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

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition period from to

Commission file number: 001-35444

YELP INC.
(Exact name of Registrant as specified in its charter)

Delaware	**20-1854266**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

140 New Montgomery Street, 9th Floor
San Francisco, California 94105
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 908-3801

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value $0.000001 per share	New York Stock Exchange LLC

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

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $1,297,245,543 as of June 30, 2013, the last day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price on the New York Stock Exchange LLC reported for June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter. Excludes an aggregate of 2,068,046 shares of the registrant's Class A common stock and an aggregate of 25,677,927 shares of the registrant's Class B common stock held by officers, directors, affiliated stockholders and The Yelp Foundation. For purposes of determining whether a stockholder was an affiliate of the registrant at June 30, 2013, the registrant assumed that a stockholder was an affiliate of the registrant at June 30, 2013 if such stockholder (i) beneficially owned 10% or more of the registrant's capital stock, as determined based on public filings, or (ii) was an executive officer or director, or was affiliated with an executive officer or director, of the registrant at June 30, 2013. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

As of February 24, 2014, there were 59,715,000 shares of registrant's Class A Common Stock, par value $0.000001 per share, issued and outstanding and 11,646,826 shares of registrant's Class B Common Stock, par value $0.000001 per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2014 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K.

YELP INC.
2013 ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

Unless the context suggests otherwise, references in this Annual Report on Form 10-K, or Annual Report, to "Yelp," the "Company," "we," "us" and "our" refer to Yelp Inc. and, where appropriate, its subsidiaries.

Yelp, Yelp Inc., the Yelp logo and other trade names, trademarks or service marks of Yelp appearing in this Annual Report are the property of Yelp. Trade names, trademarks and service marks of other companies appearing in this Annual Report are the property of their respective holders.

Unless the context otherwise indicates, where we refer in this Annual Report to our "mobile application" or "mobile app," we refer to all of our applications for mobile-enabled devices. Similarly, references to our "website" refer to both the U.S. and international versions of our website, as well as the versions of our website dedicated to mobile-based browsers.

In the fourth quarter of 2012, we acquired Qype GmbH, a Germany-based reviews website, and its wholly owned subsidiaries Qype LTD., Qype SARL and Qype SL, which we collectively refer to as Qype. We began including traffic, content and local business activity from each Qype market in our key metrics following our migration of such market to the Yelp platform. As of December 31, 2013, all Qype markets had been migrated to the Yelp Platform. Accordingly, the key metrics presented in this Annual Report as of and for the year ended December 31, 2013 include the traffic, content and local business activity from the following Qype markets: Austria, Brazil, France, Germany, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Switzerland, Turkey, and the United Kingdom.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Annual Report that are not purely historical are 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. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "seek," "should," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "*Risk Factors*" included under Part I, Item 1A below. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

PART I

Item 1. Business.

Company Overview

Yelp connects people with great local businesses. Our users have contributed a total of approximately 52.8 million cumulative reviews of almost every type of local business, from restaurants, boutiques and salons to dentists, mechanics, plumbers and more. These reviews are written by people using Yelp to share their everyday local business experiences, giving voice to consumers and bringing "word of mouth" online. The information these reviews provide is valuable for consumers and businesses alike. Approximately 120.0 million unique visitors used our website according to Google Analytics, a product from Google, Inc. that provides digital marketing intelligence, and our mobile application was used on approximately 10.6 million unique mobile devices, on a monthly average basis during the quarter ended December 31, 2013. Businesses of all sizes use our platform to engage with consumers at the critical moment when they are deciding where to spend their money. Our business revolves around three key constituencies: the communities of contributors who write reviews, the consumers who read them and the local businesses that they describe.

Contributors. We foster and support vibrant communities of contributors in local markets across the United States, Canada, Europe, Singapore, Australia, New Zealand and Brazil. These contributors provide rich, firsthand information about local businesses, such as reviews, tips, ratings and photos.

Consumers. Our platform is transforming the way people discover local businesses and is attracting a large audience of geographically and demographically diverse consumers. Every day, millions of consumers visit our website or use our mobile app to find great local businesses. Our strong brand and the quality of the reviews and other content on our platform have enabled us to attract this large audience with almost no traffic acquisition costs.

