to-play and premium titles, whereas aggregate ARPDAU is calculated based only on revenue from our free-to-play games. Aggregate DAU and MAU for each period presented represents the aggregate metric for the last month of the period. For example, DAU for the three months ended December 31, 2017 is aggregate daily DAU for the month of December 2017 calculated for all active smartphone free-to-play and premium titles in that month across the distribution platforms for which we calculate the metric.

	Three Months Ended							
	2017				2016			
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
Aggregate DAU	4,098	4,627	3,903	3,801	4,935	4,126	3,476	4,418
Aggregate MAU	32,523	32,192	27,585	28,646	42,391	35,830	29,591	35,861
Aggregate ARPDAU	$ 0.15	$ 0.16	$ 0.23	$ 0.23	$ 0.12	$ 0.13	$ 0.16	$ 0.11

The decrease in aggregate DAU and MAU for the three months ended December 31, 2017 as compared to the same period of the prior year was primarily related to fewer downloads across our portfolio of games.

Our aggregate ARPDAU increased for the three months ended December 31, 2017 as compared to the same period of the prior year, as we improved monetization on certain titles, particularly through increased content updates and use of social features in those games. Future increases in our aggregate DAU, MAU and ARPDAU will depend on our ability to retain current players, attract new paying players, launch new games and expand into new markets and distribution platforms.

We rely on a very small portion of our total users for nearly all of our revenue derived from in-app purchases. Since the launch of our first free-to-play titles in the fourth quarter of 2010, the percentage of unique paying users for our largest revenue-generating free-to-play games has typically been less than 2%, when measured as the number of unique paying users on a given day divided by the number of unique users on that day, though this percentage fluctuates. It may be higher than 2% for some of our games while for certain other games it may be higher during specific, relatively short time periods, such as immediately following worldwide launch or the week following content updates, marketing campaigns or certain other events.

Significant Transactions

Sale of Moscow Studio

On December 31, 2017, we entered into the following agreements related to the divestiture of our Moscow-based game development studio through the sale of our wholly-owned UK subsidiary Glu Mobile (Russia) Limited, or GMRL:

- Share Purchase Agreement between Glu and Saber Interactive, or Saber; and
- Transitional Services Agreement among Glu, Saber and MGL My.com (Cyprus) Limited, or MGL.

Pursuant to the Share Purchase Agreement, Saber purchased all the issued and outstanding share capital of GMRL. Saber will assume all obligations under the office lease for the Moscow studio.

Under the Transitional Services Agreement, Saber has agreed to transition certain legacy titles from the Moscow studio to our Hyderabad studio. If the transition is successfully completed, then (i) Saber will be required to pay the employees of the Moscow Studio and GMRL bonus payments not to exceed $500,000 in the aggregate with Saber entitled to reduce the cash consideration by the amount of the bonus, and (ii) certain employees of the Moscow studio and GMRL will have the vesting of an aggregate of up to approximately 150,000 shares subject to equity awards accelerated.

In addition, on December 31, 2017, we entered into an Asset Purchase and License Agreement with MGL pursuant to which we sold four mobile games (and related intellectual property and other rights) developed by the Moscow studio: (i) *Last Day Alive*, (ii) *Heroes of Destiny*, (iii) a game currently in development featuring a male celebrity, and (iv) *Furiosa*. We transferred all of our rights and obligations under certain contracts related to the game featuring a male celebrity, including, but not limited to, the obligation to pay the remaining approximately $1.5 million in minimum guarantee and other payments under these contracts. We also agreed to provide MGL with a non-exclusive, perpetual, worldwide, irrevocable, non-transferrable, royalty-free license to certain development tools and technology necessary to use, develop, publish, exploit and sell the purchased games and that MGL and/or its affiliates may use for the development of other of its products.

The total cash consideration we are receiving under the Share Purchase Agreement and Asset Purchase and License Agreement is $3.2 million of which $1.5 million will become due and payable upon completion of the transition of the legacy titles from the Moscow studio to our Hyderabad studio. As of December 31, 2017, the cash consideration is included in prepaid expenses and other current assets on the consolidated balance sheet.

In connection with the divestiture, we recorded a loss of $6.5 million in the fourth quarter of 2017, which is included in other expense on the consolidated statement of operations. This was primarily comprised of a $10.0 million charge related to the assignment of one of the contract related to the male celebrity, a $1.2 million charge related to the write-off of goodwill associated with the Moscow studio and a $0.5 million charge related to the write-off of net assets associated with the Moscow studio. These charges were partially offset by $3.2 million in cash paid by Saber and MGL, $1.5 million related to the assumption of obligations by MGL under the contract related to the male celebrity, and $0.5 million related to the transition services to be provided by Saber.

With respect to activities related to the transition under the Transitional Services Agreement that will occur in the first quarter of 2018, we expect to incur cash charges of $0.5 million related to the bonuses that will be paid to the employees of the Moscow Studio and GMRL and $0.2 million to $0.3 million of other cash transition expenses. In addition, we expect to incur $0.5 million of non-cash charges related to the the vesting of an aggregate of up to approximately 150,000 shares subject to equity awards held by certain employees of the Moscow Studio and GMRL. The non-cash charges related to this vesting acceleration are estimated based on our current stock price and may fluctuate based on any future movements in our stock price. Finally, we expect to incur $0.6 million to $0.7 million of non-cash charges related to the amortization of transition services assets that were capitalized as part of the transaction consideration. These cash and non-cash charges related to the transition under the Transitional Services Agreement are expected to be incurred and paid during the first quarter of 2018.

Our divestiture of the Moscow studio is part of the our efforts to consolidate our studio locations, focusing on a new scaled creative center in San Francisco and a low cost, repeatable location in Hyderabad, India. This divestiture was not presented as discontinued operations in the consolidated statements of operations, because it did not represent a strategic shift in our business and is not expected to have a significant effect on our operations or financial results, as we continued operating similar businesses after the divestiture.

Plain Vanilla Corp. Acquisition

In January 2016, we announced an investment of up to $7.5 million in promissory notes convertible into a minority equity stake in Plain Vanilla of which $5.0 million was paid in January 2016 and the remaining $2.5 million was paid in May 2016. As part of the investment, we also received a call option to acquire all outstanding equity of Plain Vanilla for 15 months from the closing of the initial investment, unless earlier terminated by the Company, at a pre-agreed price. Plain Vanilla was the Icelandic developer of the mobile game *QuizUp*.

On December 19, 2016, we acquired substantially all of the intangible assets and certain other assets of Plain Vanilla, including all rights to *QuizUp* and approximately $1.2 million in cash. In exchange, we agreed to forgive and cancel $7.5 million in aggregate principal amount of convertible promissory notes of Plain Vanilla held by us, and all interest thereon, with $2.5 million in aggregate principal amount of the notes forgiven and cancelled at the closing of the acquisition. The remaining $5.0 million in aggregate principal amount of the notes and all outstanding interest thereon was forgiven and cancelled on March 31, 2017.

Crowdstar Acquisition

On November 2, 2016, we, through a wholly owned subsidiary, acquired shares representing approximately 80.6% of the issued and outstanding voting power of Crowdstar, for consideration of approximately $40.8 million in cash pursuant to a transfer agreement by and among us, Crowdstar and certain stockholders of Crowdstar. Crowdstar, which is based in Burlingame, California, develops fashion and home décor genre games for mobile devices.

Following the initial acquisition of shares of Crowdstar by us, we exercised the right, as the holder of a majority of each of the preferred stock and the capital stock of Crowdstar, to appoint each of the five members of the board of directors of Crowdstar. In addition, certain drag-along provisions specified in a voting agreement by and among Crowdstar and certain stockholders of Crowdstar were triggered. Pursuant to the drag-along provisions, certain other stockholders of Crowdstar were required to tender their Crowdstar capital stock to us on the same terms as those specified in the transfer agreement.

On December 6, 2016, we acquired the remaining issued and outstanding shares of Crowdstar pursuant to a short-form merger and now have 100% ownership of Crowdstar. We paid an aggregate of approximately $45.5 million of cash ($40.8 million for the initial purchase of shares and an aggregate of $4.7 million in connection with purchasing shares in connection with exercising the drag-along provisions and effecting the short-form merger) to acquire 100% ownership of Crowdstar.

Our first title created by Crowdstar, *Design Home*, was released in November 2016.

Tencent Investment

On April 29, 2015, we entered into a Purchase Agreement with Tencent and Tencent's controlled affiliate, Red River, pursuant to which we issued to Red River an aggregate of 21,000,000 shares of our common stock at a purchase price of $6.00 per share, for aggregate net proceeds of $125.2 million, after offering expenses. We issued 12,500,000 of these shares to Red River on April 29, 2015 and issued the remaining 8,500,000 shares at a second closing on June 3, 2015.

Related Party Transaction

In November 2015, we entered into an agreement with an affiliate of Tencent pursuant to which we agreed, subject to certain conditions, to pay in the aggregate, up to $15.0 million in recoupable advanced royalties and non-recoupable license fees. As of December 31, 2016, we had paid the full amount of $15.0 million, as all payment milestones were achieved.

During the year ended December 31, 2016, we recorded an impairment of approximately $14.5 million for un-recouped advanced royalties and non-recoupable license fees that were paid to an affiliate of Tencent, due to the underperformance of the our *Rival Fire* title which launched during the third quarter of 2016 and the negligible cash flows anticipated for the remaining contractual life of these assets.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles, or GAAP. These accounting principles require us to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the dates of the consolidated financial statements, the disclosure of contingencies as of the dates of the consolidated financial statements, and the reported amounts of revenue and expenses during the periods presented. Although we believe that our estimates and judgments are reasonable under the circumstances existing at the time these estimates and judgments are made, actual results may differ from those estimates, which could affect our consolidated financial statements.

We believe the following to be critical accounting policies because they are important to the portrayal of our financial condition or results of operations and they require critical management estimates and judgments about matters that are uncertain:

- revenue recognition;
- prepaid or guaranteed licensor royalties;
- business combinations – purchase accounting;
- goodwill;
- stock-based compensation; and
- income taxes.

Revenue Recognition

We generate revenue through in-app purchases, advertising and other offers within our games on smartphones and tablets, such as Apple's iPhone and iPad and other mobile devices utilizing Google's Android operating system. Smartphone games are distributed primarily through digital storefronts, such as the Apple App Store and the Google Play Store. We also generate some revenue from sales of legacy feature phone games distributed primarily through wireless carriers.

Revenue

We distribute our games for smartphones and tablets to the end customer through digital storefronts such as Apple's App Store and the Google Play Store ("Digital Storefronts"). Within these Digital Storefronts, users can download our free-to-play games and pay to acquire virtual currency which can be redeemed in the game for virtual goods. We recognize revenue, when persuasive evidence of an arrangement exists, the service has been provided to the user, the price paid by the user is fixed or determinable, and collectability is reasonably assured. Determining whether and when some of these criteria have been satisfied requires judgments that may have a significant impact on the timing and amount of revenue we report in each period. For the purpose of determining when the service has been provided to the player, we have determined that an implied obligation exists to the paying user to continue displaying the purchased virtual goods within the game over the estimated average playing period of paying players for the game, which represents our best estimate of the estimated average life of virtual goods.

We sell both consumable and durable virtual goods and receive reports from the Digital Storefronts, which breakdown the various purchases made from their games over a given time period. We review these reports and determine on a per-item basis whether the purchase was a consumable virtual good or a durable virtual good. Consumable goods are items that can be purchased directly by the player through the Digital Storefront and are consumed at a predetermined time or otherwise have limitations on repeated use, while durable goods are items that remain in the game for as long as the player continues to play. Our revenue from consumable virtual goods has been insignificant over the previous three years. We recognize revenue from consumable virtual goods immediately, since we believe that the delivery obligation has been met and there are no further implicit or explicit performance obligations related to the purchase of that consumable virtual good. Revenue from durable virtual goods is generated through the purchase of virtual coins by users through a Digital Storefront. Players convert the virtual coins within the game to durable virtual goods such as weapons, armor or other accessories to enhance their game-playing experience. We believe this represents an implied service obligation, and accordingly, recognize the revenue from the purchase of these durable virtual goods over the estimated average playing period of paying users. Based on our analysis, the estimated weighted average useful life of a paying user has been determined to range from three to eight months.

We compute our estimated average playing period of paying users at least twice each year. We have examined the playing patterns of paying users across a representative sample of its games across various genres.

In the second quarter of 2017, we began using a new model to estimate the average playing period for paying users. As we continue to execute on our strategy in developing new content for our existing evergreen and growth titles, we re-evaluated our existing estimation methodology and concluded that the "survival analysis" model provides for a singular approach to estimating the average playing period of paying users on a title by title basis for our diverse portfolio of games. The new model is a statistical model that analyzes time duration until one or more events happens. It is a commonly used model in various industries for estimating lifespans. We believe this is an appropriate model to estimate the average playing period of paying users for our titles as this model statistically estimates the average playing period of each title by analyzing the historical behavior patterns of paying users.

This model requires the stratification of user data into active and inactive monetizing users on a per title basis. Active users are those who are active in the game for the past 30 days as of the evaluation date. The remaining users are considered inactive and deemed to have churned from the game. These users are treated mathematically differently in the model than those who are still active. A distribution curve is then fit to the user data to estimate the average playing period of paying users on a per title basis.

We have selected a threshold of 120 days from the commercial launch of a title as the minimum number of days of data required for this model. This threshold was deemed to be appropriate as we tested the model using lower thresholds which resulted in inconsistencies in the estimate of the average playing period of paying users. For new titles with less than 120 days of data that share similar attributes with an existing title and/or prequel titles, the average playing period will be determined based on the average playing period of that existing title or prequel title, as applicable. For all other titles with less than 120 days of data, the average playing period will be determined based on the average playing period of all other remaining existing titles. The selection of the new model is considered a change in accounting estimate which was implemented in the quarter ended June 30, 2017 and had no material impact on the estimated average playing period of paying users.

While we believe our estimates to be reasonable based on available game player information, we may revise such estimates in the future if a titles' user characteristics change. Any adjustments arising from changes in the estimates of the average playing period for paying users would be applied to the current quarter and prospectively on the basis that such changes are caused by new information that indicates a change in user behavior patterns compared to historical titles. Any changes in our estimates of the useful life of virtual goods in a certain title may result in revenue being recognized on a basis different from prior periods' and may cause our operating results to fluctuate.

We also have relationships with certain advertising service providers for advertisements within our games and revenue from these advertising providers is generated through impressions, clickthroughs, banner ads and offers. Revenue is recognized as advertisements are delivered and reported to us, an executed contract exists, the price is fixed or determinable and collectability has been reasonably assured. Delivery generally occurs when the advertisement has been displayed or the offer has been completed by the user. The fee received for certain offer advertisements that result in the user receiving virtual currency for redemption within a game are deferred and recognized over the average playing period of paying users.

Other Estimates and Judgments

We estimate revenue from Digital Storefronts and advertising networks in the current period when reasonable estimates of these amounts can be made. Certain Digital Storefronts and advertising service providers provide reliable interim preliminary reporting and others report sales data within a reasonable time frame following the end of each month, both of which allow us to make reasonable estimates of revenue and therefore to recognize revenue during the reporting period. Determination of the appropriate amount of revenue recognized involves judgments and estimates that we believe are reasonable, but it is possible that actual results may differ from our estimates. When we receive the final reports, to the extent not received within a reasonable time frame following the end of each month, we record any differences between estimated revenue and actual revenue in the reporting period. Historically, the revenue on the final revenue report has not differed significantly from the reported revenue for the period.

Principal Agent Considerations

In accordance with the Accounting Standards Codification (ASC) 605-45, *Revenue Recognition: Principal Agent Considerations*, we evaluate our Digital Storefront and advertising service provider agreements in order to determine whether or not we are acting as the principal or as an agent when selling our games or when selling advertisements within our games, which we consider in determining if revenue should be reported gross or net. We primarily use Digital Storefronts for distributing our smartphone games and advertising service providers for distributing advertisements within our games. Key indicators that we evaluate in order to reach this determination include:

- the terms and conditions of our contracts with the Digital Storefronts and advertising service providers;

- the party responsible for billing and collecting fees from the end-users, including the resolution of billing disputes;

- whether we are paid a fixed percentage of the arrangement's consideration or a fixed fee for each game, transaction, or advertisement;

- the party which sets the pricing with the end-user, has the credit risk and provides customer support; and
- the party responsible for the fulfillment of the game or serving of advertisement and that determines the specifications of the game or advertisement.

Based on the evaluation of the above indicators, we have determined that we are generally acting as a principal and are the primary obligor to end-users for smartphone games distributed through Digital Storefronts and advertisements served through our advertising service providers. Therefore, we recognize revenue related to these arrangements on a gross basis, when the necessary information about the gross amounts or platform fees charged, before any adjustments, are made available to us by the Digital Storefronts and advertising service providers.

Prepaid or Guaranteed Licensor Royalties

Our royalty expenses consist of fees that we pay to content owners for the use of their brands, properties and other licensed content, including trademarks and copyrights, in the development of our games. Royalty-based obligations are either paid in advance and capitalized on the balance sheet as prepaid royalties or accrued as incurred and subsequently paid. These royalty-based obligations are expensed to cost of revenue at the greater of the revenue derived from the relevant game multiplied by the applicable contractual rate or an effective royalty rate based on expected net product sales.

Our contracts with certain licensors include minimum guaranteed royalty payments, which are payable regardless of the ultimate volume of sales to end users, in accordance with ASC 440-10, *Commitments*, or ASC 440. When no significant performance remains with the licensor, we initially record each of these guarantees as an asset and as a liability at the contractual amount. We believe that the contractual amount represents the fair value of the liability. When significant performance remains with the licensor, we record royalty payments as an asset when actually paid and as a liability when incurred, rather than upon execution of the contract. The classification of minimum royalty payment obligations between long-term and short-term is determined based on the expected timing of recoupment of earned royalties calculated on projected revenue for the games that include content licensed from third parties.

Each quarter, we evaluate the realization of our prepaid and guaranteed royalties as well as any unrecognized guarantees not yet paid to determine amounts that we deem unlikely to be realized through product sales. We use estimates of undiscounted revenue and net margins to evaluate the future realization of prepaid royalties, license fees, and guarantees. This evaluation is performed at the title level and considers multiple factors, such as, the term of the agreement, forecasted demand, game life cycle status, game development plans, level of social media activity, and current and anticipated sales levels, as well as other qualitative factors such as the success of similar games and similar genres on mobile devices published by us and our competitors and/or other game platforms (e.g., consoles and personal computers) utilizing the intellectual property. To the extent that this evaluation indicates that the remaining prepaid and guaranteed royalty payments are not recoverable, we record an impairment charge to cost of revenue in the period that impairment is indicated.

Business Combinations — Purchase Accounting

We apply ASC 805, *Business Combinations*, or ASC 805, which is the accounting guidance related to business combinations. The standard requires recognition of assets acquired, liabilities assumed, and contingent consideration at their fair value on the acquisition date with subsequent changes recognized in earnings; requires acquisition-related expenses and restructuring costs to be recognized separately from the business combination and expensed as incurred; requires in-process research and development to be capitalized at fair value as an indefinite-lived intangible asset until completion or abandonment; and requires that changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recognized as a component of provision for taxes.

We account for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The purchase price of the acquisition is allocated to tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred. While we use our best estimates and assumptions as a part of 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 refinement. Our key assumptions used have included projected revenue, cost of goods sold, and operating expenses for our acquired entities, the future amortization tax benefit of legacy titles, and discount rates. As a result, during the preliminary purchase price allocation period, which may be up to one year from the business combination date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. After the preliminary purchase price allocation period, we record adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in our operating results in the period in which the adjustments were determined.

Goodwill

In accordance with ASC 350, *Intangibles – Goodwill and Other*, or ASC 350, we do not amortize goodwill or other intangible assets with indefinite lives but rather test them for impairment. ASC 350 requires us to perform an impairment review of our goodwill balance at least annually, which we do as of September 30th each year, and also whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

We evaluate qualitative factors and overall financial performance to determine whether it is necessary to perform the first step of the two-step goodwill test. This step is referred to as "Step 0." Step 0 involves, among other qualitative factors, weighing the relative impact of factors that are specific to the reporting unit as well as industry and macroeconomic factors. After assessing those various factors, if it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity will need to proceed to the first step of the two-step goodwill impairment test. ASC 350 requires a multiple-step approach to testing goodwill for impairment for each reporting unit annually, or whenever events or changes in circumstances indicate the fair value of a reporting unit is below its carrying amount. The first step measures for impairment by applying the fair value-based tests at the reporting unit level. The second step (if necessary) measures the amount of impairment by applying the fair value-based tests to individual assets and liabilities within each reporting unit. The fair value of the reporting units is estimated using a combination of the market approach, which utilizes comparable companies' data, and/or the income approach, which uses discounted cash flows.

During the third quarters of fiscal 2017 and 2015, we performed a "Step 0" qualitative assessment for our reporting unit. Based on the assessment, we concluded that it was more likely than not that the fair value of the reporting unit was greater than its carrying amount, and as a result, did not proceed to further impairment testing. Accordingly, we did not recognize an impairment of goodwill during the years ended December 31, 2017 and December 31, 2015. During the three months ended December 31, 2017, we recorded a prepaid royalty impairment charge of $26.1 million. However, our market capitalization remained well above our carrying value during that period. Based on the results of the interim goodwill impairment test, as of December 31, 2017, we concluded that goodwill was not impaired.

We performed our annual goodwill impairment assessment as of September 30, 2016 and determined a Step 1 analysis was necessary due to a significant decline in our market capitalization and the significant impairment of prepaid royalties recorded during the three months ended September 30, 2016. Based on the results of the Step 1 analysis, we concluded that the fair value of the reporting unit was greater than the carrying value of the reporting unit based on a methodology that utilized both an income approach and a market approach. The income approach was based on projected future (debt-free) cash flows that were discounted to present value. For the market approach, we used both the guideline company and similar transaction methods. The guideline company method analyzed market multiples of bookings for a group of comparable public companies. Under the similar transactions method, valuation multiples were calculated utilizing actual transaction prices and revenue/EBITDA data from target companies deemed similar to us.
The revenue and profitability forecasts used in valuation considered recent performance and trends, strategic initiatives and relevant industry trends. Assumptions used in the valuation were similar to those that would be used by market participants performing independent valuations of similar businesses.

Key assumptions used in the quantitative analysis included:

- 4% long-term revenue growth rate and the Gordon Growth model to calculate the terminal value;
- A gradual return to historical profitability rates over the remaining forecast period;

- Royalty rates based on active license agreements of the brand; and
- A market-based discount rate of 12% which takes into consideration the characteristics of relevant peer companies, market observable data, and company-specific risk factors.

Any material impairment of prepaid royalty and license fee assets in the future periods may require us to perform a goodwill impairment assessment. Such assessment could result in impairments to our goodwill, which could adversely impact our results of operations.

Stock-Based Compensation

We apply the fair value provisions of ASC 718, *Compensation-Stock Compensation* (“ASC 718”). ASC 718 requires the recognition of compensation expense, using a fair-value based method, for costs related to all share-based payments including stock options, restricted stock units (“RSUs”), performance stock units (“PSUs”), and performance stock options (“PSOs”). The number of PSUs and PSOs earned and eligible to vest will be determined based on achievement of specified financial performance measures. ASC 718 requires companies to estimate the fair value of stock-option awards on the grant date using an option pricing model. The fair value of stock options and PSOs and stock purchase rights granted pursuant to our equity incentive plans and 2007 Employee Stock Purchase Plan (“ESPP”), respectively, is determined using the Black-Scholes valuation model. The determination of fair value is affected by the stock price, as well as assumptions regarding subjective variables such as expected employee exercise behavior and expected stock price volatility over the expected term of the award. Generally, these assumptions are based on historical information and judgment is required to determine if historical trends may be indicators of future outcomes.

Effective January 1, 2017 we no longer estimate forfeitures but account for them as and when they occur. Changes to the assumptions used in the Black-Scholes option valuation calculation, as well as future equity granted or assumed through acquisitions could significantly impact the compensation expense we recognize. The cost of RSUs and PSUs is determined using the fair value of the common stock based on the quoted closing price of our common stock on the date of grant. Compensation cost for stock options and RSUs is amortized ratably over the requisite service period. For performance-based awards that have multiple vesting dates, the compensation cost is recognized ratably over the requisite service period for each tranche, whereby each vesting tranche is treated as a separate award for determining the requisite service period. The compensation cost for performance based awards may be adjusted over the vesting period based on interim estimates of performance against the pre-set financial performance measures.

We account for equity instruments issued to non-employees in accordance with the provisions of ASC 718 and ASC 505-50.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, or ASC 740, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our financial statements or tax returns. Under ASC 740, we determine deferred tax assets and liabilities based on the temporary difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which we expect the differences to reverse. We establish valuation allowances when necessary to reduce deferred tax assets to the amount we expect to realize.

We account for uncertain tax positions in accordance with ASC 740, which requires companies to adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. ASC 740 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Our policy is to recognize interest and penalties related to unrecognized tax benefits in income tax expense.

On December 22, 2017, the Tax Cuts and Jobs Act (“The Act”) was enacted, which made significant changes to various areas of U.S. federal income tax law, including lowering the U.S. corporate tax rate from 35 percent to 21 percent. U.S. GAAP accounting for income taxes requires that we record the impacts of any tax law change on our deferred income taxes in the quarter that the tax law change is enacted. Due to the complexities involved in accounting for the enactment of The Act, in January 2018, SEC staff issued *Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118")* to provide guidance for companies that have not completed their accounting for the income tax effects of The Act in the period of enactment. Specifically, *SAB 118* states that companies that have not completed accounting for the effects of The Act by financial reporting deadlines may report provisional amounts based on reasonable estimates for items for which the accounting is incomplete. Those provisional amounts will be subject to adjustment during a measurement period that begins in the reporting period that includes The Act's enactment date and ends when a company has obtained, prepared and analyzed the information needed to complete the accounting requirements under *ASC 740 Income Taxes*. The measurement period should not extend beyond one year from the enactment date. Furthermore, *SAB 118* states that if a company cannot make a reasonable estimate for an income tax effect, it should not account for that effect until it can make such an estimate.

In accordance with *SAB 118,* we recorded a provisional amount of a one-time negative adjustment of $34.9 million for the re-measurement of deferred tax assets and liabilities, offset by a one-time positive adjustment of $34.9 million for the re-measurement of valuation allowance maintained on these items. These amounts have been estimated as provisional as we believe that additional analysis of our deferred tax assets and liabilities is necessary, as well as the evaluation of potential correlative adjustments. As we expect regulators to issue further guidance, among other things, our estimates may change during calendar year 2018. Any subsequent adjustment to these amounts will be recorded to current tax expense in the period the analysis is completed, not to exceed the fourth quarter of 2018.

The Act also required companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries. Based on an analysis of our foreign subsidiaries and the current year financial statements, we do not expect to have a transition tax.

Based on our initial review of The Act, we do not expect that the new legislation will have a material impact on our financial statements for the year ended December 31, 2017 or our future operational results as long as we maintain a full valuation allowance. It is our policy to record valuation allowances when necessary to reduce deferred tax assets to the amount that we expect to realize. Currently, we maintain a full valuation allowance for our deferred tax assets in the U.S., Hong Kong, and China.

We will continue to analyze the impacts of The Act on our financial statements and operations. Additional impacts will be recorded as they are identified during the measurement period as provided for in SAB 118.

Results of Operations

The following sections discuss and analyze the changes in the significant line items in our statements of operations for the comparison periods identified.

Comparison of the Years Ended December 31, 2017 and 2016

Revenue

	Year Ended December 31,	
	2017	2016
Revenue by Type	(In thousands)	
Micro-Transactions	$ 244,314	$ 164,569
Advertisements	30,916	10,345
Offers	10,238	23,393
Other	1,359	2,274
Total revenue	$ 286,827	$ 200,581

Our revenue increased $86.2 million, or 43.0%, from $200.6 million for the year ended December 31, 2016 to $286.8 million for the year ended December 31, 2017, which was primarily related to a $79.7 million increase in our revenue from micro-transactions (in-app purchases) and a $7.4 million increase from advertisements and offers. These increases in revenues were primarily related to new title launches such as the releases of *Design Home* in November 2016, *MLB Tap Sports Baseball 2017* in March 2017 and *Restaurant Dash with Gordon Ramsay* in June 2016, as well as the addition of *Covet Fashion* through our acquisition of Crowdstar in the fourth quarter of 2016. Revenues from our Crowdstar titles, *Design Home* and *Covet Fashion*, increased by $106.6 million during the year ended December 31, 2017 compared to the prior year given that we both acquired Crowdstar and initially launched *Design Home* in November 2016. These increases were partially offset by a $49.6 million aggregate decline in revenue from *Tap Sports Baseball 2016, Kendall and Kylie*, *Racing Rivals, Kim Kardashian: Hollywood,* and *Cooking Dash.*

In 2017, *Design Home, Covet Fashion* and *MLB Tap Sports Baseball 2017,* were our top three revenue-generating games and comprised 24.9%, 12.4%, and 11.4%, respectively, of our revenue for the period. In 2016, *Kim Kardashian: Hollywood, Cooking Dash, Racing Rivals,* and *Tap Sports Baseball 2016,* were our top four revenue-generating games and comprised 17.8% , 15.7%, 11.7%, and 11.5%, respectively, of revenue for the year. No other game generated more than 10% of revenue during either year.

International revenue (defined as revenue generated from distributors and advertising service providers whose principal operations are located outside the United States or, in the case of the Digital Storefronts, the revenue generated from end-user purchases made outside of the United States) increased by $18.8 million, from $51.6 million in the year ended December 31, 2016 to $70.4 million in the year ended December 31, 2017. This was primarily related to an $8.9 million increase in our EMEA revenue, a $6.8 million increase in our revenue from Americas, excluding the United States, and a $3.1 million increase in our APAC revenue. These increases were primarily related to increased revenue from new title launches.

Cost of Revenue

	Year Ended December 31,	
	2017	2016
	(In thousands)	
Cost of revenue:		
Platform commissions, royalties and other	$ 103,499	$ 75,239
Impairment of prepaid royalties and minimum guarantees	27,323	30,107
Impairment and amortization of intangible assets	10,331	14,792
Total cost of revenue	$ 141,153	$ 120,138
Revenue	$ 286,827	$ 200,581
Gross margin	50.8 %	40.1 %

Our cost of revenue increased by $21.0 million, or 17.5%, from $120.1 million in the year ended December 31, 2016 to $141.2 million in the year ended December 31, 2017. This increase was primarily due to a $24.3 million increase in platform commission fees due to a higher volume of revenue transactions through the Digital Storefronts and a $2.5 million increase in royalties associated with an increase in royalty-burdened revenue. This increase was partially offset by a $4.5 million decrease in amortization of intangible assets and a $2.8 million decrease in impairment charges related to certain of our celebrity licensors and other prepaid royalties during 2017.

The royalties we paid to licensors increased by $2.5 million, or 13.3%, from $18.8 million in the year ended December 31, 2016 to $21.3 million in the year ended December 31, 2017. The rate of increase of our royalty payments was lower than the increase in our revenue of 43.0% from $200.5 million in December 31, 2016 to $286.8 million in December 31, 2017. This was mainly due to the fact that revenue attributable to games based upon original intellectual property increased as a percentage of revenue from 39.7% in the year ended December 31, 2016 to 59.1% in the year ended December 31, 2017. This increase was primarily due to the release of original intellectual property *Design Home* in November 2016 and the addition of *Covet Fashion* through our acquisition of Crowdstar. Also, the average royalty rate that we paid on games based on licensed intellectual property, excluding royalty impairments, decreased from 21.9% in the year ended December 31, 2016 to 18.2% in the year ended December 31, 2017. Overall royalties, including impairment of prepaid royalties and guarantees, as a percentage of total revenue decreased from 25.0% in the year ended December 31, 2016 to 17.0% in the year ended December 31, 2017 due to lower royalty impairments in the year ended December 31, 2017 as well as a larger percentage of our revenue being attributable to titles that are not royalty burdened.

Research and Development Expenses

	Year Ended December 31,	
	2017	2016
	(In thousands)	
Research and development expenses	$ 92,420	$ 81,879
Percentage of revenue	32.2 %	40.8 %

Our research and development expenses increased $10.5 million or 12.9%, from $81.9 million in the year ended December 31, 2016 to $92.4 million in the year ended December 31, 2017. The increase in research and development costs was primarily due to a $7.4 million increase in payroll and other compensation costs mainly related to our acquisition of Crowdstar, partially offset by reduction in force measures implemented during the year ended December 31, 2017, and a $3.4 million increase in outside services primarily related to external development. As a percentage of revenue, research and development expenses decreased from 40.8% in the year ended December 31, 2016 to 32.2% in the year ended December 31, 2017. We expect our research and development expenditures to decrease in 2018 compared with the 2017, as as we have consolidated studio locations and expect lower compensation costs related to bonus payouts now that the Crowdstar integration is complete.

Sales and Marketing Expenses

	Year Ended December 31,	
	2017	2016
	(In thousands)	
Sales and marketing expenses	$ 104,356	$ 48,050
Percentage of revenue	36.4 %	24.0 %

Our sales and marketing expenses increased $56.3 million or 117.2%, from $48.1 million in the year ended December 31, 2016 to $104.4 million in the year ended December 31, 2017. This was primarily attributable to an increase of $51.2 million in user acquisition expenditures primarily related to *Design Home*, a $3.9 million increase in payroll and other compensation costs primarily related to our acquisition of Crowdstar and an $800,000 increase in allocated charges for equipment, facilities, and depreciation. As a percentage of revenue, sales and marketing expenses increased from 24.0% in the year ended December 31, 2016 to 36.4% in the year ended December 31, 2017. We expect our sales and marketing expenses to decrease in 2018 in absolute dollars, as we plan to spend less on user acquisition in 2018.

General and Administrative Expenses

	Year Ended December 31,	
	2017	2016
	(In thousands)	
General and administrative expenses	$ 34,425	$ 30,225
Percentage of revenue	12.0 %	15.1 %

Our general and administrative expenses increased $4.2 million, or 13.9%, from $30.2 million in the year ended December 31, 2016 to $34.4 million in the year ended December 31, 2017. The increase in general and administrative expenses was primarily due to a $2.8 million increase in payroll and other compensation costs primarily related to our acquisition of Crowdstar and increase in variable compensation and a $1.6 million increase in professional services fees. As a percentage of revenue, general and administrative expenses decreased from 15.1% in the year ended December 31, 2016 to 12.0% in the year ended December 31, 2017. We expect our general and administrative expenses to remain relatively constant in 2018 as compared to 2017.

Restructuring Charges

We incurred a restructuring charge of $6.0 million in the year ended December 31, 2017 related to employee and lease termination costs in our Bellevue, Washington; Long Beach, California; San Francisco, California; Portland, Oregon; and Beijing, China offices. We substantially completed payments of the employee and lease termination costs as of December 31, 2017, and expect to complete the remaining payments by the end of the first quarter of 2018. We incurred a restructuring charge of $2.3 million in the year ended December 31, 2016, primarily due to costs associated with employee terminations in our Long Beach, San Francisco, Bellevue, and Beijing, China offices, and lease termination costs for our Bellevue and Beijing, China offices, in the year ended December 31, 2016.

Interest and Other Expense, Net

Interest and other expense, net during the year ended December 31, 2017 was $6.9 million, and was primarily attributable to a $6.5 million loss related to sale of our Moscow game development studio. Interest and other expense, net during the year ended December 31, 2016 was $5.8 million, and was primarily attributable to a $2.4 million impairment charge related to our call option for Plain Vanilla, which impairment charge was due to a decline in Plain Vanilla's forecasted revenue and future cash flow outlook, a $1.9 million charge related to the change in fair value of our investment in promissory notes issued to us by Plain Vanilla, and an $838,000 charge related to the write-off of a cumulative translation adjustment upon liquidation of one of our United Kingdom subsidiaries.

Income Tax Benefit/(Expense)

Our income tax benefit increased from $301,000 in 2016 to $826,000 in 2017. The income tax benefit in 2017 was due to the release of income tax reserves in relation to winding down a foreign subsidiary, the release of a portion of our valuation allowance of $294,000 resulting from the acquisition of Dairy Free Games Inc. in August 2017, and changes in pre-tax income in the United States and certain foreign entities. The provision for income taxes differs from the amount computed by applying the statutory U.S. federal rate principally due to the effect of our non-U.S. operations, non-deductible stock-based compensation expense, and change in foreign withholding taxes.

Our effective income tax rates for future periods will depend on a variety of factors, including changes in the deferred tax valuation allowance, as well as changes in our business such as intercompany transactions, any acquisitions, any changes in our international structure, any changes in the geographic location of our business functions or assets, changes in the geographic mix of our income, any changes in or termination of our agreements with tax authorities, changes in applicable accounting rules, applicable tax laws and regulations, rulings and interpretations thereof, developments in tax audit and other matters, and variations in our annual pre-tax income or loss. We incur certain tax expenses that do not decline proportionately with declines in our pre-tax consolidated income or loss. As a result, in absolute dollar terms, our tax expense will have a greater influence on our effective tax rate at lower levels of pre-tax income or loss than at higher levels. In addition, at lower levels of pre-tax income or loss, our effective tax rate will be more volatile.

Comparison of the Years Ended December 31, 2016 and 2015

Revenue

	Year Ended December 31,	
	2017	**2016**
Revenue by Type	**(In thousands)**	
Micro-Transactions	$ 244,314	$ 164,569
Advertisements	30,916	10,345
Offers	10,238	23,393
Other	1,359	2,274
Total revenue	$ 286,827	$ 200,581

Our revenue decreased $49.3 million, or 19.7%, from $249.9 million for the year ended December 31, 2015 to $200.6 million for the year ended December 31, 2016, which was primarily related to a $43.7 million decrease in our revenue from micro-transactions (in-app purchases) and a $5.7 million decrease from advertisements and offers. These decreases were primarily related to a $41.0 million decline in revenue from our *Kim Kardashian: Hollywood* game, as well as declines in revenue from our *Deer Hunter 2014*, *Racing Rivals*, and *Contract Killer: Sniper* games of $20.2 million, $19.4 million, and $14.8 million, respectively. These decreases were partially offset by increased revenue from new title launches such as the releases of *Gordon Ramsay DASH* in June 2016, *Tap Sports Baseball 2016* in March 2016, *Kendall & Kylie* in February 2016, and *Deer Hunter 2016* in September 2015.

In 2016, *Kim Kardashian: Hollywood, Cooking Dash, Racing Rivals,* and *Tap Sports Baseball 2016,* were our top four revenue-generating games and comprised 17.8% , 15.7%, 11.7%, and 11.5%, respectively, of revenue for the year. In 2015, *Kim Kardashian: Hollywood, Racing Rivals* and *Deer Hunter 2014* were our top three revenue-generating games and comprised 30.7% , 17.7%, and 10.8%, respectively, of revenue for the year. No other game generated more than 10% of revenue during either year.

International revenue decreased by $26.5 million, from $78.1 million in the year ended December 31, 2015 to $51.6 million in the year ended December 31, 2016. This was primarily related to a $12.3 million decrease in our APAC revenue and an $11.8 million decrease in our EMEA revenue, due to a significantly lower number of new distribution contracts signed in our EMEA and APAC regions and due to the fact that our new games have a greater appeal in the United States than in international markets.

Cost of Revenue

	Year Ended December 31, 2016	Year Ended December 31, 2015
	(In thousands)	
Cost of revenue:		
Platform commissions, royalties and other	$ 75,239	$ 95,682
Impairment of prepaid royalties and minimum guarantees	30,107	2,502
Impairment and amortization of intangible assets	14,792	9,553
Total cost of revenue	$ 120,138	$ 107,737
Revenue	$ 200,581	$ 249,900
Gross margin	40.1 %	56.9 %

Our cost of revenue increased by $12.4 million, or 11.5%, from $107.7 million in the year ended December 31, 2015 to $120.1 million in the year ended December 31, 2016. This increase was primarily due to $14.5 million of impairments related to prepaid guaranteed royalty and license fee payments made to an affiliate of Tencent related to our *Rival Fire* game, and $20.2 million of aggregate impairments related to royalties to certain of our celebrity licensors and other prepaid royalties during 2016. These charges were partially offset by a $12.7 million decrease in platform commission fees due to a lower volume of revenue transactions through the Digital Storefronts, a $4.5 million decrease in royalties associated with a decrease in royalty-burdened revenue, and a $1.9 million decrease in non-cash warrant expense.

Revenue attributable to games based upon original intellectual property decreased as a percentage of revenue from 42.1% in the year ended December 31, 2015 to 39.7% in the year ended December 31, 2016. We expect this trend to continue since most, and potentially all, of the games that we will launch in 2017 will be based on or will otherwise incorporate licensed brands or other content. The average royalty rate that we paid on games based on or significantly incorporating licensed brands or other content, excluding royalty impairments, remained consistent at 21.9% in the years ended December 31, 2016 and December 31, 2015.

Overall royalties, including impairment of prepaid royalties and guarantees, as a percentage of total revenue increased from 10.8% in the year ended December 31, 2015 to 25.0% in the year ended December 31, 2016.

Research and Development Expenses

	Three Months Ended December 31,	
	2017	2016
	(In thousands)	
Research and development expenses	$ 22,004	$ 20,080
Percentage of revenue	7.7 %	10.0 %

Our research and development expenses increased $8.9 million, or 12.3%, from $72.9 million in the year ended December 31, 2015 to $81.9 million in the year ended December 31, 2016. The increase in research and development costs was primarily due to a $3.9 million increase in variable and other compensation, a $2.7 million increase in professional and outside services primarily related to external development, a $1.0 million increase in allocated charges for equipment, facilities and depreciation, a $570,000 increase in equipment and software expense, and a $344,000 increase in travel and entertainment. As a percentage of revenue, research and development expenses increased from 29.2% in the year ended December 31, 2015 to 40.8% in the year ended December 31, 2016.

Sales and Marketing Expenses

	Year Ended December 31,	
	2016	2015
	(In thousands)	
Sales and marketing expenses	$ 48,050	$ 48,240
Percentage of revenue	24.0 %	19.3 %

Our sales and marketing expenses decreased $190,000, or 0.4%, from $48.2 million in the year ended December 31, 2015 to $48.1 million in the year ended December 31, 2016. The decrease was primarily due to a $1.7 million decrease in marketing promotions associated with our free-to-play games. This decrease was partially offset by a $730,000 increase in salaries and benefits and a $619,000 increase in professional fees related to customer support services. As a percentage of revenue, sales and marketing expenses increased from 19.3% in the year ended December 31, 2015 to 24.0% in the year ended December 31, 2016.

General and Administrative Expenses

	Year Ended December 31,	
	2016	2015
	(In thousands)	
General and administrative expenses	$ 30,225	$ 26,092
Percentage of revenue	15.1 %	10.4 %

Our general and administrative expenses increased $4.1 million, or 15.8%, from $26.1 million in 2015 to $30.2 million in 2016. The increase in general and administrative expenses was primarily due to a $2.3 million increase in professional fees related to our implementation of a cloud based ERP system and external consulting services expenses incurred in connection with the acquisition of Crowdstar in November 2016, and a $1.9 million increase in payroll and other compensation costs as headcount increased from 88 employees at December 31, 2015 to 94 employees at December 31, 2016. These increases were partially offset by a $302,000 decrease in consulting fees and a $103,000 decrease in travel and entertainment. As a percentage of revenue, general and administrative expenses increased from 10.4% in the year ended December 31, 2015 to 15.1% in the year ended December 31, 2016. General and administrative expenses included $7.6 million of stock-based compensation expense in the year ended December 31, 2016 and $7.0 million in the year ended December 31, 2015.

Restructuring Charges

Our restructuring charge increased from $1.1 million in the year ended December 31, 2015 to $2.3 million in the year ended December 31, 2016, primarily due to costs associated with employee termination costs in our Long Beach, San Francisco, Bellevue, and Beijing, China offices, and lease termination costs for our Bellevue and Beijing, China offices, in the second quarter of 2016.

Interest and Other Expense, Net

Interest and other expense, net, increased from net expense of $743,000 in the year ended December 31, 2015 to net expense of $5.8 million in the year ended December 31, 2016. This increase in expense was primarily attributable to a $2.4 million impairment charge related to our call option for Plain Vanilla, which was due to a decline in Plain Vanilla's forecasted revenue and future cash flow outlook, a $1.9 million charge related to the change in fair value of our investment in promissory notes issued to us by Plain Vanilla, and an $838,000 charge related to the write-off of a cumulative translation adjustment upon liquidation of one of our United Kingdom subsidiaries.

Income Tax Benefit/(Expense)

Our income tax expense changed from an expense of $141,000 in 2015 to an income tax benefit of $301,000 in 2016. The income tax benefit in 2016 was due to the release of a portion of our valuation allowance of $328,000 resulting from the acquisition of Crowdstar Inc. in November 2016, changes in the jurisdictions included in the effective tax rate computation, and changes in pre-tax income in the United States and certain foreign entities. The provision for income taxes differs from the amount computed by applying the statutory U.S. federal rate principally due to the effect of our non-U.S. operations, non-deductible stock-based compensation expense and change in foreign withholding taxes.

Liquidity and Capital Resources

	Year Ended December 31,		
	2017	**2016**	**2015**
		(In thousands)	
Consolidated Statement of Cash Flows Data:			
Cash flows used in operating activities	(28,236)	(19,784)	(11,465)
Cash flows used in investing activities	(13,703)	(51,544)	(6,924)
Cash flows (used in) /generated from financing activities	3,763	(6,785)	128,370

Since our inception, we have generally incurred recurring losses and negative annual cash flows from operating activities. As of December 31, 2017, we had an accumulated deficit of $436.1 million.

Operating Activities

In 2017, net cash used in operating activities was $28.2 million, which was primarily due to a $97.6 million net loss, an $18.9 million increase in prepaid royalties, a $14.1 million increase in prepaid expenses and other assets related to platform fees and outside development services, and a $13.1 million increase in accounts receivable due to the timing of payments from our customers. These amounts were partially offset by a $32.5 million increase in deferred revenue mainly attributable to an increase in revenue from titles with longer useful lives, an increase in accrued compensation of $8.1 million, a $4.7 million increase in accounts payable and other accrued liabilities, a $4.1 million increase in accrued royalties, a $4.0 million increase in non-current liabilities, and a $488,000 increase in accrued restructuring. Adjustments for non-cash items included a $27.3 million impairment of prepaid royalties and minimum guarantees, stock-based compensation expense of $15.1 million, $10.3 million of amortization of intangible assets, net loss from the sale of a foreign subsidiary of $6.5 million, and depreciation expense of $3.2 million.

In 2016, net cash used in operating activities was $19.8 million, which was primarily due to an $87.4 million net loss, a $16.7 million increase in prepaid royalties and a $2.3 million increase in prepaid expenses and other assets. These amounts were partially offset by a $12.3 million increase in deferred revenue, an increase in accrued compensation of $4.6 million, and a $3.2 million increase in accounts payable and other accrued liabilities. Adjustments for non-cash items included a $30.1 million impairment of prepaid royalties and minimum guarantees, a $14.8 million impairment and amortization of intangible assets, stock-based compensation expense of $13.3 million, impairment of the Plain Vanilla call option of $2.4 million, a $1.9 million decrease in fair value of the Plain Vanilla promissory notes, and depreciation expense of $2.9 million.