Local Businesses. Our platform provides businesses with a variety of free and paid services that help them engage with consumers at the critical moment when they are deciding where to spend their money. Businesses can register a business account for free and "claim" the Yelp business page for each of their locations, allowing them to enhance the page with additional information about their businesses and respond to consumer reviews, among other features. We refer to an individual business location as a "local business." Businesses can also pay for premium services to promote themselves through targeted search advertising, discounted offers and further enhancements to their business page. We also offer display advertising and brand sponsorships for national brands that want to improve their local presence.

Powerful Network Effect. Our platform helps people find great local businesses to meet their everyday needs. As more people use our platform, more of them write reviews, add photos, tips and other content. Each review, photo or tip that a user contributes helps expand the breadth and depth of the content on our platform, drawing in more consumers and more prospective contributors. This increase in consumer traffic and content improves our value proposition to local businesses as they seek low-cost, easy-to-use and effective advertising solutions to target a large number of intent-driven consumers.

Yelp Mobile. We help consumers make decisions on the go through both our mobile app and versions of our website dedicated to mobile-based browsers, which we refer to as our mobile website. Our mobile app accounted for approximately 46% of all searches on our platform in the quarter ended December 31, 2013, and approximately 35% of our unique visitors in the quarter ended December 31, 2013 were to our mobile website. We expect mobile device usage to continue to grow and believe that use of our mobile app and mobile website are complementary to the use of our desktop website. However, if mobile device usage is substituting for, rather than incremental to, usage of our website on personal computers and our mobile advertising solutions prove ineffective, this trend could adversely impact our business.

As our community has grown and our product offerings have expanded, we have seen significant growth in reviews, traffic, claimed local business locations and active local business accounts:

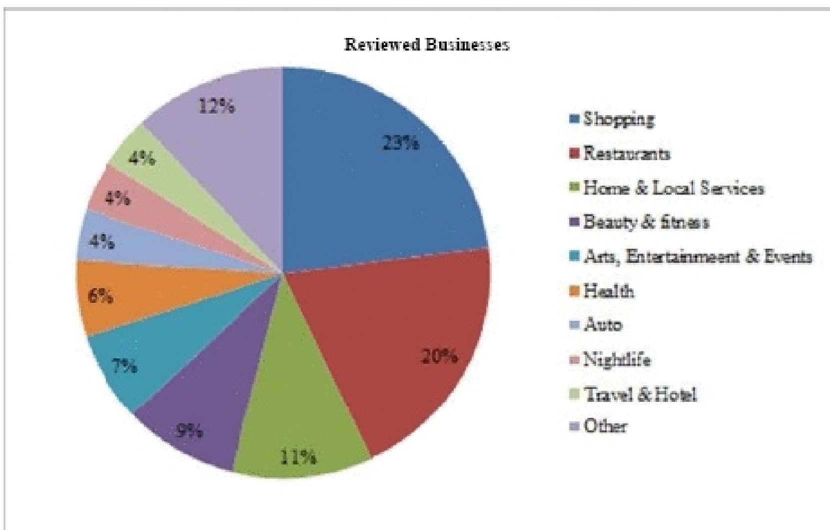
- Our users have contributed a total of approximately 52.8 million cumulative reviews to our platform as of December 31, 2013, up 47% from the prior year. Of these reviews, approximately 36.4 million were recommended and available on business profile pages, approximately 12.6 million were not recommended and approximately 3.7 million had been removed from our platform, as of December 31, 2013. Although they do not factor into a business's overall star rating, we provide access to reviews that are not recommended because they provide additional perspectives and information on reviewed businesses, as well as transparency of the efficacy of our automated recommendation software.

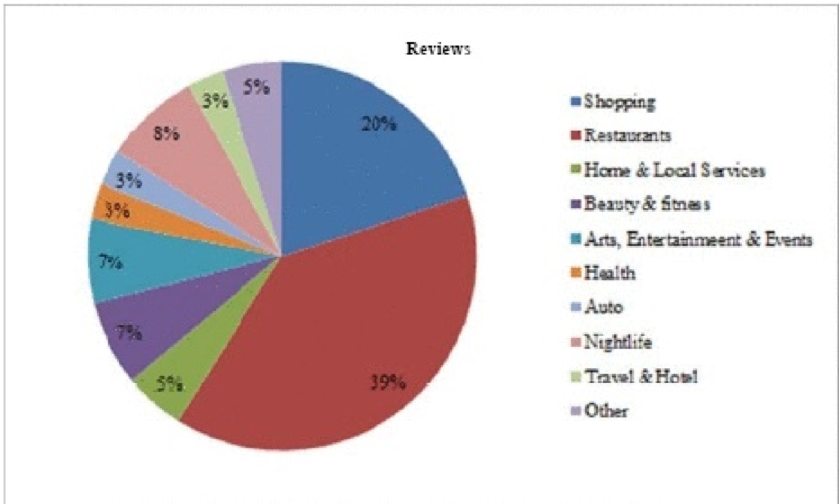
- We had approximately 120.0 million unique visitors on a monthly average basis for the quarter ended December 31, 2013, up 39% from the same period in the prior year.