In 2015, net cash used in operating activities was $11.5 million, which was primarily due to a $29.7 million increase in prepaid royalties and license fees and other prepaid assets, as we signed additional celebrity licensing agreements in 2015, a net loss of $7.2 million, a decrease in deferred revenue of $6.2 million, a decrease in accrued royalties of $5.1 million, a decrease in accrued compensation of $3.6 million, a decrease of $2.0 million in accounts payable and other accrued liabilities, a decrease in non-current liabilities of $1.5 million, and adjustments for non-cash items, including stock-based compensation expense of $11.7 million, amortization expense of $9.8 million, depreciation expense of $2.9 million, and a non-cash warrant expense of $2.0 million. These factors were partially offset by a decrease in accounts receivable of $13.4 million which was primarily due to early cash collection from customers.

Investing Activities

Our primary investing activities have consisted of acquisitions of mobile gaming companies and purchases of property and equipment and leasehold improvements for our offices.

In 2017, we used $13.7 million of cash for investing activities primarily related to property and equipment purchases of $11.3 million which mainly comprised of leasehold improvements for our new San Francisco headquarters, $1.7 million net cash paid for acquisitions, and other investing activities of $1.4 million. This was partially offset by a decrease in restricted cash of $710,000.

In 2016, we used $51.5 million of cash for investing activities primarily related to net cash paid of $36.7 million for the acquisition of 80.6% of the outstanding voting interest in Crowdstar, investments in Plain Vanilla and Dairy Free of $9.5 million in the aggregate, purchases of intangible assets of $2.5 million, and property and equipment purchases of $3.1 million. These increases were partially offset by a decrease in restricted cash of $186,000.

In 2015, we used $6.9 million of cash for investing activities, of which $2.8 million related to property and equipment purchases, $2.5 million related to purchases of intangible assets, $1.9 million related to acquisition consideration paid to former Cie Games stockholders, and other investments of $251,000, partially offset by a release of $492,000 of restricted cash relating to letters of credit on our San Francisco and Bellevue leases.

Financing Activities

In 2017, net cash generated from financing activities was $3.8 million, which was due primarily to $4.1 million in proceeds received from option exercises and purchases under our employee stock purchase plan and $3.0 million of proceeds received from the exercise of warrants. These inflows were partially offset by $3.4 million of taxes paid related to net share settlement of RSUs.

In 2016, net cash used in financing activities was $6.8 million due primarily to $4.7 million paid to acquire the remaining outstanding interest in Crowdstar, $2.4 million of taxes paid related to the net share settlement of RSUs, and $1.9 million related to payments on an acquired line of credit and term loan from the Crowdstar acquisition. These outflows were partially offset by $2.2 million in proceeds we received from option exercises and purchases under our employee stock purchase plan.

In 2015, net cash generated from financing activities was $128.4 million due primarily to the aggregate net proceeds of $125.2 million, after offering expenses, we received in connection with the purchase of 21,000,000 shares of our common stock by Red River, as well as $6.1 million related to option and warrant exercises and purchases under our employee stock purchase plan. These cash inflows were partially offset by $3.0 million of taxes paid related to the net share settlement of RSUs.

Sufficiency of Current Cash and Cash Equivalents

Our cash and cash equivalents were $63.8 million as of December 31, 2017. Cash and cash equivalents held outside of the U.S. in various foreign subsidiaries were $1.3 million as of December 31, 2017, most of which were held by our Canadian and Indian subsidiaries. Under current tax laws and regulations, if cash and cash equivalents held outside the U.S. are distributed to the U.S. in the form of dividends or otherwise, we may be subject to additional U.S. income taxes and foreign withholding taxes. We have not provided deferred taxes on unremitted earnings attributable to foreign subsidiaries, excluding China, because their earnings are intended to be reinvested indefinitely. However, if any such balances were to be repatriated, additional U.S. federal income tax payments could result. Computation of the potential deferred tax liabilities associated with unremitted earnings deemed to be indefinitely reinvested is not practicable.

We expect to fund our operations, grow our business and satisfy our contractual obligations during the next 12 months primarily through our cash and cash equivalents. We believe our cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months from the date of this report; however, our cash requirements for the next 12 months may be greater than we anticipate due to, among other reasons, revenue that is lower than we currently anticipate, greater than expected operating expenses, particularly with respect to our research and development and sales and marketing initiatives, use of cash to pay minimum guaranteed royalties, use of cash to fund our foreign operations and the impact of foreign currency rate changes, unanticipated limitations or timing restrictions on our ability to access funds that are held in our non-U.S. subsidiaries or any investments or acquisitions that we may decide to pursue. We expect to continue to use cash to fund minimum guaranteed royalty payments during 2017 as milestone payments become due on games we publish and/or develop that incorporate licensed property, as well as to fund the purchase price of any acquisitions. If the games we develop based on such licensing arrangements fail to perform in accordance with our expectations, we may not fully recoup these minimum guaranteed royalty payments, which would negatively impact our operating results.

If our cash sources are insufficient to satisfy our cash requirements, we may seek to raise additional capital. However, we may be unable to do so on terms that are favorable to us or at all, particularly given current capital market and overall economic conditions.

Contractual Obligations

The following table is a summary of our contractual obligations as of December 31, 2017:

	Payments Due by Period from December 31, 2017				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(In thousands)		
Operating lease obligations	$ 51,934	$ 6,430	$ 11,355	$ 9,254	$ 24,895
Guaranteed royalties (1)	11,614	4,714	6,900	—	—
Developer commitments (2)	250	250	—	—	—
Total contractual obligations (3)	$ 63,798	$ 11,394	$ 18,255	$ 9,254	$ 24,895

(1) We have entered into license and publishing agreements with various celebrities and other owners of brands, properties and other content to develop and publish games and other software applications for mobile devices. These agreements typically require us to make non-refundable, but recoupable payments of minimum guaranteed royalties or license fees as up-front payments or over the term of the agreement.
(2) From time to time we enter into contracts with various external software developers to design and develop games and other software applications. We advance funds to these third-party developers, typically payable in installments, upon the completion of specific development milestones.
(3) We have omitted uncertain income tax liabilities from this table due to the inherent uncertainty regarding the timing of potential issue resolution. Specifically, either the underlying positions have not been fully developed enough under audit to quantify at this time or the years relating to the issues for certain jurisdictions are not currently under audit. At December 31, 2017, we had $368,000 of gross unrecognized tax benefits, included in "Other long-term Liabilities" in the consolidated balance sheet.

Off-Balance Sheet Arrangements

At December 31, 2017, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, that are not already disclosed in this report.

Inflation

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

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The new guidance, which simplifies the accounting and presentation for share-based payments, provides for a number of amendments which impact the accounting for income taxes and the accounting for forfeitures. ASU 2016-09 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2016 and requires varied adoption methods for each respective amendment. We adopted this guidance in the first quarter of 2017 and elected to change its policy on accounting for forfeitures and recognize them as they occur using the modified retrospective transition method. This resulted in a cumulative-effect adjustment of $148 between opening accumulated deficit and additional paid in capital balance as of January 1, 2017. In addition, the other amendments related to accounting for income taxes and statutory tax withholding requirements were adopted using a prospective transition method and did not have a material impact on our consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-19, *Technical Corrections and Improvements*. The amendments in ASU No. 2016-19 represent changes to clarify the accounting standard codification, correct unintended application of guidance, or make minor improvements to the accounting standards codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. For public companies, the standard is effective immediately for amendments that do not have transition guidance. Amendments that are subject to transition guidance, the effective date is interim and annual reporting periods beginning after December 15, 2016. We adopted the standard immediately upon issuance for amendments that do not have transition guidance and effective January 1, 2017 for amendments that are subject to transition guidance. The adoption of the standard did not have an impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. It is effective prospectively for the annual period ending December 31, 2018 and interim periods within that annual period. Early adoption is permitted. The impact of the new standard on our consolidated financial statements subsequent to adoption will be dependent on the terms and conditions of any modifications made to share-based awards after fiscal 2017.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350)*: *Simplifying the Test for Goodwill Impairment*. This new accounting standard update simplifies the measurement of goodwill by eliminating the Step 2 impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new guidance becomes effective for goodwill impairment tests in fiscal years beginning after December 15, 2019, though early adoption is permitted. We are currently assessing the impact of this new guidance.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805)*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard is effective for interim and annual periods beginning after December 15, 2017, and will be applied on a prospective basis.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The standard will be effective in the first quarter of fiscal 2018. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. ASU No. 2016-16 requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 addresses eight specific cash flow issues with the objective of reducing existing diversity in practice. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The guidance requires lessees to recognize most leases as assets and liabilities on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for annual and interim periods beginning after December 31, 2018. The updated standard mandates a modified retrospective transition method with early adoption permitted. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall - Recognition and Measurement of Financial Assets and Financial Liabilities*. The guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for a practicability exception. The updated standard is effective for interim and annual reporting periods beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers.* Under the standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016. We will adopt the new standard in the first quarter of 2018. The FASB recently issued several amendments to the standard, including clarifications on disclosure of prior-period performance obligations and remaining performance obligations.

The standard permits the use of either a full retrospective or modified retrospective transition method. We will apply the modified retrospective approach when we adopt the standard in the first quarter of 2018.

We have completed the evaluation of the impact of the new standard in relation to the revenue recognition of all of its material revenue arrangements. Based on this evaluation, we have determined that under the new standard we no longer defer revenue earned from offer advertisements. Fees received from offer advertisements that result in users receiving virtual currency for redemption within a game will now be recognized at the time such advertisements are delivered and reported to us as the performance obligations are satisfied when the advertisement has been displayed. This change will result in a cumulative transition adjustment of approximately $8.8 million which will reduce accumulated deficit, deferred revenue and deferred royalties in the first quarter of 2018. The adoption of the new standard will not have any other material impact on our financial statements. Further, we will continue to be considered the principal in the transactions and as the primary obligor to end-users for smartphone games distributed through Digital Storefronts and advertisements served through our advertising service providers. Therefore, revenue related to these arrangements will continue to be recognized on a gross basis if the necessary information about the gross amounts or platform fees charged, before any adjustments, are made available to us by the Digital Storefronts and advertising service providers.

We do not anticipate that our internal control framework will materially change, but rather existing internal controls will be modified and augmented as necessary to implement the new revenue standard. We are currently in the process of evaluating the required financial statement disclosures to allow users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with our customers.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Interest Rate and Credit Risk

Our exposure to interest rate risk relates primarily to our investment portfolio and the potential losses arising from changes in interest rates.

We are potentially exposed to the impact of changes in interest rates as they affect interest earned on our investment portfolio. As of December 31, 2017, $63.8.million of our cash and cash equivalents was held in operating bank accounts earning nominal interest. Accordingly, we do not believe that a 10% change in interest rates would have a significant impact on our interest income, operating results or liquidity related to these amounts.

The primary objectives of our investment activities are, in order of importance, to preserve principal, provide liquidity and maximize income without significantly increasing risk. We do not currently use or plan to use derivative financial instruments in our investment portfolio.

As of December 31, 2017 and December 31, 2016, our cash and cash equivalents were maintained by financial institutions in the United States, the United Kingdom, Canada, China, Hong Kong, India, and Russia, and our current deposits are likely in excess of insured limits.

Our accounts receivable primarily relate to revenue earned from Digital Storefront operators and advertising platforms. We perform ongoing credit evaluations of our customers' and the Digital Storefronts' financial condition but generally require no collateral from them. At December 31, 2017, Apple Inc., or Apple, accounted for 58.0%, Google Inc., or Google, accounted for 17.1%, of total accounts receivable. At December 31, 2016, Apple accounted for 43.9%, Google accounted for 22.3%, Jirbo, Inc. (dba AdColony) accounted for 10.8%, and Fyber GmbH accounted for 10.5%, of total accounts receivable. No other customer or Digital Storefront represented more than 10% of the Company's total accounts receivable as of these dates.

Foreign Currency Exchange Risk

We transact business in 100 countries in more than 30 different currencies, and in 2017 and 2016, some of these currencies fluctuated significantly. Our operations outside of the United States are maintained in their local currency, with the significant operating currencies consisting of the Indian Rupee and Canadian Dollar. Although recording operating expenses in the local currency of our foreign operations mitigates some of the exposure of foreign currency fluctuations, variances among the currencies of our customers and our foreign operations relative to the United States Dollar, or USD, could have and have had a material impact on our results of operations.

Our foreign currency exchange gains and losses have been generated primarily from fluctuations in the Russian Ruble versus the USD, the Euro versus the British Pound, the Indian Rupee versus the USD and the Canadian Dollar versus the USD. At month-end, non-functional currency-denominated accounts receivable and intercompany balances are marked to market and unrealized gains and losses are included in other income (expense), net. Translation adjustments arising from the use of differing exchange rates are included in accumulated other comprehensive income in stockholders' equity. We have in the past experienced, and in the future expect to experience, foreign currency exchange gains and losses on our accounts receivable and intercompany receivables and payables. Foreign currency exchange gains and losses could have a material adverse effect on our business, operating results and financial condition.

To date, we have not engaged in exchange rate hedging activities, and we do not expect to do so in the foreseeable future.

Item 8. ***Financial Statements and Supplementary Data***

GLU MOBILE INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Glu Mobile Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Glu Mobile Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, of comprehensive loss, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based payments in 2017.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP
San Francisco, California
March 9, 2018

We have served as the Company's auditor since 2003, which includes periods before the Company became subject to SEC reporting requirements.

GLU MOBILE INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,764	$ 102,102
Accounts receivable, net	34,673	21,477
Prepaid royalties	2,994	12,465
Restricted cash	602	—
Prepaid expenses and other assets	35,543	18,986
Total current assets	137,576	155,030
Property and equipment, net	14,630	5,640
Restricted cash	—	1,312
Long-term prepaid royalties	9,302	31,288
Other long-term assets	3,299	3,506
Intangible assets, net	18,264	25,896
Goodwill	116,227	116,832
Total assets	$ 299,298	$ 339,504
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21,203	$ 16,298
Accrued liabilities	1,154	1,788
Accrued compensation	20,603	12,495
Accrued royalties	11,782	8,623
Accrued restructuring	759	271
Deferred revenue	77,403	44,865
Total current liabilities	132,904	84,340
Long-term accrued royalties	7,300	20,836
Other long-term liabilities	5,234	1,514
Total liabilities	145,438	106,690
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 5,000 shares authorized at December 31, 2017 and December 31, 2016; no shares issued and outstanding at December 31, 2017 and December 31, 2016	—	—
Common stock, $0.0001 par value; 250,000 shares authorized at December 31, 2017 and December 31, 2016; 138,745 and 134,001 shares issued and outstanding at December 31, 2017 and December 31, 2016	14	13
Additional paid-in capital	589,962	571,243
Accumulated other comprehensive (loss)/income	(6)	246
Accumulated deficit	(436,110)	(338,688)
Total stockholders' equity	153,860	232,814
Total liabilities and stockholders' equity	$ 299,298	$ 339,504

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

GLU MOBILE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	2017	**2016**	**2015**
Revenue	$ 286,827	$ 200,581	$ 249,900
Cost of revenue:			
Platform commissions, royalties and other	103,499	75,239	95,682
Impairment of prepaid royalties and minimum guarantees (including impairment of prepaid royalties and minimum guarantees paid to a related party of $0, $9,866, and $0 for the year ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively)	27,323	30,107	2,502
Impairment and amortization of intangible assets (including impairment and amortization of intangible assets acquired from a related party of $0, $5,000, and $0 for the year ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively)	10,331	14,792	9,553
Total cost of revenue	141,153	120,138	107,737
Gross profit	145,674	80,443	142,163
Operating expenses:			
Research and development	92,420	81,879	72,856
Sales and marketing	104,356	48,050	48,240
General and administrative	34,425	30,225	26,092
Amortization of intangible assets	—	—	201
Restructuring charge	6,019	2,279	1,075
Total operating expenses	237,220	162,433	148,464
Loss from operations	(91,546)	(81,990)	(6,301)
Interest and other expense, net	(6,850)	(5,751)	(743)
Loss before income taxes	(98,396)	(87,741)	(7,044)
Income tax benefit/(expense)	826	301	(141)
Net loss	$ (97,570)	$ (87,440)	$ (7,185)
Net loss per common share - basic and diluted			
	$ (0.72)	$ (0.66)	$ (0.06)
Weighted average common shares outstanding - basic and diluted			
Basic	135,715	131,804	118,775
Diluted	135,715	131,804	118,775

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

GLU MOBILE INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended December 31,		
	2017	**2016**	**2015**
Net loss	$ (97,570)	$ (87,440)	$ (7,185)
Other comprehensive (loss)/income:			
Foreign currency translation adjustments (1)	(252)	331	(77)
Other comprehensive (loss)/income	(252)	331	(77)
Comprehensive loss	$ (97,822)	$ (87,109)	$ (7,262)

(1) Includes release of cumulative translation adjustment upon substantial liquidation / winding down of the Company's foreign subsidiaries which is recognized in other income/(expense) in the Company's consolidated statement of operations for the years ended December 31, 2017 and December 31, 2016.

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

GLU MOBILE INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders' Equity Deficit
	(In thousands, except per share data)					
Balances at December 31, 2014	107,174	$ 11	$ 415,766	$ (8)	$ (244,063)	$ 171,706
Net loss	-	-	-	-	(7,185)	(7,185)
Stock-based compensation expense	-	-	11,686	-	-	11,686
Issuance of common stock upon exercise of stock options	1,440	-	3,794	-	-	3,794
Issuance of common stock upon exercise of warrants	450	-	676	-	-	676
Taxes paid related to net share settlement of equity awards	1,090	-	(3,018)	-	-	(3,018)
Tax benefits of exercised stock options	-	-	107	-	-	107
Issuance of common stock pursuant to Employee Stock Purchase Plan	426	-	1,655	-	-	1,655
Issuance of common stock upon private offering, net of issuance costs	21,000	2	125,154	-	-	125,156
Non-cash warrant expense	-	-	1,928	-	-	1,928
Other comprehensive loss	-	-	-	(77)	-	(77)
Balances at December 31, 2015	131,580	$ 13	$ 557,748	$ (85)	$ (251,248)	$ 306,428
Net loss	-	-	-	-	(87,440)	(87,440)
Stock-based compensation expense	-	-	13,263	-	-	13,263
Issuance of common stock upon exercise of stock options	270	-	294	-	-	294
Taxes paid related to net share settlement of equity awards	1,401	-	(2,405)	-	-	(2,405)
Issuance of common stock pursuant to Employee Stock Purchase Plan	750	-	1,878	-	-	1,878
Non-cash warrant expense	-	-	465	-	-	465
Other comprehensive income	-	-	-	331	-	331
Balances at December 31, 2016	134,001	$ 13	$ 571,243	$ 246	$ (338,688)	$ 232,814
Net loss	-	-	-	-	(97,570)	(97,570)
Stock-based compensation expense	-	-	14,845	-	-	14,845
Issuance of common stock upon exercise of stock options	1,083	-	2,564	-	-	2,564
Issuance of common stock upon exercise of warrants	1,000	-	3,000	-	-	3,000
Taxes paid related to net share settlement of equity awards	1,767	1	(3,369)	-	-	(3,368)
Issuance of common stock pursuant to Employee Stock Purchase Plan	894	-	1,567	-	-	1,567
Non-cash warrant expense	-	-	260	-	-	260
Cumulative effect adjustment from adoption of ASU 2016-09	-	-	(148)	-	148	-
Other comprehensive loss	-	-	-	(252)	-	(252)
Balances at December 31, 2017	138,745	$ 14	$ 589,962	$ (6)	$ (436,110)	$ 153,860

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

GLU MOBILE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net loss	$ (97,570)	$ (87,440)	$ (7,185)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	3,195	2,947	2,861
Impairment and amortization of intangible assets (including impairment and amortization of intangible assets acquired from a related party of $0, $5,000, and $0 for the year ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively)	10,331	14,792	9,754
Change in fair value of investments	—	1,900	—
Non-cash foreign currency translation loss	20	999	792
Stock-based compensation	15,063	13,263	11,686
Non-cash warrant (benefit)/expense	631	(55)	2,009
Impairment of investments	—	2,600	—
Net loss from the sale of a foreign subsidiary	6,468	—	—
Impairment of prepaid royalties and minimum guarantees (including impairment of prepaid royalties and minimum guarantees paid to a related party of $0, $9,866, and $0 for the year ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively)	27,323	30,107	2,502
Other non-cash adjustments	(1,597)	(120)	418
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(13,061)	402	13,408
Prepaid royalties	(18,868)	(16,675)	(31,776)
Prepaid expenses and other assets	(14,115)	(2,336)	2,049
Accounts payable and other accrued liabilities	4,735	3,200	(1,960)
Accrued compensation	8,094	4,577	(3,639)
Accrued royalties and license fees	4,125	55	(5,070)
Deferred revenue	32,539	12,251	(6,208)
Accrued restructuring	488	(70)	342
Other long-term liabilities	3,963	(181)	(1,448)
Net cash used in operating activities	(28,236)	(19,784)	(11,465)
Cash flows from investing activities:			
Purchase of property and equipment	(11,344)	(3,070)	(2,751)
Net cash paid for acquisitions	(1,659)	(36,660)	(1,914)
Decrease in restricted cash	710	186	492
Investments in Plain Vanilla Corp and Dairy Free Games, Inc. (Note 7)	—	(9,500)	—
Purchase of intangible assets (including purchase of intangible assets from a related party of $0, $2,500, and $0 for the year ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively)	—	(2,500)	(2,500)
Other investing activities	(1,410)	—	(251)
Net cash used in investing activities	(13,703)	(51,544)	(6,924)
Cash flows from financing activities:			
Crowdstar payments on acquired line of credit and term loan	—	(1,885)	—
Proceeds from exercise of stock options and purchases under the ESPP	4,131	2,172	5,449
Taxes paid related to net share settlement of equity awards	(3,368)	(2,405)	(3,018)
Excess tax benefit from stock awards	—	—	107
Cash paid to acquire non-controlling interest in Crowdstar	—	(4,667)	—
Proceeds from exercise of stock warrants and issuance of common stock	3,000	—	676
Proceeds from private offering, net of issuance costs	—	—	125,156
Net cash (used in)/generated from financing activities	3,763	(6,785)	128,370
Effect of exchange rate changes on cash	(162)	(327)	(351)
Net decrease in cash and cash equivalents	(38,338)	(78,440)	109,630
Cash and cash equivalents at beginning of period	102,102	180,542	70,912
Cash and cash equivalents at end of period	$ 63,764	$ 102,102	$ 180,542
Supplemental disclosures of cash flow information			
Purchases of property and equipment included in accounts payable and accrued liabilities and other current liabilities	$ 1,350	$ 11	$ 146
Income taxes paid	$ 365	$ 174	$ 310

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

GLU MOBILE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar and share amounts in thousands, except per share data)

NOTE 1 — THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Glu Mobile Inc. (the "Company" or "Glu") was incorporated in Nevada in May 2001 and reincorporated in the state of Delaware in March 2007. The Company develops, publishes, and markets a portfolio of games designed for users of smartphones and tablet devices who download and make purchases within its games through direct-to-consumer digital storefronts, such as the Apple App Store, Google Play Store, Amazon Appstore and others ("Digital Storefronts"). The Company creates games based on its own original brands, as well as third-party licensed brands, properties and other content.

Basis of Presentation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Basis of Consolidation

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

Use of Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires the Company's management to make judgments, assumptions and estimates that affect the amounts reported in its consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Significant estimates and assumptions reflected in the financial statements include, but are not limited to, the estimated lives that the Company uses for revenue recognition, the allowance for doubtful accounts, useful lives of property and equipment and intangible assets, valuation and realizability of deferred tax assets and uncertain tax positions, fair value of stock awards issued, fair value of warrants issued, accounting for business combinations, evaluating goodwill, long-lived assets for impairment, realization of prepaid royalties and fair value of investments. Actual results may differ from these estimates and these differences may be material.

Variable Interest Entities

The Company has interests in other entities that are variable interest entities ("VIEs"). Determining whether to consolidate a VIE requires judgment in assessing (i) whether an entity is a VIE and (ii) if the Company is the entity's primary beneficiary and thus required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, the Company evaluates whether it has (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company's evaluation includes identification of significant activities and an assessment of its ability to direct those activities based on governance provisions and other applicable agreements and circumstances. The Company's assessment of whether it is the primary beneficiary of its VIEs requires significant assumptions and judgment.