- We had approximately 1.5 million claimed local business locations as of December 31, 2013, up 50% from the prior year.

- We recognized revenue from approximately 67,000 active local business accounts for the quarter ended December 31, 2013, up 69% from the same period in the prior year.

The approximately 52.8 million cumulative reviews our users contributed through December 31, 2013 cover a wide set of local business categories, including restaurants, shopping, beauty and fitness, arts, entertainment and events, home and local services, health, nightlife, travel and hotel, auto and other categories. We believe this breadth of content across business categories provides consumers with a wide-ranging selection of reviewed businesses as they search across many categories. We highlight below the breakdown by industry of local businesses that have received reviews on our platform and the breakdown by industry of reviews contributed to our platform through December 31, 2013. The charts below include information based upon all contributed reviews and include some businesses that have only received reviews that are not recommended or have been removed.





We generate revenue primarily from the sale of advertising on our website and mobile app to local businesses of all sizes that seek to reach our growing audience of consumers. During the year ended December 31, 2013, we generated net revenue of $233.0 million, representing 69% growth over 2012, a net loss of $10.1 million and an adjusted EBITDA of $29.4 million. For information on how we define and calculate number of contributed reviews, unique visitors, claimed local business locations, active local business accounts and adjusted EBITDA, and a reconciliation of adjusted EBITDA to net loss, see "*Selected Consolidated Financial and Other Data*" in this Annual Report. The top five industry categories accounted for an aggregate of approximately 75% of our local advertising revenue for the quarter ended December 31, 2013, broken down as follows: Home & Local Services, 24%; Restaurants, 16%; Beauty & Fitness, 14%; Health, 11%; Shopping, 10%.

Our Growth Strategy

We intend to grow our platform and our business by focusing on the following key growth strategies:

Growth in Existing Markets

- *Increase Content Contribution*. We will continue to explore ways to enable contributors to share their local experiences through detailed reviews, photos, tips and other forms of content contribution across our platform. As it has become more commonplace to contribute long-form content on mobile devices, for example, we responded in 2013 by adding the ability for contributors to write and publish reviews on their mobile devices. As we continue to grow our contributor and consumer footprint within our existing markets, we expect to benefit from accelerating network effect dynamics, further driving the growth of reviews, consumers and local business activity.

- *Attract More Users.* We believe that we can increase the number of consumers that use our platform. In December 2013, less than 16% of the total U.S. online audience visited our website or mobile app, as reported by comScore, Inc., a company providing digital marketing intelligence. We believe that as our brand recognition increases and the number of reviews on our platform grows, our platform will become more widely known and relevant to broader audiences, thus attracting new consumers to use our service.

- *Increase Usage of Current Users.* By continuing to expand the number of reviews across diverse categories, driving more claimed business pages and providing a more feature-rich experience, we can increase the number of visits and searches per user. Many consumers begin using Yelp to search for restaurants and boutiques, but more than half of reviewed businesses are in categories outside of restaurants and shopping. We believe that there is a substantial opportunity for a larger percentage of our user base to use Yelp to search in more categories. In addition, we believe our efforts to ensure the authenticity of our content have been critical to user engagement; we continued these efforts in 2013 through our consumer alerts program, coordination with law enforcement and sting operations targeting the buying and selling of reviews.

- *Attract More Businesses.* As of December 31, 2013, only approximately 1.5 million local business locations out of the approximately 54.5 million local businesses on our platform had claimed their Yelp pages. We believe the continued increase in the size of our audience of consumers, as well as our expanded platform, new business owner products and comprehensive tools to measure the effectiveness of our products, will encourage businesses to advertise on our platform.