Revenue Recognition

The Company generates revenue through in-app purchases within its games on smartphones and tablets, such as Apple's iPhone and iPad and mobile devices utilizing Google's Android operating system. Smartphone and tablet games are distributed primarily through Digital Storefronts.

Revenue

The Company distributes its games for smartphones and tablets to the end customer through Digital Storefronts. Within these Digital Storefronts, users can download the Company's free-to-play games and pay to acquire virtual currency which can be redeemed in the game for virtual goods. The Company recognizes revenue, when persuasive evidence of an arrangement exists, the service has been provided to the user, the price paid by the user is fixed or determinable, and collectability is reasonably assured. Determining whether and when some of these criteria have been satisfied requires judgments that may have a significant impact on the timing and amount of revenue the Company reports in each period. For the purposes of determining when the service has been provided to the player, the Company has determined that an implied obligation exists to the paying user to continue displaying the purchased virtual goods within the game over the estimated average playing period of paying players for the game, which represents the Company's best estimate of the estimated average life of virtual goods.

The Company sells both consumable and durable virtual goods and receives reports from the Digital Storefronts, which breakdown the various purchases made from their games over a given time period. The Company reviews these reports and determines on a per-item basis whether the purchase was a consumable virtual good or a durable virtual good. Consumable goods are items that can be purchased directly by the player through the Digital Storefront and are consumed at a predetermined time or otherwise have limitations on repeated use, while durable goods are items that remain in the game for as long as the player continues to play. The Company's revenue from consumable virtual goods has been insignificant over the previous three years. The Company recognizes revenue from consumable virtual goods immediately, since it believes that the delivery obligation has been met and there are no further implicit or explicit performance obligations related to the purchase of that consumable virtual good. Revenue from durable virtual goods are generated through the purchase of virtual coins by users through a Digital Storefront. Players convert the virtual coins within the game to durable virtual goods such as weapons, armor or other accessories to enhance their game-playing experience. The Company believes this represents an implied service obligation, and accordingly, recognizes the revenue from the purchase of these durable virtual goods over the estimated average playing period of paying users. Based on the Company's analysis, the estimated weighted average useful life of a paying user has been determined to range from three to eight months.

The Company computes its estimated average playing period of paying users at least twice each year. It has examined the playing patterns of paying users across a representative sample of its games across various genres.

At the start of the second quarter of 2017, the Company began using a new model to estimate the average playing period for paying users. As the Company continues to execute on its strategy in developing new content for its existing evergreen and growth titles, the Company re-evaluated its existing estimation methodology and concluded that the "survival analysis" model provides for a singular approach to estimating the average playing period of paying users on a title by title basis for the Company's diverse portfolio of games. The new model is a statistical model that analyzes time duration until one or more events happens. It is a commonly used model in various industries for estimating lifespans. The Company believes this is an appropriate model to estimate the average playing period of paying users for its titles as this model statistically estimates the average playing period of each title by analyzing the historical behavior patterns of paying users.

This model requires the stratification of user data into active and inactive monetizing users on a per title basis. Active users are those who are active in the game for the past 30 days as of the evaluation date. The remaining users are considered inactive and deemed to have churned from the game. These users are treated mathematically differently in the model than those who are still active. A distribution curve is then fit to the user data to estimate the average playing period of paying users on a per title basis.

The Company has selected a threshold of 120 days from the commercial launch of a title as the minimum number of days of data required for this model. This threshold was deemed to be appropriate as the Company tested the model using lower thresholds which resulted in inconsistencies in the estimate of the average playing period of paying users. For new titles with less than 120 days of data that share similar attributes with an existing title and/or prequel titles, the average playing period will be determined based on the average playing period of that existing title or prequel title, as applicable. For all other titles with less than 120 days of data, the average playing period will be determined based on the average playing period of all other remaining existing titles. The selection of the new model was considered a change in accounting estimates which was implemented in the quarter ended June 30, 2017 and had no material impact on the estimated average playing period of paying users.

While the Company believes its estimates to be reasonable based on available game player information, it may revise such estimates in the future if a titles' user characteristics change. Any adjustments arising from changes in the estimates of the average playing period for paying users would be applied to the current quarter and prospectively on the basis that such changes are caused by new information that indicates a change in user behavior patterns compared to historical titles. Any changes in the Company's estimates of the useful life of virtual goods in a certain title may result in revenue being recognized on a basis different from prior periods' and may cause its operating results to fluctuate.

The Company also has relationships with certain advertising service providers for advertisements within smartphone games and revenue from these advertising providers is generated through impressions, clickthroughs, banner ads and offers. Revenue is recognized as advertisements are delivered and reported to the Company, an executed contract exists, the price is fixed or determinable and collectability has been reasonably assured. Delivery generally occurs when the advertisement has been displayed or the offer has been completed by the user. The fee received for offer advertisements that result in the user receiving virtual currency for redemption within a game are deferred and recognized over the average playing period of paying users.

Other Estimates and Judgments

The Company estimates revenue from Digital Storefronts and advertising service providers in the current period when reasonable estimates of these amounts can be made. Certain Digital Storefronts and advertising service providers provide reliable interim preliminary reporting and others report sales data within a reasonable time frame following the end of each month, both of which allow the Company to make reasonable estimates of revenue and therefore to recognize revenue during the reporting period. Determination of the appropriate amount of revenue recognized involves judgments and estimates that the Company believes are reasonable, but it is possible that actual results may differ from the Company's estimates. When the Company receives the final reports, to the extent not received within a reasonable time frame following the end of each month, the Company records any significant differences between estimated revenue and actual revenue in the reporting period when the Company determines the actual amounts. Historically, the revenue on a final revenue report has not differed significantly from the reported revenue for the period.

Principal Agent Considerations

In accordance with ASC 605-45, *Revenue Recognition: Principal Agent Considerations,* the Company evaluates its Digital Storefront and advertising service provider agreements in order to determine whether or not it is acting as the principal or as an agent when selling its games or when selling advertisements within its games, which it considers in determining if revenue should be reported on a gross or net basis. The Company primarily uses Digital Storefronts for distributing its smartphone games and advertising service providers for serving advertisements within its games. Key indicators that the Company evaluates to reach this determination include:

- the terms and conditions of the Company's contracts with the Digital Storefronts and advertising service providers;

- the party responsible for billing and collecting fees from the end-users, including the resolution of billing disputes;

- whether the Company is paid a fixed percentage of the arrangement's consideration or a fixed fee for each game, transaction, or advertisement;

- which party sets pricing with the end-user, has the credit risk and provides customer support; and
- which party is responsible for the fulfillment of the game or serving of advertisements and that determines the specifications of the game or advertisement.

Based on the evaluation of the above indicators, the Company has determined that it is generally acting as a principal and is the primary obligor to end-users for smartphone games distributed through Digital Storefronts and advertisements served through our advertising service providers. Therefore, the Company recognizes revenue related to these arrangements on a gross basis, when the necessary information about the gross amounts or platform fees charged, before any adjustments, are made available by the Digital Storefronts and advertising service providers.

Deferred Platform Commissions and Royalties

Digital Storefronts retain platform commissions and fees on each purchase made by the paying players through the Digital Storefront. The Company is also obligated to pay ongoing licensing fees in the form of royalties related to the games developed based on or significantly incorporating licensed brands, properties or other content, and the Company plans to incorporate additional licensed content in some of its own originally branded games. Additionally, certain games sold through Digital Storefronts require the revenue to be deferred due to an implied obligation to the paying player to continue displaying the purchased virtual goods within the game over the estimated average playing period of paying players for the game. As revenue from sales to paying players through Digital Storefronts are deferred, the related direct and incremental platform commissions and fees as well as third-party royalties are also deferred and reported in “Prepaid expenses and other” on the consolidated balance sheets. The deferred platform commissions and royalties are recognized in the consolidated statements of operations in “Cost of revenue” in the period in which the related sales are recognized as revenue.

Cash and Cash Equivalents

The Company considers all investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. The Company deposits cash and cash equivalents with financial institutions that management believes are of high credit quality. Deposits held with financial institutions often exceed the amount of insurance on these deposits.

Restricted Cash

Restricted cash primarily consists of deposits related to letters of credit to secure obligations under the Company’s operating lease agreements.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents and accounts receivable.

The Company derives its accounts receivable from revenue earned from customers or through Digital Storefronts located in the United States and other locations outside of the United States. The Company performs ongoing credit evaluations of its customers’ and the Digital Storefronts’ financial condition and, generally, requires no collateral from its customers or the Digital Storefronts. The Company bases its allowance for doubtful accounts on management’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. The Company reviews past due balances over a specified amount individually for collectability on a monthly basis. It reviews all other balances quarterly. The Company charges off accounts receivable balances against the allowance when it determines that the amount will not be recovered.

The following table summarizes the revenue from customers or aggregate purchases through Digital Storefronts in excess of 10% of the Company's revenue:

	Year Ended December 31,		
	2017	**2016**	**2015**
Apple	54.2 %	52.7 %	51.7 %
Google	30.3 %	27.6 %	27.4 %

At December 31, 2017, Apple Inc. ("Apple") accounted for 58.0% and Google Inc. ("Google") accounted for 17.1%, of total accounts receivable. At December 31, 2016, Apple accounted for 43.9%, Google accounted for 22.3%, Jirbo accounted for 10.8%, and Fyber GmbH accounted for 10.5% of total accounts receivable. No other customer or Digital Storefront represented more than 10% of the Company's total accounts receivable as of these dates.

Fair Value

The Company accounts for fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The first two levels in the hierarchy are considered observable inputs and the last is considered unobservable. The Company's cash and cash equivalents and restricted cash, which were held in operating bank accounts, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The carrying value of accounts receivable and payables approximates fair value due to the short time to expected payment or receipt of cash. Please refer to Note 4 for further details.

Prepaid or Guaranteed Licensor Royalties

The Company's royalty expenses consist of fees that it pays to content owners for the use of their brands, properties and other licensed content, including trademarks and copyrights, in the development of the Company's games. Royalty-based obligations are either paid in advance and capitalized on the balance sheet as prepaid royalties or accrued as incurred and subsequently paid. These royalty-based obligations are expensed to cost of revenue at the greater of the revenue derived from the relevant game multiplied by the applicable contractual rate or an effective royalty rate based on expected net product sales.

The Company's contracts with some licensors include minimum guaranteed royalty payments, which are payable regardless of the ultimate revenue generated from end users. In accordance with ASC 440-10, *Commitments* ("ASC 440"), the Company recorded a minimum guaranteed royalty liability of $11,614 and $26,433 as of December 31, 2017 and 2016, respectively. When no significant performance remains with the licensor, the Company initially records each of these guarantees as an asset and as a liability at the contractual amount. When significant performance remains with the licensor, the Company records royalty payments as an asset when actually paid and as a liability when incurred, rather than upon execution of the contract. The classification of minimum royalty payment obligations between long-term and short-term is determined based on the expected timing of recoupment of earned royalties calculated on projected revenue for the licensed IP games.

Each quarter, the Company evaluates the realization of its prepaid royalties as well as any recognized guarantees not yet paid to determine amounts that it deems unlikely to be realized through product sales. The Company uses estimates of revenue, cash flows and net margins to evaluate the future realization of prepaid royalties, license fees, and guarantees. This evaluation considers multiple factors such as the term of the agreement, forecasted demand, game life cycle status, game development plans, and current and anticipated sales levels, as well as other qualitative factors such as the success of similar games and similar genres on mobile devices published by the Company and its competitors and/or other game platforms (e.g., consoles and personal computers) utilizing the intellectual property. To the extent that this evaluation indicates that the remaining prepaid and guaranteed royalty payments are not recoverable, the Company records an impairment charge to cost of revenue in the period in which impairment is indicated. The Company recorded impairment charges to cost of revenue of $27,323, $30,107, and $2,502 related to prepaid guaranteed royalties related to certain of its celebrity license agreements, and certain other prepaid royalties during the years ended December 31, 2017, 2016, and 2015, respectively. The impairment charges recorded during the year ended December 31, 2016 also included impairment of prepaid royalties and license fees paid to an affiliate of Tencent Holdings Limited ("Tencent"), one of the Company's principal stockholders related to the Company's game, *Rival Fire*.

Goodwill and Intangible Assets

In accordance with ASC 350, *Intangibles-Goodwill and Other* ("ASC 350"), the Company's goodwill is not amortized but is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Under ASC 350, the Company performs its annual impairment review of its goodwill balance as of September 30 or more frequently if triggering events occur. This impairment review involves a multiple-step process as follows:

Step — 0 The Company evaluates qualitative factors and overall financial performance to determine whether it is necessary to perform the first step of the two-step goodwill test. This step is referred to as "Step 0." Step 0 involves, among other qualitative factors, weighing the relative impact of factors that are specific to the reporting unit as well as industry and macroeconomic factors. After assessing those various factors, if it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity will need to proceed to the first step of the two-step goodwill impairment test.

Step — 1 The Company compares the fair value of each of its reporting units to the carrying value including goodwill of that unit. For each reporting unit where the carrying value, including goodwill, exceeds the unit's fair value, the Company moves on to step 2. If a unit's fair value exceeds the carrying value, no further work is performed and no impairment charge is necessary.

Step — 2 The Company performs an allocation of the fair value of the reporting unit to its identifiable tangible and intangible assets (other than goodwill) and liabilities. This allows the Company to derive an implied fair value for the unit's goodwill. The Company then compares the implied fair value of the reporting unit's goodwill with the carrying value of the unit's goodwill. If the carrying amount of the unit's goodwill is greater than the implied fair value of its goodwill, an impairment charge would be recognized for the excess.

In 2017, 2016 and 2015, the Company did not record any goodwill impairment charges as it was determined that it was more likely than not that the fair values of the reporting units exceeded their respective carrying values.

Purchased intangible assets with finite lives are amortized using the straight-line method over their useful lives ranging from one to nine years and are reviewed for impairment in accordance with ASC 360, *Property, Plant and Equipment* ("ASC 360").

Long-Lived Assets

The Company evaluates its long-lived assets, including property and equipment and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable in accordance with ASC 360. Factors considered important that could result in an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of acquired assets, significant negative industry or economic trends, and a significant decline in the Company's stock price for a sustained period of time. Impairment exists if the carrying amounts of such assets exceed the estimates of future undiscounted cash flows expected to be generated by such assets. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's estimated fair value. Fair value is generally measured based on either quoted market prices, if available, or a discounted cash flow analysis.

Property and Equipment

The Company states property and equipment at cost. The Company computes depreciation or amortization using the straight-line method over the estimated useful lives of the respective assets or, in the case of leasehold improvements, the lease term of the respective assets, whichever is shorter.

The depreciation and amortization periods for the Company's property and equipment are as follows:

Computer equipment	Three years
Computer software	Two to Three years
Furniture and fixtures	Three years
Leasehold improvements	Shorter of the estimated useful life or remaining term of lease

Research and Development Costs

The Company charges costs related to research, design and development of products to research and development expense as incurred. The types of costs included in research and development expenses include salaries, third party development cost, contractor fees and allocated facilities costs.

Software Development Costs

The Company applies the principles of ASC 985-20, *Software-Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed* ("ASC 985-20"). ASC 985-20 requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product. The Company has adopted the "tested working model" approach to establishing technological feasibility for its games. Under this approach, the Company does not consider a game in development to have passed the technological feasibility milestone until the Company has completed a model of the game that contains essentially all the functionality and features of the final game and has tested the model to ensure that it works as expected. To date, the Company has not incurred significant costs between the establishment of technological feasibility and the release of a game for sale; thus, the Company has expensed all software development costs as incurred. The Company considers the following factors in determining whether costs can be capitalized: the uncertainty regarding a game's revenue-generating potential and its historical practice of canceling games at any stage of the development process.

Internal Use Software

The Company recognizes internal use software development costs in accordance with ASC 350-40, *Intangibles-Goodwill and Other-Internal Use Software* ("ASC 350-40") and ASU 2015-05, *Cloud Computing Arrangements*. The Company capitalizes software development costs, including costs incurred to purchase third-party software, beginning when it determines certain factors are present including, among others, that technology exists to achieve the performance requirements and/or buy versus internal development decisions, which the Company equates to the application development stage. The Company capitalized certain internal use software costs totaling approximately $924, $728 and $615 during the years ended December 31, 2017, 2016, and 2015, respectively. The estimated useful life of costs capitalized is generally three years. During the years ended December 31, 2017, 2016 and 2015, the amortization of capitalized software costs totaled approximately $1,031, $998 and $1,155, respectively. Capitalized internal use software development costs are included in property and equipment, net.

Income Taxes

In November 2015, the FASB issued ASU 2015-17, *"Balance Sheet Classification of Deferred Taxes."* This update requires an entity to classify deferred tax liabilities and assets as noncurrent within a classified statement of financial position. ASU 2015-17 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. This update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Early application is permitted as of the beginning of the interim or annual reporting period. The Company adopted ASU 2015-17 on a prospective basis as of December 31, 2015. The adoption of ASU 2015-17 did not have a material impact on the Company's consolidated financial statements.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. Under ASC 740, the Company determines deferred tax assets and liabilities based on the temporary difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which it expects the differences to reverse. The Company establishes valuation allowances when necessary to reduce deferred tax assets to the amount it expects to realize.

The Company accounts for uncertain tax positions in accordance with ASC 740, which requires companies to adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. ASC 740 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits in income tax expense.

Restructuring

The Company accounts for costs associated with employee terminations and other exit activities in accordance with ASC 420, *Exit or Disposal Cost Obligations* ("ASC 420"). The Company records employee termination benefits as an operating expense when it communicates the benefit arrangement to the employee and it requires no significant future services, other than a minimum retention period, from the employee to earn the termination benefits.

Stock-Based Compensation

The Company applies the fair value provisions of ASC 718, *Compensation-Stock Compensation* ("ASC 718"). ASC 718 requires the recognition of compensation expense, using a fair-value based method, for costs related to all share-based payments including stock options, restricted stock units ("RSUs"), performance stock units ("PSUs"), and performance stock options ("PSOs"). The number of PSUs and PSOs earned and eligible to vest will be determined based on achievement of specified financial performance measures. ASC 718 requires companies to estimate the fair value of stock-option awards on the grant date using an option pricing model. The fair value of stock options and PSOs and stock purchase rights granted pursuant to the Company's equity incentive plans and 2007 Employee Stock Purchase Plan ("ESPP"), respectively, is determined using the Black-Scholes valuation model. The determination of fair value is affected by the stock price, as well as assumptions regarding subjective variables such as expected employee exercise behavior and expected stock price volatility over the expected term of the award. Generally, these assumptions are based on historical information and judgment is required to determine if historical trends may be indicators of future outcomes.

Effective January 1, 2017, the Company no longer estimates forfeitures but accounts for them as and when they occur. Changes to the assumptions used in the Black-Scholes option valuation calculation, as well as future equity granted or assumed through acquisitions could significantly impact the compensation expense the Company recognizes. The cost of RSUs and PSUs is determined using the fair value of the Company's common stock based on the quoted closing price of the Company's common stock on the date of grant. Compensation cost for stock options, RSUs and performance based awards with a single vesting date is amortized ratably over the requisite service period. For performance-based awards that have multiple vesting dates, the compensation cost is recognized ratably over the requisite service period for each tranche, whereby each vesting tranche is treated as a separate award for determining the requisite service period. The compensation cost for performance based awards may be adjusted over the vesting period based on interim estimates of performance against the pre-set financial performance measures.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of ASC 718 and ASC 505-50.

Advertising Expenses

The Company expenses the production costs of advertising, including direct response advertising, the first time the advertising takes place. Advertising expense was $88,775, $37,408 and $38,481 in the years ended December 31, 2017, 2016 and 2015, respectively.

Comprehensive Loss

Comprehensive loss consists of two components, net loss and other comprehensive income/(loss). Other comprehensive income/(loss) refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of stockholders' equity but are excluded from net loss. The Company's other comprehensive income/(loss) included foreign currency translation adjustments from those subsidiaries not using the U.S. Dollar as their functional currency, and a reclassification to net loss from the write-off of cumulative translation adjustment.

Foreign Currency Translation

In preparing its consolidated financial statements, the Company translates the financial statements of its foreign subsidiaries from their functional currencies, the local currency, into U.S. Dollars. This process resulted in unrealized exchange gains and losses, which are included as a component of accumulated other comprehensive income/(loss) within stockholders' deficit. However, if the functional currency is deemed to be the U.S. Dollar, any gain or loss associated with the translation of these financial statements would be included in other expense within the Company's consolidated statements of operations.

Cumulative foreign currency translation adjustments include any gain or loss associated with the translation of a subsidiary's financial statements when the functional currency of a subsidiary is the local currency. If the Company disposes of any of its subsidiaries, any cumulative translation gains or losses would be realized and recorded in other expense within the Company's consolidated statement of operations in the period during which the disposal occurs. If the Company determines that there has been a change in the functional currency of a subsidiary relative to the U.S. Dollar, any translation gains or losses arising after the date of change would be included in other expense within the Company's consolidated statement of operations.

Business Combination

The Company applies the accounting standard related to business combinations, ASC 805, *Business Combinations* ("ASC 805'). The standard requires recognition of assets acquired, liabilities assumed, and contingent consideration at their fair value on the acquisition date with subsequent changes recognized in earnings; requires acquisition-related expenses and restructuring costs to be recognized separately from the business combination and expensed as incurred; requires in-process research and development to be capitalized at fair value as an indefinite-lived intangible asset until completion or abandonment; and requires that changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recognized as a component of provision for taxes.

The Company accounts for acquisitions of entities or assets that include inputs and processes and have the ability to create outputs as business combinations. The purchase price of the acquisition is allocated to tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred. While the Company uses its best estimates and assumptions as a part of 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 refinement. As a result, during the preliminary purchase price allocation 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 offset to goodwill. After the preliminary purchase price allocation period, the Company records adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in its operating results in the period in which the adjustments were determined.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The new guidance, which simplifies the accounting and presentation for share-based payments, provides for a number of amendments which impact the accounting for income taxes and the accounting for forfeitures. ASU 2016-09 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2016 and requires varied adoption methods for each respective amendment. The Company adopted this guidance in the first quarter of 2017 and elected to change its policy on accounting for forfeitures and recognize them as they occur using the modified retrospective transition method. This resulted in a cumulative-effect adjustment of $148 between opening accumulated deficit and additional paid in capital balance as of January 1, 2017. In addition, the other amendments related to accounting for income taxes and statutory tax withholding requirements were adopted using a prospective transition method and did not have a material impact on the Company's consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-19, *Technical Corrections and Improvements*. The amendments in ASU No. 2016-19 represent changes to clarify the accounting standard codification, correct unintended application of guidance, or make minor improvements to the accounting standards codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. For public companies, the standard is effective immediately for amendments that do not have transition guidance. Amendments that are subject to transition guidance, the effective date is interim and annual reporting periods beginning after December 15, 2016. The Company adopted the standard immediately upon issuance for amendments that do not have transition guidance and effective January 1, 2017 for amendments that are subject to transition guidance. The adoption of the standard did not have an impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. It is effective prospectively for the annual period ending December 31, 2018 and interim periods within that annual period. Early adoption is permitted. The impact of the new standard on the Company's consolidated financial statements subsequent to adoption will be dependent on the terms and conditions of any modifications made to share-based awards after fiscal 2017.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350)*: *Simplifying the Test for Goodwill Impairment*. This new accounting standard update simplifies the measurement of goodwill by eliminating the Step 2 impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new guidance becomes effective for goodwill impairment tests in fiscal years beginning after December 15, 2019, though early adoption is permitted. The Company is currently assessing the impact of this new guidance.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805)*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard is effective for interim and annual periods beginning after December 15, 2017, and will be applied on a prospective basis.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The standard will be effective in the first quarter of fiscal 2018. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. ASU No. 2016-16 requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 addresses eight specific cash flow issues with the objective of reducing existing diversity in practice. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The guidance requires lessees to recognize most leases as assets and liabilities on the balance sheet. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for annual and interim periods beginning after December 31, 2018. The updated standard mandates a modified retrospective transition method with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall - Recognition and Measurement of Financial Assets and Financial Liabilities*. The guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for a practicability exception. The updated standard is effective for interim and annual reporting periods beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers.* Under the standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016. The Company will adopt the new standard in the first quarter of 2018. The FASB recently issued several amendments to the standard, including clarifications on disclosure of prior-period performance obligations and remaining performance obligations.