Expand to New Geographic Markets

- *United States.* While we have reviews and local business listings that span the entire United States, we see a large opportunity to continue expanding our footprint in the United States by hiring Community Managers —residents of local markets whose responsibilities include writing a weekly Yelp email newsletter and organizing events for Yelp contributors — in new markets. Our aim is to leverage our capabilities, brand and know-how to create a trusted online platform to connect people to great local businesses across the United States.

- *International.* We are active in 56 international markets, all of which are in Canada, Europe, Singapore, Australia, New Zealand and Brazil. In 2013, we sold our advertising products internationally in our United Kingdom, France, Spain and Canada markets. In addition, in the fourth quarter of 2013, we completed the migration of content from Qype, a Germany-based reviews website that we acquired in 2012, to the Yelp platform and began selling Yelp ad products to local German businesses. We plan to continue to expand internationally by making our platform available in additional international markets and in more languages, as we seek to replicate internationally the powerful network effect that has driven our historic growth in the United States.

Platform Expansion

- *Website and Mobile.* We plan to continue to innovate and introduce new products for our website and mobile app, making it even easier for consumers to find the most relevant information on Yelp as they look for a local business. For example, in 2013 we introduced restaurant hygiene scores on Yelp business pages in certain markets and updated our "Nearby" feature to provide personalized suggestions. We also added an easy way for users to book online reservations at local restaurants and bars through our acquisition of SeatMe, Inc., a web- and app-based reservation solution, or SeatMe.

- *Alternative Platforms.* We also plan to continue to innovate and introduce our content and solutions on new platforms and distribution channels such as automobile navigation systems, web-enabled televisions and voice-enabled mobile devices. For example, in 2013, we brought Yelp content to the Pebble Smartwatch and Kindle Fire HDX. In addition, Yelp-branded content has been incorporated into Mercedes and Lexus in-vehicle infotainment systems. We also have relationships with several companies like Microsoft Corporation and Apple Inc. to make our content and solutions available on its website and consumer devices, respectively.

Enhance Monetization

- *Grow Our Sales Force.* We plan to continue to grow our sales force so we can reach more businesses. During 2013, we continued to invest aggressively in sales and marketing resources. We believe this ongoing investment in our sales force will drive an increase in active local business accounts. In the quarter ended December 31, 2013, we recognized revenue from approximately 67,000 local business accounts, which represent a fraction of the approximately 54.5 million local businesses on our platform.

- *Expand Our Portfolio of Revenue-Generating Products.* We plan to continue to grow and develop advertising and e-commerce products and partner arrangements that provide incremental value to our advertisers and business partners to encourage them to increase their advertising budgets allocated towards our platform. In 2013, we focused on providing a streamlined consumer experience by introducing the Yelp Platform, which allows consumers to have a continuous experience from discovery of great local businesses to completion of transactions such as ordering food for pickup or delivery. However, as we explore opportunities to monetize our products, we remain dedicated to adhering to high standards of user experience. We will not incorporate advertising or other products or solutions that we believe may excessively degrade the user experience – particularly the user experience on mobile devices – and potentially alienate users, even if they might result in increased short-term monetization.

Market Development Strategy

As of December 31, 2013, we were active in 61 Yelp markets in the United States and 56 Yelp markets internationally. This footprint represents a small fraction of the potential markets that we are currently targeting for expansion. Our market development strategy consists of the following:

Identification. We select new markets based on a number of different city- or country-specific criteria, including, but not limited to population size, local gross domestic product, pre-existing base of reviews on our platform, Internet and wireless penetration, proximity to existing markets, number of local businesses and local ad market growth rate.

Preparation and Launch. Before launching a market in any country, we license business listing information from third-party data providers and create individual pages for each business location in the entire country. During this pre-launch preparation phase, we sometimes hire temporary local employees, called "scouts," to provide additional rich content, such as reviews, photos and hours of operation. To bolster the integrity of the content they provide, we closely monitor their contributions to the platform, prohibit them from reviewing businesses with which they have a conflict of interest and identify them in their public profiles as paid contributors. At launch, consumers can read and write reviews about any business on our platform and contribute information about businesses that are not already listed. We have active Yelp markets in Australia, Austria, Belgium, Brazil, Canada, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

Growth. After launch, we focus on attracting a community of contributors, consumers and local businesses to our platform. In each Yelp market, we hire a Community Manager, whose primary responsibilities include:

- planning and executing fun and engaging events for the community, such as parties, outings and activities at restaurants, museums, hotels and other local places of interest;
- getting to know our users and helping them get to know one another as a way to foster an offline community experience that can be transferred online;
- promoting Yelp, including guest appearances on local television and radio and at local events like concerts and street fairs; and
- writing weekly e-mail newsletters to share information with the community about local businesses, events and activities.