The standard permits the use of either a full retrospective or modified retrospective transition method. The Company will apply the modified retrospective approach when it adopts the standard in the first quarter of 2018.

The Company has completed the evaluation of the impact of the new standard in relation to the revenue recognition of all of its material revenue arrangements. Based on this evaluation, the Company has determined that under the new standard the Company will no longer defer revenue earned from offer advertisements. Fees received from offer advertisements that result in users receiving virtual currency for redemption within a game will now be recognized at the time such advertisements are delivered and reported to the Company as the performance obligations are satisfied when the advertisement has been displayed. This change will result in a cumulative transition adjustment of approximately $8,826 which will reduce the Company's accumulated deficit, deferred revenue and deferred royalties in the first quarter of 2018. The adoption of the new standard is not expected to have any other material impact on the Company's financial statements. Further, the Company will continue to be considered the principal in its transactions and as the primary obligor to end-users for smartphone games distributed through Digital Storefronts and advertisements served through its advertising service providers. Therefore, revenue related to these arrangements will continue to be recognized on a gross basis if the necessary information about the gross amounts or platform fees charged, before any adjustments, is made available to the Company by the Digital Storefronts and advertising service providers.

The Company does not anticipate that its internal control framework will materially change, but rather existing internal controls will be modified and augmented as necessary to implement the new revenue standard. The Company is currently in the process of evaluating the required financial statement disclosures to allow users of its financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with its customers.

NOTE 2 — NET LOSS PER SHARE

The Company computes net loss per share by dividing its net loss for the period by the weighted average number of common shares outstanding during the period less the weighted average common shares subject to restrictions imposed by the Company.

	Year Ended December 31,		
	2017	**2016**	**2015**
Net loss	$ (97,570)	$ (87,440)	$ (7,185)
Shares used to compute net loss per share:			
Weighted average common shares outstanding	135,715	132,808	122,414
Weighted average common shares subject to restrictions	—	(1,004)	(3,639)
Weighted average shares used to compute basic and diluted net loss per share	135,715	131,804	118,775
Net loss per share - basic and diluted	(0.72)	(0.66)	(0.06)

The weighted average of the following options to purchase common stock, warrants to purchase common stock, unvested shares of common stock subject to restrictions and RSUs have been excluded from the computation of net loss per share of common stock for the periods presented because including them would have had an anti-dilutive effect:

	Year Ended December 31,		
	2017	**2016**	**2015**
Warrants to purchase common stock	4,173	4,267	3,832
Unvested common shares subject to restrictions	—	1,004	3,639
Options to purchase common stock	16,462	8,490	6,804
RSUs	7,545	7,688	5,776
	28,180	21,449	20,051

NOTE 3 — BUSINESS COMBINATIONS / DIVESTITURE

Divestiture of Moscow Studio

On December 31, 2017 (the "Closing Date"), the Company entered into the following agreements related to the divestiture of its Moscow-based game development studio (the "Moscow Studio") through the sale of its wholly-owned UK subsidiary Glu Mobile (Russia) Limited ("GMRL"):

- Share Purchase Agreement (the "SPA") between the Company and Saber Interactive ("Saber"); and
- Transitional Services Agreement (the "TSA") among the Company, Saber and MGL My.com (Cyprus) Limited ("MGL").

Pursuant to the SPA, Saber purchased all the issued and outstanding share capital of GMRL. Saber will assume all obligations under the office lease for the Moscow Studio.

Under the TSA, Saber has agreed to transition certain legacy titles from the Moscow Studio to the Company's Hyderabad studio. If the transition is successfully completed, then (i) Saber will be required to pay the employees of the Moscow Studio and GMRL bonus payments not to exceed $500 in the aggregate with Saber entitled to reduce the cash consideration payable to the Company by the amount of the bonus, and (ii) certain employees of the Moscow Studio and GMRL will have the vesting of an aggregate of up to approximately 150 shares subject to equity awards accelerated.

In addition, on December 31, 2017, the Company entered into an Asset Purchase and License Agreement (the "APLA") with MGL pursuant to which the Company sold four mobile games (and related intellectual property and other rights) developed by the Moscow Studio: (i) *Last Day Alive*, (ii) *Heroes of Destiny*, (iii) a game currently in development featuring a male celebrity (the "Celebrity Game"), and (iv) *Furiosa*, (collectively, the "Purchased Games"). The Company transferred all its rights and obligations under certain contracts related to the Celebrity Game (the "Celebrity Game Contracts"), including, but not limited to, the obligation to pay the remaining approximately $1,500 in minimum guarantee and other payments under the Celebrity Game Contracts. The Company also agreed to provide MGL with a non-exclusive, perpetual, worldwide, irrevocable, non-transferrable, royalty-free license to certain development tools and technology necessary to use, develop, publish, exploit and sell the Purchased Games and that MGL and/or its affiliates may use for the development of other of its products.

The total cash consideration the Company is receiving under the SPA and APLA is $3,226 of which $1,500 will become due and payable upon completion of the transition. As of December 31, 2017, the cash consideration is included in prepaid expenses and other current assets on the consolidated balance sheet.

In connection with the divestiture, the Company recorded a loss of $6,459 in the fourth quarter of 2017, which is included in other expense on the consolidated statement of operations. This was primarily comprised of a $10,000 charge related to the assignment of one of the Celebrity Game Contracts, a $1,220 charge related to the write-off of goodwill associated with the Moscow Studio and a $479 charge related to the write-off of net assets associated with the Moscow Studio. These charges were partially offset by $3,226 in cash paid or payable by Saber and MGL, $1,500 related to the assumption of obligations by MGL under the Celebrity Game Contracts, and $514 related to the transition services to be provided by Saber.

The Company's divestiture of the Moscow Studio is part of the Company's efforts to consolidate its studio locations, focusing on a new scaled creative center in San Francisco and a low cost, repeatable location in Hyderabad, India. This divestiture was not presented as discontinued operations in the consolidated statements of operations, because it did not represent a strategic shift in the Company's business and is not expected to have a significant effect on the Company's operations or financial results, as the Company continued operating similar businesses after the divestiture.

Dairy Free Games, Inc.

On August 1, 2017 (the "Merger Date"), the Company completed the acquisition of Dairy Free Games, Inc ("Dairy Free") by acquiring 100% of its equity pursuant to an Agreement and Plan of Merger (the "Dairy Free Merger Agreement") by and among the Company, Winterfell Acquisition Corp., a Delaware corporation and wholly owned subsidiary of the Company, and Dairy Free. Dairy Free, which is based in California, is building a mobile real-time strategy game. The Company acquired Dairy Free in order to expand its game offerings on smartphones and tablets.

Pursuant to the terms of the Dairy Free Merger Agreement, the Company paid $2,000 in cash for the outstanding common stock of Dairy Free. The Company had previously acquired from Dairy Free shares of its series A preferred stock ("Series A Preferred Stock"), as further described below, for $2,000. The fair value of the Series A Preferred Stock as of the Merger Date was determined to be equal to the original investment amount of $2,000. The transaction was accounted for as a business combination under the acquisition method of accounting.

The Company allocated the purchase price to the individually identifiable assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. The excess of the purchase price over those fair values was recorded as goodwill. The determination of these fair values was based on estimates and assumptions requiring significant judgments. While the Company believes that its estimates and assumptions underlying the valuations are reasonable, different estimates and assumptions could result in different valuations assigned to the individual assets acquired and liabilities assumed, and the resulting amount of goodwill. The following table summarizes the fair values of assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Cash and cash equivalents	$	341
Intangible assets:		
In-process research and development		2,700
Other current assets		32
Goodwill		573
Total assets		3,646
Liabilities assumed:		
Deferred tax liability		(294)
Other accrued liabilities		(2)
Total liabilities assumed		(296)
Net acquired assets	$	3,350

In-process research and development included in the above table is finite-lived upon completion, and will be amortized on a straight-line basis over its estimated life of three years, which approximates the pattern in which the economic benefits of the intangible asset are expected to be realized. As of the valuation date, Dairy Free was in the process of developing a game, which the Company estimates will be launched in 2018. Pursuant to ASC 805, the Company incurred and expensed a total of $611 in acquisition and transitional costs associated with the acquisition of Dairy Free during the year ended December 31, 2017. These costs consisted of $269 of research and development expense, and $342 of general and administrative expense.

The Company allocated the residual value of $573 to goodwill. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of Dairy Free. Goodwill will not be amortized but will be tested for impairment at least annually. Goodwill created as a result of the Dairy Free acquisition is not deductible for tax purposes.

In January 2016, the Company acquired a minority equity stake and entered into a commercial agreement with Dairy Free. As part of the arrangement, the Company invested $2,000 in Dairy Free's Series A Preferred Stock. The preferred stock investment was recorded at cost. The Company had also agreed to provide up to $1,000 of recoupable and non-refundable development funding for a mobile game under development by Dairy Free. The development funding was payable in installments upon Dairy Free achieving certain milestones. The development funding was fully recognized as research and development expense as the development activities were performed. The Company had recorded $650 in accrued research and development expenses. The accrued research and development expenses balance of $650 was also determined to be equal to the fair market value as of the date of the merger and was offset against the goodwill amount resulting from the acquisition of Dairy Free.

Crowdstar Inc.

On November 2, 2016, the Company, acquired shares representing approximately 80.6% of the issued and outstanding voting power of Crowdstar Inc., a Delaware corporation ("Crowdstar"), from Time Warner Inc., Intel Capital

Corporation and certain other stockholders of Crowdstar (the "Participating Stockholders"). Crowdstar is a developer of fashion and home decor genre games for mobile devices based in Burlingame, California. The Company acquired Crowdstar to leverage its casual games expertise, assembled workforce and existing mobile games in order to expand the Company's game offerings on smartphones and tablets. The Company paid approximately $40,794 in cash to the Participating Stockholders in exchange for the acquired shares. In addition, certain drag-along provisions specified in a voting agreement by and among Crowdstar and certain other stockholders of Crowdstar were triggered. Pursuant to the drag-along provisions, certain other stockholders of Crowdstar were required to tender their Crowdstar capital stock to the Company on the same terms as the Participating Stockholders. Upon acquiring over 90% of the issued and outstanding voting power of Crowdstar pursuant to the drag-along provisions, on December 6, 2016, the Company acquired the remaining issued and outstanding shares of Crowdstar in a short-form merger under the laws of the State of Delaware for an additional $4,667 for a total of $45,461 for 100% ownership of Crowdstar.

The allocation of the purchase price is based on valuations derived from estimated fair value assessments and assumptions used by the Company. While the Company believes that its estimates and assumptions underlying the valuations are reasonable, different estimates and assumptions could result in different valuations assigned to the individual assets acquired and liabilities assumed, and the resulting amount of goodwill. The following table summarizes the fair values of assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Cash and cash equivalents	$	4,492
Accounts receivable		3,905
Prepaid expenses		521
Other current assets		34
Fixed assets		315
Intangible assets:		
Titles, content and technology		16,000
Goodwill		28,776
Total assets		54,043
Liabilities assumed:		
Accounts payable		(584)
Accrued liabilities		(4,284)
Deferred revenue		(1,500)
Note payable - current portion		(1,279)
Long term liabilities		(935)
Total liabilities assumed		(8,582)
Net acquired assets	$	45,461

Acquisition-related intangibles included in the above table are finite-lived and are being amortized on a straight-line basis over their estimated lives of three to five years, which approximates the pattern in which the economic benefits of the intangible assets are expected to be realized. Of the total purchase price, $16,000 was allocated to identifiable intangible assets. Pursuant to ASC 805, the Company incurred and expensed a total of $3,616 and $802 of transitional costs associated with the acquisition of Crowdstar during the year ended December 31, 2017 and December 31, 2016, respectively. These costs consisted of $2,936 of research and development expense, and $680 of general and administrative expense for the year ended December 31, 2017 and were primarily general and administrative related expenses for the year ended December 31, 2016.

The Company allocated the residual value of $28,776 to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with ASC 350, goodwill will not be amortized but will be tested for impairment at least annually. Goodwill created as a result of the Crowdstar acquisition is not deductible for tax purposes.

Plain Vanilla, Corp.

On December 19, 2016, the Company acquired substantially all of the intangible assets and certain other assets of Plain Vanilla Corp. ("Plain Vanilla"), the developer of the *QuizUp* interactive software application for mobile devices, based in Reykjavik, Iceland. The Company acquired these assets in order to expand the Company's game offerings on smartphones and tablets.

The Company forgave and canceled $7,500 in aggregate principal amount of convertible promissory notes of Plain Vanilla held by the Company, and all interest thereon, in exchange for acquiring the *QuizUp* assets and technology and other receivables. The deemed fair value of the consideration as of the acquisition date was determined to be $3,200. The acquired assets represent a business as defined in ASC 805, *Business Combinations.* The Company has integrated the acquired assets into the Company's existing business. The asset purchase agreement also contains customary representations, warranties and covenants, including non-competition and indemnification provisions.

The allocation of the purchase price is based on valuations derived from estimated fair value assessments and assumptions used by the Company. While the Company believes that its estimates and assumptions underlying the valuations are reasonable, different estimates and assumptions could result in different valuations assigned to the individual assets acquired. The following table summarizes the fair values of assets acquired at the date of acquisition:

Fair value of purchase consideration:	$	3,200
Assets acquired:		
Cash	$	1,200
Accounts receivable		183
Intangible assets:		
Title, content and technology		1,817
Total Assets acquired	$	3,200

Acquisition-related intangibles included in the above table are finite-lived and are being amortized on a straight-line basis over their estimated lives of three years, which approximates the pattern in which the economic benefits of the intangible assets are expected to be realized. Of the total purchase price, $1,817 was allocated to identifiable intangible assets. No residual value was allocated to goodwill.

Valuation Methodology

The Company valued titles, content and technology primarily using the Multi-Period Excess Earnings ("MPEE") method of the income approach and key assumptions used included: projected revenue, cost of goods sold, and operating expenses for Crowdstar's legacy titles, the future amortization tax benefit of the legacy titles, and a discount rate of between 20% and 35%.

The fair value of the in-process research and development acquired from Dairy Free was determined using the replacement cost method under the cost approach. The replacement cost was estimated based on the historical research and development expenses incurred, adjusted for an estimated developer's profit and rate of return in accordance with accepted valuation methodologies.

The fair value of Crowdstar's deferred revenue was determined to be $1,500 as of the valuation date. This was valued using the estimated costs including hosting fees and salaries and benefits to support the contractual obligations associated with these revenue, plus a market participant margin. The deferred revenue will be recognized on a straight-line basis over nine months from the valuation date.

As of the valuation date, Crowdstar was in process of developing *Design Home*, which was launched in the fourth quarter of 2016.

Pro Forma Financial Information

The results of operations for Dairy Free, Crowdstar and Plain Vanilla and the estimated fair market values of the assets acquired and liabilities assumed have been included in the Company's consolidated financial statements since their respective dates of acquisition. For the year ended December 31, 2017 and since the date of its acquisition, Dairy Free had no impact on the Company's gross revenue and increased the Company's net losses by $1,081. For the year ended

December 31, 2016 and since the dates of their respective acquisitions, Crowdstar and Plain Vanilla contributed approximately $2,111 to the Company's gross revenue and increased net losses by $9,194. The unaudited pro forma financial information in the table below summarizes the combined results of the Company's operations and those of Dairy Free, Crowdstar and Plain Vanilla for the periods shown as if the acquisition of Dairy Free had occurred on January 1, 2016 and the acquisition of Crowdstar and Plain Vanilla had each occurred on January 1, 2015. The pro forma financial information includes the business combination accounting effects of the acquisition, including amortization charges from acquired intangible assets. The pro forma financial information presented below is for informational purposes only, and is subject to a number of estimates, assumptions and other uncertainties.

	Year ended December 31, (unaudited)		
	2017	2016	2015
Total pro forma revenue	$ 286,827	$ 245,483	$ 287,828
Pro forma net loss	(98,450)	(100,018)	(28,154)
Pro forma net loss per share - basic	(0.73)	(0.76)	(0.24)
Pro forma net loss per share - diluted	(0.73)	(0.76)	(0.24)

NOTE 4 — FAIR VALUE MEASUREMENTS

Fair Value Measurements

The Company accounts for fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of December 31, 2017, the Company's financial assets and financial liabilities are presented below at fair value and were classified within the fair value hierarchy as follows (in thousands):

	Level 1	Level 2	Level 3	December 31, 2017
Financial Assets				
Cash and cash equivalents	$ 63,764	$ —	$ —	$ 63,764
Restricted cash	602	—	—	602
Other investments	—	—	1,410	1,410
Total Financial Assets	$ 64,366	$ —	$ 1,410	$ 65,776

As of December 31, 2016, the Company's financial assets and financial liabilities are presented below at fair value and were classified within the fair value hierarchy as follows (in thousands):

	Level 1	Level 2	Level 3	December 31, 2016
Financial Assets				
Cash and cash equivalents	$ 102,102	$ —	$ —	$ 102,102
Restricted cash	1,312	—	—	1,312
Total Financial Assets	$ 103,414	$ —	$ —	$ 103,414

The Company's cash and cash equivalents, which were held in operating bank accounts, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. In addition, the Company's restricted cash is classified within Level 1 of the fair value hierarchy. The carrying value of accounts receivable and payables approximates fair value due to the short time to expected payment or receipt of cash. The carrying value of other investments approximates fair value, as the Company purchased these investments in fiscal 2017 and there have been no events or changes in circumstances that would have had a significant effect on the fair value of these investments at December 31, 2017.

NOTE 5 — INVESTMENTS

In January 2016, the Company announced an investment of up to $7,500 in promissory notes convertible into a minority equity stake in Plain Vanilla. $5,000 was paid in January 2016 and the remaining $2,500 was paid in May 2016. As part of the investment, the Company also received a call option to acquire all outstanding equity of Plain Vanilla for 15 months from the closing of the initial investment, unless earlier terminated by the Company, at a pre-agreed price. Plain Vanilla was the Icelandic developer of the mobile game *QuizUp,* and was financed primarily through equity investments prior to the Company's acquisition of all of its intangible assets and certain other assets.

On December 19, 2016, the Company acquired substantially all of the intangible assets and certain other assets of Plain Vanilla in exchange of forgiveness and cancellation of $7,500 in aggregate principal amount of convertible promissory notes and all interest thereon. The call option agreement was terminated as of that date. See "Note 3 – Business Combinations" for additional details.

The Company elected the fair value option to account for its investment in the promissory notes. The call option was recorded at cost. As of the investment date, the fair value of the promissory note and the call option was determined to be $5,100 and $2,400, respectively. The Company computed the fair value of the promissory notes as of the business acquisition date of December 19, 2016 to be $3,200. Due to the decrease in the fair market value of the promissory notes from the initial investment date until the business acquisition date, the Company recorded a charge of $1,900 in other expense for the year ended December 31, 2016. Due to a decline in the forecasted revenue and future cash flow outlook of Plain Vanilla during the second and third quarters of 2016, the fair value of the call option was estimated to be nil as of September 30, 2016, which resulted in the Company recording an impairment charge of $2,400 in other expense.

The following table presents the changes in fair value of the Plain Vanilla promissory notes and the call option:

	Year ended December 31, 2016					
	Asset at the beginning o f the period	Additions	Impairment of cost method investment	Decrease in fair value	Fair value of purchase consideration for business acquisition	Asset at the end of the period
Convertible promissory note investment in Plain Vanilla Corp.	$ —	$ 5,100	$ —	$ (1,900)	$ (3,200)	$ —
Call option to acquire Plain Vanilla Corp.	$ —	$ 2,400	$ (2,400)	—	$ —	$ —

The Company engaged third party valuation experts to aid management in its analysis of the fair value of the promissory notes issued to the Company in each of January 2016 and May 2016 by, and the Company's option to acquire all of the outstanding equity ("call option") of, Plain Vanilla Corp. ("Plain Vanilla"). During the second and third quarters of 2016, the fair value of the promissory notes was estimated using a probability weighted assessment of the expected cash flows discounted to their present value. The fair value of the promissory notes as of the business acquisition date of December 19, 2016 was assessed using the expected revenue and applicable market multiples. The fair value of the call option prior to impairment in the third quarter was estimated using the Black-Scholes valuation model. The Black-Scholes valuation model requires inputs such as the expected term of the call option, expected volatility and risk-free interest rate. Certain of these inputs are subjective and require significant analysis and judgment to develop. The weighted average assumptions used by the Company are noted in the following table:

	Nine Months Ended September 30, 2016
Dividend yield	—
Risk-free interest rate	0.41
Expected volatility	63.88
Expected term (in years)	0.68

Plain Vanilla, prior to acquisition of its assets by the Company, was a VIE. However, the Company determined that it was not the primary beneficiary of this VIE since the Company did not have the power to direct the activities of this VIE that most significantly impacted its economic performance. This determination was based on the following factors: (i) the development stage of VIE products; (ii) the Company's inability to exercise control or decision making power over the VIE, as well as its lack of involvement in day-to-day operations and management decisions; and (iii) the fact that the call option to acquire Plain Vanilla, before the acquisition of its assets by the Company, was significantly out of the money.

In January 2016, the Company acquired a minority equity stake and entered into a commercial agreement with Dairy Free. As part of the arrangement, the Company invested $2,000 in Dairy Free's Series A Preferred Stock. The Company also agreed to provide up to $1,000 of recoupable and non-refundable development funding for a mobile game under development by Dairy Free. The development funding was payable in installments upon Dairy Free achieving certain milestones. The development funding was fully recognized as research and development expense during the year ended December 31, 2016 as the development activities were performed.

On August 1, 2017, the Company acquired 100% of the outstanding equity of Dairy Free pursuant to the Dairy Free Merger Agreement. See "Note 3 – Business Combinations" for additional details.

Prior to the acquisition by the Company, Dairy Free was a VIE. However, the Company determined that it was not the primary beneficiary of this VIE since the Company did not have the power to direct the activities of this VIE that most significantly impacted its economic performance. This determination was based on the following factors: (i) the development stage of Dairy Free's products; and (ii) the Company's inability to exercise control or decision-making power over Dairy Free, based on the Company's ownership percentage and voting rights, as well as its lack of involvement in day-to-day operations and management decisions. The Company was not obligated to provide any explicit or implicit financial or other support to Dairy Free other than what was contractually agreed to in the investment agreement and the Company had no exposure to loss beyond its investment in Dairy Free prior to the acquisition.

NOTE 6 — BALANCE SHEET COMPONENTS

Accounts Receivable

	December 31, 2017	December 31, 2016
Accounts receivable	$ 35,510	$ 22,314
Less: Allowance for doubtful accounts	(837)	(837)
	$ 34,673	$ 21,477

Accounts receivable include amounts billed and unbilled as of the respective balance sheet dates, but net of platform commissions to the Company's Digital Storefronts.

The movement in the Company's allowance for doubtful accounts is as follows:

Description	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Year ended December 31, 2017	$ 837	$ -	$ -	$ 837
Year ended December 31, 2016	$ 716	$ 168	$ (47)	$ 837
Year ended December 31, 2015	$ 297	$ 419	$ -	$ 716

The Company had no significant write-offs or recoveries during the years ended December 31, 2017, 2016, and 2015.

Prepaid expenses and other

	December 31, 2017	December 31, 2016
Deferred platform commission fees	20,446	11,571
Deferred royalties	4,364	3,275
Deposits	5,464	960
Other	5,269	3,180
	$ 35,543	$ 18,986

Property and Equipment

	December 31, 2017	December 31, 2016
Computer equipment	$ 6,051	$ 7,085
Furniture and fixtures	1,666	1,054
Software	3,294	8,180
Leasehold improvements	9,857	4,955
	20,868	21,274
Less: Accumulated depreciation and amortization	(6,238)	(15,634)
	$ 14,630	$ 5,640

Depreciation for the years ended December 31, 2017, 2016 and 2015 was $3,195, $2,947 and $2,861, respectively.

NOTE 7 — GOODWILL AND INTANGIBLE ASSETS

Intangible Assets

The Company's intangible assets were acquired primarily in various acquisitions as well as in connection with the purchase of certain trademarks, brand assets and licensed content. The carrying amounts and accumulated amortization expense of the acquired intangible assets, including the impact of foreign currency exchange translation, at December 31, 2017 and December 31, 2016 were as follows:

		December 31, 2017			December 31, 2016		
	Estimated Useful Life	Gross Carrying Value *	Accumulated Amortization Expense *	Net Carrying Value *	Gross Carrying Value *	Accumulated Amortization Expense *	Net Carrying Value *
Intangible assets amortized to cost of revenue:							
Titles, content and technology	3 - 5 yrs	$ 40,317	$ (27,248)	$ 13,069	$ 40,942	$ (19,255)	$ 21,687
Carrier contract and related relationships	5 yrs	5,000	(3,398)	1,602	14,029	(11,427)	2,602
Licensed content	2.5 - 5 yrs	—	—	—	2,334	(2,334)	—
Service provider license	9 yrs	—	—	—	212	(212)	—
Trademarks	7 yrs	5,000	(4,107)	893	5,117	(3,510)	1,607
In-process research and development	N/A	2,700	—	2,700	—	—	—
Total intangibles assets		$ 53,017	$ (34,753)	$ 18,264	$ 62,634	$ (36,738)	$ 25,896

* Including impact of foreign exchange

Acquisition-related intangibles included in the above table are finite-lived and are being amortized on a straight-line basis over their estimated lives, which approximate the pattern in which the economic benefits of the intangible assets are realized. The Company has included amortization of acquired intangible assets directly attributable to revenue-generating activities in cost of revenue.

During the year ended December 31, 2017, the Company wrote-off fully amortized intangible assets with an aggregate gross book value and accumulated amortization value of $12,629 as these intangible assets were considered obsolete after the winding down of a foreign subsidiary. During the year ended December 31, 2016, the Company wrote-off fully amortized intangible assets with an aggregate gross book value and accumulated amortization value of $29,109 as these intangible assets were considered obsolete after the recent liquidation of a foreign subsidiary and the restructuring of the Company's Washington studio.

During the year ended December 31, 2016, the Company recorded an impairment of an intangible asset of $4,597 related to the license fee paid to an affiliate of Tencent for the Company's *Rival Fire* game, which launched during the third quarter of 2016, due to underperformance of the title and the Company's determination that the title would generate negligible cash flows during the remaining contractual life of the license. No impairment of intangible assets was recorded during the year ended December 31, 2017.

During the years ended December 31, 2017, 2016 and 2015, the Company recorded amortization and impairment expense in the amounts of $10,331, $14,792 and $9,553, respectively, in cost of revenue. During the years ended December 31, 2017, 2016 and 2015, the Company recorded amortization expense in the amounts of $0, $0 and $201, respectively, in operating expenses.

As of December 31, 2017, the total expected future amortization related to intangible assets was as follows:

Year Ending December 31,		Amortization to Be Included in Cost of Revenue
2018	$	5,870
2019		4,936
2020		3,258
2021		1,500
Total intangible assets subject to amortization		15,564
In-process research and development*		2,700
Total intangible assets, net	$	18,264

* The in-process research and development intangible asset will be amortized on a straight-line basis over its estimated life of three years upon successful completion of the game under development.

Goodwill

In the valuation of the goodwill balance for the reporting unit, the Company gave consideration to the future economic benefits of other assets that were not individually identified or separately recognized. The acquired studio workforce for each of these acquisitions was estimated to have value, and since the acquired workforce is not individually identified or separately recognized, it was subsumed within the goodwill recognized as part of each business combination. The Company further planned to leverage its preexisting contractual relationships with Digital Storefronts to distribute new titles developed by the Griptonite, Blammo, PlayFirst, Cie Games, Crowdstar and Dairy Free studios and the expected synergies are reflected in the value of the goodwill recognized. The Company also used the GameSpy acquired workforce and expertise to help in its development efforts for its technology platform, and these synergies are reflected in the value of goodwill recognized.

Goodwill for the periods indicated was as follows:

		December 31, 2017		December 31, 2016
Goodwill	$	189,943	$	161,001
Accumulated impairment losses		(73,111)		(73,111)
Balance as of January 1		116,832		87,890
Goodwill acquired during the year		573		29,029
Effects of foreign currency exchange		42		(87)
Write off from the sale of a foreign subsidiary		(1,220)		—
Balance as of period ended	$	116,227	$	116,832

In accordance with ASC 350, the Company's goodwill is not amortized but is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Under ASC 350, the Company performs its annual impairment review of its goodwill balance as of September 30 or more frequently if triggering events occur.

The Company evaluates qualitative factors and overall financial performance to determine whether it is necessary to perform the first step of the two-step goodwill test. This step is referred to as "Step 0." Step 0 involves, among other qualitative factors, weighing the relative impact of factors that are specific to the reporting unit as well as industry and macroeconomic factors. After assessing those various factors, if it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity will need to proceed to the first step of the goodwill impairment test. ASC 350 requires a multiple-step approach to testing goodwill for impairment for each reporting unit annually, or whenever events or changes in circumstances indicate the fair value of a reporting unit is below its carrying amount. The first step measures for impairment by applying the fair value-based tests at the reporting unit level. The second step (if necessary) measures the amount of impairment by applying the fair value-based tests to individual assets and liabilities within each reporting unit. The fair value of the reporting units is estimated using a combination of the market approach, which utilizes comparable companies' data, and/or the income approach, which uses discounted cash flows.

During the third quarters of fiscal 2017 and 2015, the Company performed a "Step 0" qualitative assessment for its reporting unit. Based on the assessment, the Company concluded that it was more likely than not that the fair value of the reporting unit was greater than its carrying amount, and as a result, did not proceed to further impairment testing. Accordingly, the Company did not recognize an impairment of goodwill during the years ended December 31, 2017 and December 31, 2015. During the three months ended December 31, 2017, the Company recorded a prepaid royalty impairment charge of $26,067. However, the Company's market capitalization remained well above its carrying value during that period. Based on the results of the interim goodwill impairment test, as of December 31, 2017, the Company concluded that its goodwill was not impaired.

The Company performed its annual impairment assessment as of September 30, 2016 and determined a Step 1 analysis was necessary due to a significant decline in its market capitalization and the significant impairment of prepaid royalties recorded during the three months ended September 30, 2016. Based on the results of the Step 1 analysis, the Company concluded that the fair value of the reporting unit was greater than the carrying value of the reporting unit based on a methodology that utilized both an income approach and a market approach. The Company considered valuation factors including its market capitalization, future discounted cash flows and an estimated control premium based upon a review of comparable market transactions. Accordingly, the Company did not recognize an impairment of goodwill during the year ended December 31, 2016.

Any material impairment of prepaid royalty and license fee assets in the future periods may require the Company to perform a goodwill impairment assessment. Such assessment could result in impairments to the Company's goodwill, which could adversely impact the Company's results of operations.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space under non-cancelable operating facility leases with various expiration dates through December 2027. Rent expense for the years ended December 31, 2017, 2016 and 2015 was $4,472, $4,827 and $4,639, respectively. The terms of the facility leases provide for rental payments on a graduated scale. The Company recognizes rent expense on a straight-line basis over the lease period, and has accrued for rent expense incurred but not paid. The deferred rent balance was $4,940 and $820 at December 31, 2017 and 2016, respectively, of which $4,850 and $619 was included within other long-term liabilities at December 31, 2017 and 2016, respectively.

In May 2017, the Company entered into a lease for approximately 57,000 square feet of office space for its new San Francisco headquarters (the "Lease"). The term of the Lease began on July 1, 2017 and the obligation to pay rent began on December 4, 2017 (the "Rent Commencement Date"). The term of the Lease will expire on the tenth anniversary of the Rent Commencement Date. The Company paid a security deposit of $1,542 in connection with the Lease which has been classified within other long term assets on the Company's consolidated balance sheet as of December 31, 2017. The security deposit will be reduced to $1,000 on or after April 1, 2019, provided the Company has generated annual bookings of at least $250,000 for two consecutive fiscal years and is otherwise not in default under the Lease.

The Company has provided deposits for lines of credit totaling $492 to secure its obligations under the leases, which have been classified as restricted cash on the Company's consolidated balance sheet as of December 31, 2017.

At December 31, 2017, future minimum lease payments under non-cancelable operating leases were as follows:

Year Ending December 31,	**Minimum Operating Lease Payments**
2018	$ 6,430
2019	5,975
2020	5,380
2021	4,617
2022 and thereafter	29,532

	$ 51,934

Minimum Guaranteed Royalties and Developer Commitments

The Company has entered into license and publishing agreements with various celebrities, Hollywood studios, athletes, sports organizations, and other well-known brands and properties to develop and publish games for mobile devices. Pursuant to some of these agreements, the Company is required to make minimum guaranteed royalty payments regardless of revenue generated by the applicable game, which may not be dependent on any deliverables. The significant majority of these minimum guaranteed royalty payments are recoupable against future royalty obligations that would otherwise become payable, or in certain circumstances, where not recoupable, are capitalized and amortized over the lesser of (1) the estimated life of the title incorporating licensed content or (2) the term of the license agreement.

At December 31, 2017, future unpaid minimum guaranteed royalty commitments were as follows:

Year Ending December 31,	Future Minimum Guarantee Commitments	Future Minimum Developer Commitments
2018	$ 4,714	$ 250
2019	4,600	—
2020	2,300	—
	$ 11,614	$ 250

The amounts represented in the table above reflect the Company's minimum cash obligations for the respective calendar years, but do not necessarily represent the periods in which they will be expensed in the Company's consolidated financial statements.

Future developer commitments as of December 31, 2017 were $250. These developer commitments reflect the Company's minimum cash obligations to external software developers ("third-party developers") to design and develop its software applications but do not necessarily represent the periods in which they will be expensed. The Company advances funds to these third-party developers, in installments, payable upon the completion of specified development milestones, and expenses third-party developer commitments as services are provided.

Licensor commitments include $9,610 of commitments due to licensors that have been recorded in current and long-term liabilities and a corresponding amount in current and long-term assets because payment is not contingent upon performance by the licensor. The classification of commitments between long-term and short-term is determined based on the timing of recoupment of earned royalties calculated on projected revenue for the licensed intellectual property games.

Income Taxes

As of December 31, 2017, unrecognized tax benefits have been netted against deferred tax assets and potential interest and penalties are classified within "other long-term liabilities" on the Company's consolidated balance sheets. As of December 31, 2017, the settlement of the Company's income tax liabilities could not be determined; however, the liabilities are not expected to become due within the next 12 months.

Indemnification Arrangements

The Company has entered into agreements under which it indemnifies each of its officers and directors during his or her lifetime for certain events or occurrences while the officer or director is or was serving at the Company's request in that capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts paid. Accordingly, the Company had recorded no liabilities for these agreements as of December 31, 2017, 2016 and 2015.

In the ordinary course of its business, the Company includes standard indemnification provisions in most of its commercial agreements with Digital Storefronts and licensors. Pursuant to these provisions, the Company generally indemnifies these parties for losses suffered or incurred in connection with its games, including as a result of intellectual property infringement, viruses, worms and other malicious software, and legal or regulatory violations. The term of these indemnity provisions is generally perpetual after execution of the corresponding license agreement, and the maximum potential amount of future payments the Company could be required to make under these provisions is often unlimited. To date, the Company has not incurred costs to defend lawsuits or settle indemnified claims of these types. As a result, the Company believes the estimated fair value of these indemnity provisions is minimal. Accordingly, the Company had recorded no liabilities for these provisions as of December 31, 2017 and 2016.

Contingencies

From time to time, the Company is subject to various claims, complaints and legal actions in the normal course of business. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using available information. The Company's estimate of losses is developed in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. After taking all of the above factors into account, the Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed reasonably probable and the amount can be reasonably estimated. The Company further determines whether an estimated loss from a contingency should be disclosed by assessing whether a material loss is deemed reasonably possible. Such disclosure will include an estimate of the additional loss or range of loss or will state that an estimate cannot be made.

The Company does not believe it is party to any currently pending litigation, the outcome of which is reasonably likely to have a material adverse effect on its operations, financial position or liquidity. However, the ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on the Company because of defense costs, potential negative publicity, diversion of management resources and other factors.

NOTE 9 — STOCKHOLDERS' EQUITY

Common Stock

At December 31, 2017, the Company was authorized to issue 250,000 shares of common stock. As of December 31, 2017, the Company had reserved 40,556 shares for future issuance under its stock plans and outstanding warrants.

Preferred Stock

At December 31, 2017, the Company was authorized to issue 5,000 shares of preferred stock.

Tencent Investment

On April 29, 2015, the Company entered into a Purchase Agreement with Tencent and Tencent's controlled affiliate, Red River Investment Limited ("Red River"). Pursuant to the Purchase Agreement, the Company issued to Red River in a private placement an aggregate of 21,000 shares of the Company's common stock (the "Shares") at a purchase price of $6.00 per share, for aggregate net proceeds of $125,156, after offering expenses. The Company issued 12,500 of the Shares to Red River on April 29, 2015 and issued the remaining 8,500 Shares at a second closing on June 3, 2015.

Warrants to Purchase Common Stock

Celebrity Warrants

During 2015, the Company issued warrants to celebrity licensors, and entities affiliated with one of the celebrity licensors, to purchase up to an aggregate of 1,100 shares of the Company's common stock, subject to adjustments for dividends, reorganizations and other common stock events (collectively, the "Celebrity Warrants"). With respect to Celebrity Warrants covering 1,000 shares, such warrants vest with respect to 50% of the underlying shares upon public announcement of the related license agreement, with the remaining shares vesting in equal monthly installments over 24 months, subject to full acceleration in the event of (i) the Company's full recoupment of the minimum guarantee payments under the related license agreement, (ii) the termination of the license agreement due to the Company's material breach of the agreement or (iii) a change of control of the Company. With respect to the remaining Celebrity Warrants covering 100 shares issued in 2015, such warrants vest in equal monthly installments over 60 months, with up to 25% of the shares subject to accelerated vesting in the event the celebrity licensor approves game design documentation by a certain date and the related game commercially launches by a certain date. During the years ended December 31, 2017, and 2016, none of these vesting conditions were met.

Each of the Celebrity Warrants may, at the election of the holder, be either exercised for cash or net exercised on a cashless basis. As of December 31, 2017, Celebrity Warrants covering 1,600 shares of the Company's common stock were outstanding.

The fair value of the outstanding Celebrity Warrants is estimated using the Black-Scholes valuation model. The Black-Scholes valuation model requires inputs such as the expected term of the Celebrity Warrants, expected volatility and risk-free interest rate. Certain of these inputs are subjective and require significant analysis and judgment to develop.

During the year ended December 31, 2017, the Company recorded $569 of non-cash warrant related expense in cost of revenue as the mobile games featuring these celebrities licensors were not expected to generate meaningful revenue over their lifetime. The amount recognized as expense with respect to these Celebrity Warrants was immaterial for each of years ended December 31, 2016 and 2015.

MGM Warrants

In July 2013, the Company and MGM Interactive Inc. ("MGM") entered into a warrant agreement that provided MGM the right to purchase up to 3,333 shares of the Company's common stock subject to adjustments for dividends, reorganizations and other common stock events (the "MGM Warrant"). As of December 31, 2017, MGM Warrants covering 1,667 shares of the Company's common stock were outstanding. These remaining shares vest and become exercisable based on conditions related to the Company releasing mobile games based on mutually agreed upon intellectual property licensed by MGM to the Company. During the year ended December 31, 2015, 1,000 shares underlying the MGM Warrants vested in conjunction with the commercial release of the Company's game, *James Bond: World of Espionage*, which occurred on September 29, 2015. During the year ended December 31, 2015, the Company recorded $1,928 of non-cash warrant related expense in cost of revenue as the *James Bond: World of Espionage* game was not expected to generate meaningful revenue over its lifetime.

The Company estimated the fair value of the warrants using the Black-Scholes valuation model and the weighted average assumptions noted in the following table:

	Year Ended December 31,		
	2017	**2016**	**2015**
Dividend yield	— %	— %	— %
Risk-free interest rate	1.65 %	1.76 %	1.18 %
Expected volatility	51.81 %	57.54 %	53.40 %
Expected term (in years)	3.52	4.78	5.00

Warrants outstanding at December 31, 2017 were as follows:

	Number of Shares Outstanding Under Warrant		Weighted Average Exercise Price per Share	Average Contractual Term
Warrants outstanding, December 31, 2015	4,267	$	3.61	5.50
Granted	-		-	
Exercised	-		-	
Warrants outstanding, December 31, 2016	4,267	$	3.61	4.78
Granted	-		-	
Exercised	(1,000)		3.00	
Warrants outstanding, December 31, 2017	3,267	$	3.79	5.33

During the years ended December 31, 2017, 2016, and 2015, warrant holders exercised warrants to purchase 1,000, 0, and 450 shares of the Company's common stock, respectively, and the Company received gross proceeds of $3,000, $0, and $675, respectively, in connection with these exercises.

NOTE 10 — STOCK OPTION AND OTHER BENEFIT PLANS

2007 Equity Incentive Plan

In 2007, the Company's Board of Directors adopted, and the Company's stockholders approved, the 2007 Equity Incentive Plan (the "2007 Plan"). The 2007 Plan permits the Company to grant stock options, RSUs, PSUs, PSOs and other stock-based awards to employees, non-employee directors and consultants.

In April 2015, the Company's Board of Directors approved, and in June 2015, the Company's stockholders approved, the Second Amended and Restated 2007 Equity Incentive Plan (the "Second Amended 2007 Plan"). The Second Amended 2007 Plan includes an increase of 13,000 shares in the aggregate number of shares of common stock authorized for issuance under the plan. It also includes a fungible share provision, pursuant to which each share that is subject to a stock-based award that is not a "full value award" (restricted stock, RSUs, or other stock-based awards where the price charged to the participant for the award is less than 100% of the fair market value) reduces the number of shares available for issuance by 1.32 shares (previously this fungible ratio was 1.39 shares under the Amended 2007 Plan).

In April 2017, the Company's Board of Directors approved, and in June 2017, the Company's stockholders approved, the Third Amended and Restated 2007 Equity Incentive Plan (the "Third Amended 2007 Plan"). The Third Amended 2007 Plan includes an increase of 8,000 shares in the aggregate number of shares of common stock authorized for issuance under the plan. It also includes (i) a minimum vesting requirement, pursuant to which each share that is subject to a stock-based award may not vest prior to the first anniversary of the date of grant of such stock-based award (subject to a carve-out of 5% of the shares reserved for issuance under the plan) and (ii) a limitation on the value of stock-based awards that may be granted to any non-employee director in any calendar year.

The Company may grant options under the 2007 Plan at prices no less than 85% of the estimated fair value of the shares on the date of grant as determined by its Board of Directors, provided, however, that (i) the exercise price of an incentive stock option ("ISO") or non-qualified stock options ("NSO") may not be less than 100% or 85%, respectively, of the estimated fair value of the underlying shares of common stock on the grant date, and (ii) the exercise price of an ISO or NSO granted to a 10% stockholder may not be less than 110% of the estimated fair value of the shares on the grant date. The fair value of the Company's common stock is determined by the last sale price of such stock on the Nasdaq Global Select Market on the date of determination. The stock options granted to employees generally vest with respect to 25% of the underlying shares one year from the vesting commencement date and with respect to an additional 1/48 of the underlying shares per month thereafter. Stock options granted during 2007 before October 25, 2007 and after June 4, 2015 have a contractual term of ten years and stock options granted on or after October 25, 2007 and before June 4, 2015 have a contractual term of six years.

In 2017, the Company revised its executive compensation program by (1) eliminating annual cash bonus plans for senior executives and vice presidents of departments (the “Executives”) and eliminating 50% of the annual cash bonus opportunity for creative leaders for 2018 and replacing the Executives’ respective annual cash bonus opportunity with PSOs and (2) having a significant portion of Executives annual equity award be comprised of either PSOs and PSUs in addition to standard time vesting stock options. The awards under these programs were granted under the 2007 Plan.

Grant of Performance Options in Lieu of 2018 Cash Bonus

The Compensation Committee of the Board of Directors, or (the “Committee”), determined that for 2018, instead of providing the Executives with a cash-based annual bonus plan, it would provide them with the opportunity to earn an equivalent value of PSOs to the extent that the Company achieves certain bookings and Adjusted EBITDA (defined as non-GAAP operating income excluding depreciation and royalty impairments) targets during 2018. The Committee similarly replaced 50% of the creative leaders’ annual bonus opportunity with an equivalent value of PSOs.

The Executives and creative leaders will only earn the maximum amount of PSOs if the Company both (1) achieves a minimum Adjusted EBITDA goal for 2018 (the “Adjusted EBITDA Threshold”) and (2) generates bookings for 2018 that equal or exceed a specified maximum level of performance (the “Maximum Bookings Goal”). If the Company does not achieve the Maximum Bookings Goal, the Executives and creative leaders can earn (1) 50% of the maximum amount of PSOs if the Company achieves the Adjusted EBITDA Threshold in 2018 and generates 2018 bookings that are approximately 5% below the Maximum Bookings Goal (the “Target Bookings Goal”) and (2) 25% of the maximum amount of PSOs if the Company achieves the Adjusted EBITDA Threshold in 2018 and generates 2018 bookings that are approximately 11% below the Maximum Bookings Goal (the “Minimum Bookings Goal”). To the extent that the Company achieves the Adjusted EBITDA Threshold in 2018 and generates bookings between two of the goals, the number of PSOs earned will be calculated on a linear basis.

Grant of PSOs and PSUs as Part of Annual Refresh Grants

The Committee determined to award a significant portion of the value of annual equity grants to the Executives and creative leaders in PSOs and PSUs. These awards will be earned to the extent that the Company achieves certain bookings and Adjusted EBITDA (defined as non-GAAP operating income excluding depreciation and royalty impairments) targets during 2018, 2019 and 2020, with one-third of the maximum shares subject to the PSOs and PSUs earnable in each of those years. There are separate and increasing Adjusted EBITDA thresholds and bookings goals for 2018, 2019 and 2020. To the extent that the Company achieves the Adjusted EBITDA threshold for a given year and generates bookings between two of the goals, the number of PSOs or PSUs earned for such year will be calculated on a linear basis. If the Company does not achieve an Adjusted EBITDA threshold or bookings goals in any year and less than the full amount of shares are earned for such year, the Executive or creative leader cannot recapture those shares through overachievement of the maximum Adjusted EBITDA thresholds and bookings goals in subsequent years.

As of December 31, 2017, 3,569 shares were available for future grants under the Third Amended 2007 Plan.

2007 Employee Stock Purchase Plan

In 2007, the Company’s Board of Directors adopted and the Company’s stockholders approved, the 2007 Employee Stock Purchase Plan (the “2007 Purchase Plan”). The Company initially reserved 667 shares of its common stock for issuance under the 2007 Purchase Plan. On each January 1 for the first eight calendar years after the first offering date, the aggregate number of shares of the Company’s common stock reserved for issuance under the 2007 Purchase Plan was increased automatically by the number of shares equal to 1% of the total number of outstanding shares of the Company’s common stock on the immediately preceding December 31, provided that the Board of Directors had the power to reduce the amount of the increase in any particular year and provided further that the aggregate number of shares issued over the term of this plan may not exceed 5,333. The 2007 Purchase Plan permits eligible employees, including employees of certain of the Company’s subsidiaries, to purchase common stock at a discount through payroll deductions during defined offering periods. The price at which the stock is purchased is equal to the lower of 85% of the fair market value of the common stock at the beginning of an offering period or after a purchase period ends.

In January 2009, the 2007 Purchase Plan was amended to provide that the Compensation Committee of the Company's Board of Directors may fix a maximum number of shares that may be purchased in the aggregate by all participants during any single offering period (the "Maximum Offering Period Share Amount"). The Compensation Committee may raise or lower the Maximum Offering Period Share Amount. The Compensation Committee established the Maximum Offering Period Share Amount of 500 shares for the offering period that commenced on February 15, 2009 and ended on August 14, 2009, and a Maximum Offering Period Share Amount of 200 shares for each offering period thereafter. In February 2016, the Committee increased the Maximum Offering Period Share Amount for the offering period that started on February 22, 2016 and for each subsequent offering period to 450 shares.

In April 2017, the Company's Board of Directors approved, and in June 2017, the Company's stockholders approved the Amended and Restated 2007 Employee Stock Purchase Plan (the "Amended 2007 Purchase Plan"). The Amended 2007 Purchase Plan includes an increase of 4,000 shares in the aggregate number of shares of common stock authorized for issuance under the plan and removal of the expiration date of the plan.

As of December 31, 2017, 4,285 shares were available for issuance under the 2007 Purchase Plan.

2008 Equity Inducement Plan

In March 2008, the Company's Board of Directors adopted the 2008 Equity Inducement Plan (the "Inducement Plan") to augment the shares available under its existing 2007 Plan. The Company has not sought stockholder approval for the Inducement Plan. As such, awards under the Inducement Plan are granted in accordance with Nasdaq Listing Rule 5635(c)(4) and only to persons not previously an employee or director of the Company, or following a bona fide period of non-employment, as an inducement material to such individuals entering into employment with the Company. The Inducement Plan initially permitted the Company to grant only nonqualified stock options, but in 2013, the Compensation Committee of the Company's Board amended the Inducement Plan to permit the award of RSUs under the plan. The Company may grant NSOs under the Inducement Plan at prices less than 100% of the fair value of the shares on the date of grant, at the discretion of its Board of Directors. The fair value of the Company's common stock is determined by the last sale price of such stock on the Nasdaq Global Select Market on the date of determination. In November 2016, the Company's Compensation Committee approved an increase of 6,000 shares in the aggregate number of shares of common stock authorized under the plan.

As of December 31, 2017, 1,861 shares were reserved for future grants under the Inducement Plan.

RSU Activity

A summary of the Company's RSU activity for the year ended December 31, 2017 is as follows:

	Number of Units Outstanding	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Awarded and unvested, December 31, 2014	4,919	$ 3.87	
Granted	4,955	$ 4.87	
Vested	(1,687)	$ 3.58	
Forfeited	(843)	$ 4.48	
Awarded and unvested, December 31, 2015	7,344	$ 4.40	
Granted	5,094	$ 2.52	
Vested	(2,422)	$ 4.51	
Forfeited	(1,792)	$ 3.86	
Awarded and unvested, December 31, 2016	8,224	$ 3.33	
Granted	2,360	$ 2.31	
Vested	(2,863)	$ 3.45	
Forfeited	(1,909)	$ 3.01	
Awarded and unvested, December 31, 2017	5,812	$ 2.96	
RSUs vested and expected to vest at December 31, 2017	5,812	$ 2.96	$ 21,154

PSU Activity

A summary of the Company's PSU activity for the year ended December 31, 2017 is as follows:

	Number of Units Outstanding	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Awarded and unvested, December 31, 2016	-	$ -	
Granted	661	$ 3.59	
Vested	-	$ -	
Forfeited	-	$ -	
Awarded and unvested, December 31, 2017	661	$ 3.59	
PSUs vested and expected to vest at December 31, 2017	661	$ 3.59	$ 2,404

PSO Activity

A summary of the Company's PSO activity for the year ended December 31, 2017 is as follows:

	Number of Share Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance as of December 31, 2016	-	$ -	
Granted	4,246	$ 3.60	
Vested	-	$ -	
Forfeited	(76)	$ 3.97	
Balance as of December 31, 2017	4,170	$ 3.59	
Performance stock options vested and expected to vest at December 31, 2017	4,170	$ 3.59	$ 208

The PSOs granted in lieu of 2018 annual cash bonus opportunity were granted on October 10, 2017, have 10 year terms and have an exercise price equal to $3.59, the closing price of the Company's common stock on such date. The Company will determine its 2018 Adjusted EBITDA and bookings in early 2019, and to the extent that the Executives and creative leaders earn any PSOs based on the Company's 2018 bookings and Adjusted EBITDA, such PSOs will fully vest in February 2019 (consistent with the timing of when the Company historically paid cash bonuses to the Executives and creative leaders).

The PSOs granted as part of the 2017 annual refresh grants were granted on October 10, 2017, have 10 year terms and have an exercise price equal to $3.59, the closing price of the Company's common stock on such date.

Stock Option Activity

The following table summarizes the Company's stock option activity:

	Options Outstanding			
	Number of Shares	Weighted Average Exercise Price	Average Contractual Term (Years)	Aggregate Intrinsic Value
Balances at December 31, 2014	7,370	$ 3.32		
Options granted	1,659	$ 4.65		
Options canceled	(425)	$ 4.00		
Options exercised	(1,440)	$ 2.64		
Balances at December 31, 2015	7,164	$ 3.73		
Options granted	10,347	$ 2.16		
Options canceled	(1,273)	$ 4.04		
Options exercised	(425)	$ 1.55		
Balances at December 31, 2016	15,813	$ 2.74	7.38	$ —
Options granted	5,346	$ 3.10		
Options canceled	(2,716)	$ 3.16		
Options exercised	(1,511)	$ 2.73		
Balances at December 31, 2017	16,932	$ 2.78	7.63	$ 16,046
Options vested and expected to vest at December 31, 2017	16,932	$ 2.78	7.63	$ 16,046
Options exercisable at December 31, 2017	5,886	$ 3.05	4.94	$ 4,789

At December 31, 2017, the options outstanding and currently exercisable by exercise price were as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life (in Years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$ 2.00 - $ 2.03	852	9.01	$ 2.00	230	$ 2.00
$ 2.10 - $ 2.10	4,477	8.86	$ 2.10	942	$ 2.10
$ 2.13 - $ 2.13	2,700	8.78	$ 2.13	787	$ 2.13
$ 2.14 - $ 2.74	2,072	7.13	$ 2.48	719	$ 2.49
$ 2.83 - $ 3.29	2,065	3.08	$ 3.09	1,771	$ 3.11
$ 3.56 - $ 3.56	39	9.70	$ 3.56	-	-
$ 3.59 - $3.59	2,788	9.78	$ 3.59	-	-
$ 3.65 - $ 5.26	1,698	4.54	$ 4.14	1,202	$ 4.14
$ 5.52 - $ 6.54	41	4.75	$ 5.97	35	$ 5.99
$ 6.67- $ 6.67	200	7.42	$ 6.67	200	$ 6.67
$ 2.00 - $ 6.67	16,932	7.63	$ 2.78	5,886	$ 3.05

The Company has computed the aggregate intrinsic value amounts disclosed in the above table based on the difference between the original exercise price of the options and the fair value of the Company's common stock of $3.64 per share at December 31, 2017. The total intrinsic value of awards exercised during the years ended December 31, 2017, 2016 and 2015 was $1,732, $444, and $4,960, respectively.

Stock-Based Compensation

The Company recognizes stock-based compensation expense in accordance with ASC 718, and has estimated the fair value of each option award on the grant date using the Black-Scholes option valuation model and the weighted average assumptions noted in the following tables.

Performance Stock Options:

	Year Ended December 31,		
	2017	**2016**	**2015**
Dividend yield	— %	— %	— %
Risk-free interest rate	2.07 %	— %	— %
Expected volatility	63.3 %	— %	— %
Expected term (years)	5.81	—	—

Stock Options:

	Year Ended December 31,		
	2017	**2016**	**2015**
Dividend yield	— %	— %	— %
Risk-free interest rate	1.76 %	1.39 %	1.34 %
Expected volatility	57.8 %	52.3 %	51.8 %
Expected term (years)	4.00	4.00	4.00

The expected term of stock options gave consideration to early exercises, post-vesting cancellations and the options' contractual term ranging from 6 to 10 years. The Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for the PSOs as the Company has not granted such awards in the past. As a result, the Company used the simplified method to calculate the expected term estimate based on the vesting and contractual terms of the PSOs. Under the simplified method, the expected term is equal to the average of the stock-based awards vesting period and their contractual term. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury Constant Maturity Rate as of the date of grant. The Company based its expected volatility on its own historical volatility for the year ended December 31, 2017. For the the years ended December 31, 2016 and 2015, the Company based its expected volatility on its own historical volatility and the historical volatility of a peer group of publicly traded entities. The impact of the change in methodology was immaterial for the year ended December 31, 2017. The weighted-average fair value of stock options granted during the year ended December 31, 2017, 2016 and 2015 was $1.42, $0.90, and $1.88 per share, respectively. The weighted average fair value of the PSOs granted during the year ended December 31, 2017 was $2.09.

The cost of RSUs and PSUs are determined using the fair value of the Company's common stock based on the quoted closing price of the Company's common stock on the date of grant. RSUs typically vest and are settled over approximately a four-year period with 25% of the shares vesting on or around the one-year anniversary of the grant date and the remaining shares vesting quarterly thereafter. Compensation cost is amortized on a straight-line basis over the requisite service period. Vesting of PSOs and PSUs requires continuous services by the Executives and creative leaders and achieving adjusted EBITDA threshold and booking goals which are solely related to the Company's own operations.

For the years ended December 31, 2016 and 2015, the Company calculated employee stock-based compensation expense based on awards ultimately expected to vest and reduced it for actual forfeitures. After the adoption of ASU 2016-09 on January 1, 2017 the Company accounted for forfeitures as they occured.

The following table summarizes the consolidated stock-based compensation expense by line items in the consolidated statement of operations:

	Year Ended December 31,		
	2017	2016	2015
Research and development	$ 6,460	$ 4,567	$ 3,563
Sales and marketing	1,289	1,091	1,082
General and administrative	7,314	7,605	7,041
Total stock-based compensation expense	$ 15,063	$ 13,263	$ 11,686

The following table summarizes total compensation expense related to unvested awards not yet recognized as of December 31, 2017:

	Unrecognized Compensation Expense for Unvested Awards
Stock options	$ 12,053
RSUs	15,515
PSUs (1)	338
PSOs (1)	4,181
Total unrecognized compensation expense	$ 32,087

(1) The unrecognized compensation expense for PSOs and PSUs vesting in FY2020 and FY2021 is not included in the table above as the Company does not have a reasonable basis upon which to estimate the vesting probability of such awards in those future periods.

The unrecognized compensation expense related to stock options and RSUs will be recognized over a weighted average period of 3.02 years and 2.49 years, respectively. The unrecognized stock compensation expense related to unvested PSOs and PSUs is expected to be recognized through February 2019.

Stock-based compensation expense in the year ended December 31, 2017, was approximately $15,063 (comprising approximately $3,585 related to stock options, $10,127 related to RSUs, $790 related to performance-based awards and $561 related to the 2007 Purchase Plan). The stock based compensation expense amounts for stock options and RSUs excludes the reversal of restructuring related stock compensation expense of $219.

Stock-based compensation expense in the year ended December 31, 2016, was approximately $13,263 (comprising approximately $2,275 related to stock options, $0 related to performance-based awards, $10,255 related to RSUs and $733 related to the 2007 Purchase Plan).

Stock-based compensation expense in the year ended December 31, 2015, was approximately $11,686 (comprising approximately $3,082 related to stock options, $0 related to performance-based awards, $7,959 related to RSUs and $645 related to the 2007 Purchase Plan).

Consolidated net cash proceeds from option exercises were $2,564, $294 and $3,794 for the year ended December 31, 2017, 2016 and 2015, respectively. The Company realized no significant income tax benefit from stock option exercises during the year ended December 31, 2017, 2016 and 2015. As permitted by ASC 718, the Company has deferred the recognition of its excess tax benefit from non-qualified stock option exercises.

401(k) Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan covering all employees. The Company does not match the contributions made by its employees.

NOTE 11 — INCOME TAXES

The components of loss before income taxes by tax jurisdiction were as follows:

	Year Ended December 31,		
	2017	2016	2015
United States	$ (97,503)	$ (87,085)	$ (7,819)
Foreign	(893)	(656)	775
Loss before income taxes	$ (98,396)	$ (87,741)	$ (7,044)

The components of income tax benefit/(expense) were as follows:

	Year Ended December 31,		
Current:	2017	2016	2015
Federal	$ 947	$ 127	$ (24)
State	(10)	(6)	(5)
Foreign	(521)	(86)	(183)
	416	35	(212)
Deferred:			
Federal	294	328	—
Foreign	116	(62)	71
	410	266	71
Total:			
Federal	1,241	455	(24)
State	(10)	(6)	(5)
Foreign	(405)	(148)	(112)
	$ 826	$ 301	$ (141)

The difference between the actual rate and the federal statutory rate was as follows:

	Year Ended December 31,		
	2017	2016	2015
Tax at federal statutory rate	34.0 %	34.0 %	34.0 %
State tax, net of federal benefit	—	—	(0.1)
Foreign rate differential	(0.2)	(0.1)	1.0
Research and development credit	2.5	0.9	15.9
Stock-based compensation	(2.0)	(2.9)	(8.7)
FIN 48 interest and release	0.2	(0.1)	1.8
Others	0.7	0.1	0.1
Deemed dividend from foreign liquidation	(0.2)	(1.4)	—
Valuation allowance	(34.2)	(30.2)	(46.1)
Effective tax rate	0.8 %	0.3 %	(2.1)%

During 2017, the Company recorded a net release of its valuation allowance of $294 as result of the acquisition of Dairy Free Games Inc. in August 2017.

Deferred tax assets and liabilities consist of the following:

	December 31, 2017			December 31, 2016		
	US	Foreign	Total	US	Foreign	Total
Deferred tax assets:						
Fixed assets	$ 46	$ 36	$ 82	$ 191	$ 40	$ 231
Net operating loss carryforwards	50,902	608	51,510	55,850	526	56,376
Accruals, reserves and other	14,838	101	14,939	12,006	97	12,103
Foreign tax credit	5,895	151	6,046	6,460	—	6,460
Stock-based compensation	2,476	—	2,476	3,830	—	3,830
Research and development credit	14,317	—	14,317	11,190	—	11,190
Other	2,646	—	2,646	2,011	—	2,011
Total deferred tax assets	$ 91,120	$ 896	$ 92,016	$ 91,538	$ 663	$ 92,201
Deferred tax liabilities:						
Fixed assets	$ —	$ (16)	$ (16)	$ —	$ (1)	$ (1)
Intangible assets	(2,112)	—	(2,112)	(4,441)	(6)	(4,447)
Net deferred tax assets	89,008	880	89,888	87,097	656	87,753
Less valuation allowance	(89,008)	(503)	(89,511)	(87,097)	(464)	(87,561)
Net deferred tax assets	$ —	$ 377	$ 377	$ —	$ 192	$ 192

The Company has not provided deferred taxes on unremitted earnings attributable to foreign subsidiaries, excluding China, because their earnings are intended to be reinvested indefinitely. No deferred tax asset was recognized since the Company does not believe the deferred tax asset will be realized in the foreseeable future. The amount of accumulated foreign earnings of the Company's foreign subsidiaries totaled $1,413 as of December 31, 2017. If the Company's foreign earnings were repatriated, additional tax expense might result. The Company determined that the calculation of the amount of unrecognized deferred tax liability related to these cumulative unremitted earnings attributable to foreign subsidiaries is not practicable.

The Company recorded a release of its valuation allowance of $294, $328, and $0 during 2017, 2016, and 2015, respectively. The 2017 and 2016 releases were associated with the acquisitions of Dairy Free and Crowdstar in August 2017 and November 2016, respectively. Pursuant to ASC 805-740, changes in the Company's valuation allowance that stem from a business combination should be recognized as an element of the Company's deferred income tax expense or benefit. The Company previously recognized a valuation allowance against its net operating loss carryforwards and determined that it should be able to utilize the benefit of those net operating losses against the deferred tax liabilities of Dairy Free and Crowdstar, respectively; therefore, it has partially released its pre-existing valuation allowance.

In accordance with ASC 740 and based on all available evidence on a jurisdictional basis, the Company believes that it is more likely than not that its deferred tax assets will not be utilized and has recorded a full valuation allowance against its net deferred tax assets in each of its jurisdictions except for entities in Canada, China and India. The Company assesses on a periodic basis the likelihood that it will be able to recover its deferred tax assets. The Company considers all available evidence, both positive and negative, including historical levels of income or losses, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. If it is not more likely than not that the Company expects to recover its deferred tax assets, the Company will increase its provision for taxes by recording a valuation allowance against the deferred tax assets that it estimates will not ultimately be recoverable. The available negative evidence at December 31, 2017 and 2016 included historical and projected future operating losses. As a result, the Company concluded that an additional valuation allowance of $1,950 and $18,240 net of the described releases, was required to reflect the change in its deferred tax assets prior to valuation allowance during 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Company considered it more likely than not that its deferred tax assets would not be realized within their respective carryforward periods.

At December 31, 2017, the Company had net operating loss carryforwards of approximately $207,813 and $93,567 for federal and state tax purposes, respectively. These carryforwards will expire at various times between 2018 and 2037. In addition, the Company has research and development tax credit carryforwards of approximately $13,009 for federal income tax purposes and $15,817 for California tax purposes. The federal research and development tax credit carryforwards will begin to expire in 2023. The California state research credit will carry forward indefinitely. The Company has approximately $5,885 of foreign tax credits that will begin to expire in 2018. The Company's ability to use its net operating loss carryforwards and federal and state tax credit carryforwards to offset future taxable income and future taxes, respectively, may be subject to restrictions attributable to equity transactions that result in changes in ownership as defined by Internal Revenue Code Section 382.

A reconciliation of the total amounts of unrecognized tax benefits was as follows:

	Year Ended December 31,	
	2017	**2016**
Beginning balance	$ 11,011	$ 9,218
Reductions of tax positions taken during previous years	(260)	(806)
Additions based on uncertain tax positions related to the current period	2,621	2,590
Additions based on uncertain tax positions related to prior periods	—	43
Cumulative translation adjustment	19	(34)
Ending balance	$ 13,391	$ 11,011

The total unrecognized tax benefits as of December 31, 2017 and 2016 included approximately $13,152 and $10,590, respectively, of unrecognized tax benefits that have been netted against deferred tax assets. As of December 31, 2017, the Company does not expect the unrecognized tax benefits, if recognized, to have a material impact on its financial statements. At December 31, 2017, the Company does not anticipate that the liability for uncertain tax positions, excluding interest and penalties, that could decrease within the next twelve months due to the expiration of statutes of limitation in foreign jurisdictions in which the Company does business will have a material impact on its financial statements.

The Company's policy is to recognize interest and penalties related to unrecognized tax benefits in income tax expense. The Company has accrued $131 of interest and penalties on uncertain tax positions as of December 31, 2017, as compared to $294 as of December 31, 2016. Approximately $96, $128 and $78 of accrued interest and penalty expense related to estimated obligations for unrecognized tax benefits was recognized during 2017, 2016 and 2015, respectively. During 2017, the Company released $273 of interest and penalties on uncertain tax positions due to the expiration of certain statutes of limitation in foreign jurisdictions in which the Company does business and in relation to winding down of a foreign subsidiary.

The Company is subject to taxation in the United States and various foreign jurisdictions. The material jurisdictions subject to examination by tax authorities are primarily the State of California, the United States, Canada, China and India. The Company's federal tax returns are open by statute for tax years 1998 and California tax returns are open by statute for tax years 2003 and forward and could be subject to examination by the tax authorities. The Company's China income tax returns are open by statute for tax years 2015 and forward.

On December 22, 2017, the Tax Cuts and Jobs Act ("The Act") was enacted, which made significant changes to various areas of the U.S. federal income tax law, including lowering of the U.S. corporate tax rate from 35 percent to 21 percent. U.S. GAAP accounting for income taxes requires that the Company record the impacts of any tax law change on its deferred income taxes in the quarter that the tax law change is enacted. Due to the complexities involved in accounting for the enactment of the Act, in January 2018, SEC staff issued *Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act* ("SAB 118") to provide guidance for companies that have not completed their accounting for the income tax effects of The Act in the period of enactment. Specifically, *SAB 118* states that companies that have not completed accounting for the effects of The Act by financial reporting deadlines may report provisional amounts based on reasonable estimates for items for which the accounting is incomplete. Those provisional amounts will be subject to adjustment during a measurement period that begins in the reporting period that includes The Act's enactment date and ends when a company has obtained, prepared and analyzed the information needed to complete the accounting requirements under *ASC 740 Income Taxes*. The measurement period should not extend beyond one year from the enactment date. Furthermore, *SAB 118* states that if a company cannot make a reasonable estimate for an income tax effect, it should not account for that effect until it can make such an estimate.

In accordance with *SAB 118,* the Company recorded a provisional amount of a one-time negative adjustment of $34.9 million for the re-measurement of deferred tax assets and liabilities, offset by a one-time positive adjustment of $34.9 million for the re-measurement of valuation allowance maintained on these items. These amounts have been estimated as provisional as the Company believes that additional analysis of its deferred tax assets and liabilities is necessary, as well as the evaluation of potential correlative adjustments. As the Company expects regulators to issue further guidance, among other things, its estimates may change during calendar year 2018. Any subsequent adjustment to these amounts will be recorded to current tax expense in the period the analysis is completed, not to exceed the fourth quarter of 2018.

The Act also required companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries. Based on an analysis of its foreign subsidiaries and the current year financial statements, the Company does not expect to have a transition tax.

Based on its initial review of The Act, the Company does not expect that the new legislation will have a material impact on its financial statements for the year ended December 31, 2017 or its future operational results as long as the Company maintains a full valuation allowance. It is the Company's policy to record valuation allowances when necessary to reduce deferred tax assets to the amount that it expects to realize. Currently, the Company maintains a full valuation allowance for its deferred tax assets in the U.S., Hong Kong, and China.

The Company will continue to analyze the impact of The Act on its financial statements and operations. Additional impacts, if any, will be recorded as they are identified during the measurement period as provided for in SAB 118.

NOTE 12 — SEGMENT REPORTING

ASC 280, *Segment Reporting* ("ASC 280"), establishes standards for reporting information about operating segments. It defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer, who is also chief operating decision maker, makes decisions and manages the Company's operations as one operating segment. The financial information reviewed by him is included within one operating segment for purposes of allocating resources and evaluating financial performance.

Accordingly, the Company reports as a single reportable segment—mobile games. In the case of Digital Storefronts, revenue is attributed to the geographic location where the end-user makes the purchase. The Company generates its revenue in the following geographic regions:

	Year Ended December 31,		
	2017	2016	2015
United States of America	$ 216,468	$ 149,031	$ 171,759
Americas, excluding the United States	15,976	9,127	11,538
EMEA	33,180	24,303	36,134
APAC	21,203	18,120	30,469
	$ 286,827	$ 200,581	$ 249,900

The Company attributes its long-lived assets, which primarily consist of property and equipment, to a country primarily based on the physical location of the assets. Property and equipment, net of accumulated depreciation and amortization, summarized by geographic location was as follows:

	December 31,	
	2017	2016
United States of America	$ 13,030	$ 3,768
Rest of the World	1,600	1,872
	$ 14,630	$ 5,640

NOTE 13 — RESTRUCTURING

During each of 2015, 2016 and 2017, the Company's management approved restructuring plans to improve the effectiveness and efficiency of its operating model and reduce operating expenses around the world. During the year ended December 31, 2015, the Company recorded $1,075 of restructuring charges relating to employee termination costs in the Company's Beijing, China and Bellevue, Washington offices. During the year ended December 31, 2016, the Company recorded $2,279 of restructuring charges related to employee termination costs in the Company's Long Beach, California; San Francisco, California; Bellevue, Washington; and Beijing, China offices, and lease termination costs for the Company's Bellevue, Washington and Beijing, China offices. During the year ended December 31, 2017, the Company recorded $6,019 of restructuring charge related to employee and lease termination costs in the Company's Bellevue, Washington; Long Beach, California; San Francisco, California; Portland, Oregon; and Beijing, China offices.

	Restructuring Workforce	Restructuring Facility	Restructuring Other	Restructuring Total
Balance as of December 31, 2014	$ —	$ —	$ —	$ —
Charges to operations	1,044	—	31	1,075
Non-cash charges/adjustments	—	—	—	—
Charges settled in cash	(734)	—	—	(734)
Balance as of December 31, 2015	$ 310	$ —	$ 31	$ 341
Charges to operations	1,491	740	48	2,279
Non-cash charges/adjustments	—	122	—	122
Charges settled in cash	(1,801)	(591)	(79)	(2,471)
Balance as of December 31, 2016	$ —	$ 271	$ —	$ 271
Charges to operations	4,319	1,700	—	6,019
Non-cash charges/adjustments	146	44	—	190
Charges settled in cash	(4,322)	(1,399)	—	(5,721)
Balance as of December 31, 2017	$ 143	$ 616	$ —	$ 759

NOTE 14 – QUARTERLY FINANCIAL DATA (unaudited, in thousands)

The following table sets forth unaudited quarterly consolidated statements of operations data for 2017 and 2016. The Company derived this information from its unaudited consolidated financial statements, which it prepared on the same basis as its audited consolidated financial statements contained in this report. In its opinion, these unaudited statements include all adjustments, consisting only of normal recurring adjustments that the Company considers necessary for a fair statement of that information when read in conjunction with the consolidated financial statements and related notes included elsewhere in this report. The operating results for any quarter should not be considered indicative of results for any future period.

	For the Three Months Ended							
	2017				2016			
	March 31,	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,
	(In thousands)							
Revenue	$ 56,788	$ 68,679	$ 81,148	$ 80,212	$ 54,528	$ 48,363	$ 51,381	$ 46,309
Cost of revenue:								
Platform commissions, royalties and other	20,860	24,761	28,898	28,980	20,320	18,534	18,918	17,467
Impairment of prepaid royalties and minimum guarantees	792 (d)	—	464 (d)	26,067 (d)	43	105	29,836	123
Impairment and amortization of intangible assets	3,262	3,171	2,363	1,535	2,324	2,336	7,320	2,812
Total cost of revenue	24,914	27,932	31,725	56,582	22,687	20,975	56,074	20,402
Gross profit	31,874	40,747	49,423	23,630	31,841	27,388	(4,693)	25,907
Operating expenses:								
Research and development	25,032	23,989	22,004	21,395	20,312	20,721	20,080	20,766
Sales and marketing	17,287	30,952	29,776	26,341	12,624	10,935	10,104	14,387
General and administrative	8,497	8,678	8,698	8,552	7,984	7,096	7,011	8,134
Restructuring charge	3,712 (a)	926 (b)	1,402 (c)	(21)	106	2,116	57	—
Total operating expenses	54,528	64,545	61,880	56,267	41,026	40,868	37,252	43,287
Income/(loss) from operations	(22,654)	(23,798)	(12,457)	(32,637)	(9,185)	(13,480)	(41,945)	(17,380)
Interest and other income/(expense), net	(122)	53	(271)	(6,510) (e)	469	(4,453)	(1,653)	(114)
Income/(loss) before income taxes	(22,776)	(23,745)	(12,728)	(39,147)	(8,716)	(17,933)	(43,598)	(17,494)
Income tax benefit/(provision)	12	177	1,057	(420)	166	(16)	(129)	280
Net income /(loss)	$ (22,764)	$ (23,568)	$ (11,671)	$ (39,567)	$ (8,550)	$ (17,949)	$ (43,727)	$ (17,214)
Net income/(loss) per share								
Basic	$ (0.17)	$ (0.17)	$ (0.09)	$ (0.29)	$ 0.07	$ (0.14)	$ (0.33)	$ (0.13)
Diluted	$ (0.17)	$ (0.17)	$ (0.09)	$ (0.29)	$ 0.07	$ (0.14)	$ (0.33)	$ (0.13)

(a) Includes $2,678 of restructuring charges relating to employee termination costs in the Company's Long Beach, San Francisco, Portland, Bellevue, and APAC offices, and $1,034 of restructuring charges relating to facility costs in the Company's Portland and Bellevue offices.
(b) Includes $780 of restructuring charges relating to employee termination costs in the Company's APAC, Portland, Long Beach and Bellevue offices, and $146 of restructuring charges relating to facility costs in the Company's Portland and China offices.
(c) Includes $909 of restructuring charges relating to employee termination costs in the Company's San Francisco and Long Beach offices, and $493 of restructuring charges relating to facility costs in the Company's Long Beach office.
(d) These charges are related to impairment of prepaid guaranteed royalties for certain celebrity license agreements, and certain other prepaid royalties.
(e) Mainly related to $6,459 loss on sale of a foreign subsidiary.

NOTE 15 – RELATED PARTY TRANSACTIONS

The Company and an affiliate of Tencent, one of the Company's principal stockholders, entered into an agreement in November 2015 pursuant to which, the Company agreed, subject to certain conditions, to pay in the aggregate, up to $15,000 in recoupable advanced royalties and non-recoupable license fees related to the Company's *Rival Fire* title, which amounts were fully paid by December 31, 2016.

During the year ended December 31, 2016, the Company recorded an impairment of $14,463 for un-recouped advanced royalties and non-recoupable license fees that were paid to an affiliate of Tencent, due to the underperformance of the Company's *Rival Fire* title which launched during the third quarter of 2016 and the negligible cash flows anticipated for the remaining contractual life of these assets.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017, our disclosure controls and procedures are designed to provide reasonable assurance and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our 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 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the guidelines established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2017 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on page 72.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2017 that have materially affected, or are 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 for this Item is incorporated by reference from our Proxy Statement to be filed for our 2018 Annual Meeting of Stockholders. For information with respect to our executive officers, see "Executive Officers" at the end of Part I, Item 1 of this report.

We maintain a Code of Business Conduct and Ethics that applies to all employees, officers and directors. Our Code of Business Conduct and Ethics is published on our website at www.glu.com/investors. We disclose on our website amendments to certain provisions of our Code of Business Conduct and Ethics, or waivers of such provisions granted to executive officers and directors.

Item 11. *Executive Compensation*

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2018 Annual Meeting of Stockholders.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information set forth in the section titled "Security Ownership of Certain Beneficial Owners and Management" contained in our Proxy Statement to be filed for our 2018 Annual Meeting of Stockholders is incorporated herein by reference.

Equity Compensation Plan Information

The following table sets forth certain information, as of December 31, 2017, concerning securities authorized for issuance under all of our equity compensation plans: our 2007 Equity Incentive Plan (the "2007 Plan"), 2007 Employee Stock Purchase Plan (the "ESPP") and 2008 Equity Inducement Plan (the "Inducement Plan").

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (1) (b)	Number of Securities Remaining Available for Future Issuance Under (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	$ 22,113,763	$ 3.13	7,854,439 (2)
Equity compensation plans not approved by security holders	5,460,194 (3)	$ 2.23	1,860,754 (4)
Total	27,573,957		9,715,193

(1) The weighted average exercise price does not take into account the shares subject to outstanding RSUs and PSUs, which have no exercise price.
(2) Represents 3,568,996 shares available for issuance under our the 2007 Plan, which plan permits the grant of incentive and non-qualified stock options (including PSOs), stock appreciation rights, restricted stock, stock awards and RSUs; and 4,285,443 shares available for issuance under the ESPP.
(3) Represents outstanding options under the Inducement Plan.
(4) Represents shares available for issuance under the Inducement Plan, under which we may only grant non-qualified stock options and RSUs.

Our Board of Directors adopted the Inducement Plan in March 2008 to augment the shares available under our 2007 Plan. We have not sought stockholder approval for the Inducement Plan. As such, awards under the Inducement Plan are granted in accordance with Nasdaq Listing Rule 5635(c)(4) and only to persons not previously an employee or director, or following a bona fide period of non-employment, as an inducement material to such individuals entering into employment with us. As of December 31, 2017, we had reserved a total of 9,969,245 shares of our common stock for grant and issuance under the Inducement Plan since its inception, of which, 5,460,194 shares were subject to outstanding stock options and RSUs and 1,860,754 shares remained available for issuance. The remaining 2,648,297 shares represent shares that were subject to previously granted stock options or RSUs under the Inducement Plan that have been exercised by the option holders or settled for shares of our common stock.

The Inducement Plan initially permitted us to grant only non-qualified stock options. However, effective November 2013, the Compensation Committee amended the Inducement Plan to permit the award of RSUs under the plan. We may grant non-qualified stock options under the Inducement Plan at prices less than 100% of the fair value of the shares on the date of grant, at the discretion of our Board of Directors. The fair value of our common stock is determined by the last sale price of our stock on The Nasdaq Global Select Market on the date of determination. If any option or RSU granted under the Inducement Plan expires or terminates for any reason without being exercised in full, are used to satisfy tax withholding obligations with respect to the award, or otherwise terminate without the underlying shares being issued, such unexercised, tax-settled, or otherwise terminated shares will be available for grant under the Inducement Plan. All outstanding awards are subject to adjustment for any future stock dividends, splits, combinations, or other changes in capitalization as described in the Inducement Plan. If we were acquired and the acquiring corporation did not assume or replace the awards granted under the Inducement Plan, or if we were to liquidate or dissolve, all outstanding awards will expire on such terms as our Board of Directors determines.

For more information regarding the Inducement Plan, see Note 9 of Notes to Consolidated Financial Statements in Item 8 of this report.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2018 Annual Meeting of Stockholders.

Item 14. ***Principal Accounting Fees and Services.***

The information required for this Item is incorporated by reference from our Proxy Statement to be filed for our 2018 Annual Meeting of Stockholders.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a)(1) Financial Statements: The financial statements filed as part of this report are listed on the index to financial statements on page 71.

(2) Financial Schedules: All schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included.

(b) Exhibits. The exhibits listed on the Exhibit Index (following the Signatures section of this report) are included, or incorporated by reference, in this report.

Item 16. ***Form 10-K Summary***

None.

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
2.01	Stock Transfer Agreement by and among Glu Mobile Inc., Time Warner Inc., Intel Capital Corporation and certain other stockholders of Crowdstar Inc., dated November 2, 2016.	8-K	001-33308	2.01	11/03/16	
3.01	Restated Certificate of Incorporation of Glu Mobile Inc.	S-1/A	333-139493	3.02	02/14/07	
3.02	Amended and Restated Bylaws of Glu Mobile Inc., adopted on March 7, 2014.	8-K	001-33368	99.01	03/13/14	
4.01	Form of Registrant's Common Stock Certificate.	S-1/A	333-139493	4.01	02/14/07	
10.01#	Form of Indemnity Agreement entered into between Glu Mobile Inc. and each of its directors and executive officers, effective as of October 24, 2013.	8-K	001-33368	99.01	10/29/13	
10.02(A)#	Amended & Restated 2007 Equity Incentive Plan, as amended and restated through June 8, 2017.	10-Q	001-33368	10.02	08/07/17	
10.02(B)#	For the 2007 Equity Incentive Plan, forms of (a) Notice of Stock Option Grant, Stock Option Award Agreement and Stock Option Exercise Agreement, (b) Notice of Restricted Stock Award and Restricted Stock Agreement, (c) Notice of Stock Appreciation Right Award and Stock Appreciation Right Award Agreement and (d) Notice of Stock Bonus Award and Stock Bonus Agreement.	S-1/A	333-139493	10.03	02/16/07	
10.02(C)#	For the 2007 Equity Incentive Plan, form of Notice of Restricted Stock Unit Award and Restricted Stock Unit Agreement.	10-Q	001-33368	10.08	08/09/13	
10.02(D)#	For the 2007 Equity Incentive Plan, forms of (a) Notice of Performance Stock Option Grant Agreement (One Year Vesting Term), (b) Notice of Performance Stock Option Grant Agreement (Three Year Vesting Term), and (c) Notice of Performance Restricted Stock Unit Award Agreement.					X
10.03#	2007 Employee Stock Purchase Plan, as amended and restated through June 8, 2017.	10-Q	001-33368	10.01	08/07/17	
10.04(A)#	2008 Equity Inducement Plan, as amended effective November 14, 2016.	8-K	001-33368	99.01	11/18/16	
10.04(B)#	For the 2008 Equity Inducement Plan, forms of Notice of Stock Option Grant, Stock Option Award Agreement and Stock Option Exercise Agreement.	10-K	001-33368	10.05	03/21/10	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
10.04(C)#	For the 2008 Equity Inducement Plan, form of Notice of Restricted Stock Unit Award and Restricted Stock Unit Award Agreement.	10-K	001-33368	10.05	03/14/14	
10.05#	Forms of Stock Option Award Agreement (Immediately Exercisable) and Stock Option Exercise Agreement (Immediately Exercisable) under the Glu Mobile Inc. 2007 Equity Incentive Plan.	10-Q	001-33368	10.05	08/14/08	
10.06#	Executive Chairman Agreement between Glu Mobile Inc. and Niccolo M. de Masi, dated November 2, 2016.	8-K	001-33368	10.01	11/03/16	
10.07#	Summary of Compensation Terms of Nick Earl.	8-K	001-33368		10/11/17	
10.08#	Executive Employment Agreement, effective as of November 10, 2016, by and between Glu Mobile Inc. and Nick Earl.	10-K	001-33368	10.08	03/10/17	
10.09#	Change of Control Severance Agreement between Glu Mobile Inc. and Nick Earl, effective as of November 10, 2016.	10-K	001-33368	10.09	03/10/17	
10.10#	Summary of Change of Control Severance Agreement between Glu Mobile Inc. and Nick Earl, dated as of February 8, 2016.	10-K	001-33368	10.20	03/04/16	
10.11#	Summary of Compensation Terms of Eric R. Ludwig.	8-K	001-33368		10/11/17	
10.12#	Change of Control Severance Agreement, dated as of October 10, 2008, between Glu Mobile Inc. and Eric R. Ludwig.	10-K	001-33368	10.09	03/13/09	
10.13#	Amendment, dated as of July 7, 2011, to Change of Control and Severance Agreement between Glu Mobile Inc. and Eric R. Ludwig, dated as of October 10, 2008.	10-Q	001-33368	10.02	11/14/11	
10.14#	Summary of Compensation Terms of Chris Akhavan.	8-K	001-33368		10/11/17	
10.15#	Change of Control Severance Agreement between Glu Mobile Inc. and Chris Akhavan, dated as of April 22, 2013.	10-Q	001-33368	10.02	08/09/13	
10.16#	Summary of Compensation Terms of Scott J. Leichtner.	8-K	001-33368		10/11/17	
10.17#	Summary of Change of Control Severance Arrangement between Glu Mobile Inc. and Scott J. Leichtner, dated as of July 7, 2011.	10-K	001-33368	10.15	03/15/13	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
10.18#	Transitional Employment and Separation Agreement by and between Tim Wilson and Glu Mobile Inc., dated August 22, 2017	8-K	001-33368	99.01	08/23/17	
10.19#	Glu Mobile Inc. 2017 Executive Bonus Plan	8-K	001-33368	99.01	02/03/17	
10.20#	Non-Employee Director Compensation Program, effective as of June 8, 2017.					X
10.21	Lease, dated as of May 9, 2017 between Howard Street Associates LLC and Glu Mobile Inc.	8-K	001-33368	99.01	05/15/17	
10.22	Common Stock Warrant, between Glu Mobile Inc. and MGM Interactive Inc., dated as of July 15, 2013.	S-3	333-190545	4.03	08/09/13	
10.23	iOS Developer Program License Agreement between Glu Games Inc. and Apple Inc., as amended to date.	10-K	001-33368	10.27	03/15/13	
10.24	Android Market Developer Distribution Agreement between Glu Games Inc. and Google Inc., as amended to date.	10-K	001-33368	10.28	03/15/13	
10.25+	License Agreement, dated as of March 31, 2012, by and between Glu Mobile Inc. and Atari, Inc.	10-Q/A	001-33368	10.01	10/12/12	
10.26+	Trademark and Domain Name Assignment and License Agreement, dated as of March 31, 2012, by and between Glu Mobile Inc. and Atari Inc.	10-Q	001-33368	10.02	08/09/12	
10.27++	Unity Technologies Software License Agreement between Glu Mobile Inc. and Unity Technologies ApS, dated as of October 29, 2017.					X
10.28+	License Agreement, dated as of November 5, 2013, by and between Glu and Kimsaprincess, Inc., as amended June 13, 2014 and September 2, 2014.	10-Q	001-33368	10.01	11/10/14	
10.29+	Amendment No. 3 dated September 16, 2016 to License Agreement, dated as of November 5, 2013, by and between Glu and Kimsaprincess, Inc., as previously amended June 13, 2014 and September 2, 2014.	10-Q	001-33368	10.01	11/09/16	
10.30++	Share Purchase Agreement, dated as of December 31, 2017, by and between Saber Interactive and Glu Mobile Inc.					X
10.31++	Asset Purchase and License Agreement, dated as of December 31, 2017, by and between MGL My.com (Cyprus) Limited and Glu Mobile Inc.					X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
21.01	List of Subsidiaries of Glu Mobile Inc.					X
23.01	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.					X
24.01	Power of Attorney (see the Signature Page to this report).					
31.01	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a).					X
31.02	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a).					X
32.01	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(a)/15d-14(a).*					X
32.02	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(a)/15d-14(a). *					X
101.INS	XBRL Report Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.LAB	XBRL Taxonomy Label Linkbase Document					X
101.PRE	XBRL Presentation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X

\# Indicates a management compensatory plan or arrangement.

\+ Certain portions of this exhibit have been omitted and have been filed separately with the SEC pursuant to an order granting confidential treatment issued by the SEC under Rule 24b-2 as promulgated under the Exchange Act.

++ Certain portions of this exhibit have been omitted and have been filed separately with the SEC pursuant to a request seeking confidential treatment under Rule 24b-2 as promulgated under the Exchange Act.

* This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Glu Mobile Inc. specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLU MOBILE INC.

Date: March 9, 2018	By: /s/ Nick Earl Nick Earl, President and Chief Executive Officer
Date: March 9, 2018	By: /s/ Eric R. Ludwig Eric R. Ludwig, Executive Vice President, Chief Operating Officer and Chief Financial Officer

POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint each of Nick Earl, Eric R. Ludwig and Scott J. Leichtner as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

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

Signature	Title	Date
/s/ Nick Earl Nick Earl	President, Chief Executive Officer and Director (Principal Executive Officer)	March 9, 2018
/s/ Eric R. Ludwig Eric R. Ludwig	EVP, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)	March 9, 2018
/s/ Gordon Lee Gordon Lee	Vice President of Accounting (Principal Accounting Officer)	March 9, 2018
/s/ Niccolo de Masi Niccolo de Masi	Executive Chairman	March 9, 2018
/s/ Benjamin T. Smith IV Benjamin T. Smith IV	Lead Director	March 9, 2018
/s/ Eric R. Ball Eric R. Ball	Director	March 9, 2018
Greg Brandeau	Director	
/s/ Ben Feder Ben Feder	Director	March 9, 2018
/s/ Ann Mather Ann Mather	Director	March 9, 2018
/s/ Hany M. Nada Hany M. Nada	Director	March 9, 2018
/s/ Gabrielle Toledano Gabrielle Toledano	Director	March 9, 2018

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Forward-Looking Statements:

These proxy materials contain forward-looking statements regarding future events and our future results, which are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and our management's beliefs and assumptions. Words such as "expects," "anticipates," "targets," "trend," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "strategy," "may," variations of such words, and similar expressions identify such forward-looking statements. In addition, the following statements, among others, in the Letter to Stockholders included in these proxy materials are forward-looking statements: that the changes we made in 2017 in our processes, structure, financial performance and company culture will be instrumental in helping us achieve our mission to create top grossing games that feature compelling experiences and grow revenues and profit year over year; our anticipation that our live Evergreen and Growth games will account for a substantial majority of our bookings in 2018 and that we would be profitable on an Adjusted EBITDA basis in 2018 without launching any new games; our expectation that *MLB Tap Sports Baseball '18* will build on the success we have seen over the past 4 years; our expectation to launch at least two new games this year as well as at least two new games in 2019; our expectation to launch *WWE: Universe* in summer 2018, *DASH Town* in late 2018 and, if beta testing goes well, *Titan World*, in late summer 2018, and in the future potentially a Social Casino game; that Mike Olsen and his team are working with Disney to develop an exciting new game that will include characters and stories across Disney and Pixar franchises and will combine these iconic brands with Glu's creative approach to game development; statements about the future growth for and future updates to *Design Home*; our belief that our new San Francisco studio is optimal for the creation of innovative designs and high quality games; our belief that our approach is drawing broad interest from the development community; our belief that we are making great strides in pivoting Glu Mobile into a company positioned to generate new hits while better managing its catalog for enhanced performance; that Glu will be a place where top gaming talent has the freedom to create new concepts as quickly and easily as an independent studio would, but without the risk of going at it alone; that the combination of stronger revenue performance from our catalog, Evergreen and Growth games as well as our disciplined approach and focus on generating future hits creates the opportunity to build significant value over the long term for all of our stakeholders; and our belief that the future looks very bright for Glu.

Investors should consider important risk factors, which include: the risk that consumer demand for smartphones, tablets and next-generation platforms does not grow as significantly as we anticipate or that we will be unable to capitalize on any such growth; the risk that we do not realize a sufficient return on our investment with respect to our efforts to develop free-to-play games for smartphones, tablets and next-generation platforms; the risk that we are unable to recruit and retain creative leaders; the risk that our development expenses for games for smartphones, tablets and next-generation platforms are greater than we anticipate; the risk that our newly released games will be of a quality less than desired by reviewers and consumers; the risk that the mobile games market, particularly with respect to freemium gaming, is smaller than anticipated; and the other risks detailed under the caption "Risk Factors" in our 2017 Annual Report on Form 10-K included with these proxy materials and our other SEC filings. We are under no obligation, and expressly disclaim any obligation, to update or alter our forward-looking statements, except as may be required by law.

BOARD OF DIRECTORS

Niccolo M. de Masi[4]
President, Essential
Executive Chairman, Glu Mobile Inc.

Eric R. Ball[1]
General Partner, Impact Venture Capital

Greg Brandeau[2,3]
Managing Partner, Paradox Strategies

Nick Earl[4]
President and Chief Executive Officer, Glu Mobile Inc.

Ben Feder[4]
President, International Partnerships (North America), Tencent Holdings Limited

Ann Mather[3]
Independent Director of and Advisor to Technology and Media Companies

Hany M. Nada[1,2,4]
Venture Partner, GGV Capital

Benjamin T. Smith, IV[1,2,3,4]
Senior Advisor, A.T. Kearney

Gabrielle Toledano
Chief People Officer, Tesla Inc.

EXECUTIVE OFFICERS

Niccolo M. de Masi
Executive Chairman

Nick Earl
President and Chief Executive Officer

Eric R. Ludwig
Executive Vice President, Chief Operating Officer and Chief Financial Officer

Chris Akhavan
Chief Revenue Officer

Scott J. Leichtner
Vice President, General Counsel and Corporate Secretary

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Nominating & Governance Committee
[4] Member of the Strategy Committee

CORPORATE HEADQUARTERS

875 Howard Street, Suite 100
San Francisco, California 94103

TRANSFER AGENT AND REGISTRAR

For questions regarding misplaced stock certificates, changes of address or the consolidation of accounts, please contact our transfer agent:

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
Tel: 800.937.5449
Fax: 800.921.8124

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PricewaterhouseCoopers LLP
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