Through these activities, we believe Community Managers help us increase awareness of our platform and build avid communities of users who are willing to contribute content to our platform. These active contributors may be invited to attend sponsored social events but do not receive compensation. In time, this community growth drives a network effect whereby contributed reviews expand the breadth and depth of our review base. This expansion draws an increasing number of consumers to access the content on our platform, thus inspiring new and existing contributors to create additional reviews that can be shared with this growing audience.

Scale. At scale, our platform reaches a critical mass of reviews, consumers and claimed local business accounts, and we begin an active sales effort with local businesses. Thereafter, our largest expense is related to sales efforts to attract local business advertising customers. In Yelp markets that have attained this level of development, we expect to achieve economies of scale and operating cost leverage.

To further illustrate the development of our markets as they scale, we highlight below our review and revenue metrics for three cohorts of Yelp markets in the United States: the Yelp markets that we launched in 2005-2006; the Yelp markets that we launched in 2007-2008; and the Yelp markets that we launched in 2009-2010. In the markets we have entered, review growth and consumer activity are generally followed by revenue generated from local businesses.

U.S. Market Cohort	**Number of Yelp Markets**[(1)]	**Average Cumulative Reviews in 2013**[(2)]	**Year-Over-Year Growth in Average Cumulative Reviews**[(3)]	**Average Local Advertising Revenue in 2013**[(4)]	**Year-Over-Year Growth in Average Local Advertising Revenue**[(5)]
2005 – 2006 Cohort	6	3,619	35%	14,290	53%
2007 – 2008 Cohort	14	766	35%	3,600	73%
2009 – 2010 Cohort	18	240	47%	801	102%

(1) A Yelp market is defined as a city or region in which we have hired a Community Manager.

(2) Average cumulative reviews is defined as the total cumulative reviews of the cohort as of December 31, 2013 (in thousands), including reviews that were not recommended or had been removed from our platform, divided by the number of Yelp markets in the cohort.

(3) Year-over-year growth in average cumulative reviews compares average cumulative reviews as of December 31, 2013 with average cumulative reviews as of December 31, 2012.

(4) Average local advertising revenue is defined as the total local advertising revenue from businesses in the cohort for the year ended December 31, 2013 (in thousands) divided by the number of Yelp markets in the cohort.

(5) Year-over-year growth in average local advertising revenue compares local advertising revenue for the year ended December 31, 2013 with local advertising revenue for the year ended December 31, 2012.

For a table showing the year of launch of each of the Yelp markets we have entered since 2008, see "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Overview*." In general, the Yelp markets in our earlier U.S. market cohorts are more populous than those in later cohorts, and we have already entered many of the largest markets in the United States. For these and other reasons, further expansion into additional U.S. markets may not yield results similar to those of our existing U.S. markets.

We have made a significant investment in support of our market development initiatives. For the year ended December 31, 2013, our sales and marketing expenses were $132.0 million, an increase of approximately 54% over the year ended December 31, 2012. Over the same period, total net revenue also increased by approximately 69%. Because most of our costs and expenses relate to personnel and activities that support multiple markets, we do not record costs and expenses separately by market or cohort.

Products

Local Advertising

We provide both free and paid business listing products to businesses of all sizes. In addition, we enable businesses to deliver targeted search advertising to large local audiences through our website and mobile app. We recognize revenue from these products as local advertising revenue.

Free Online Business Account	We enable businesses to create a free online business account and claim the page for each of their business locations. Business representatives can verify their affiliation with the business through an automated telephone verification process, which requires that they be reachable at the phone number that is publicly displayed for their business listing on our platform. With their free business accounts, businesses can view business trends (e.g., statistics and charts reflecting the performance of a business's page on our platform), use the Revenue Estimator tool (e.g., to quantify the revenue opportunity Yelp provides), message customers (e.g., by replying to reviews either publicly or privately), update information (e.g., address, hours of operation) and offer Yelp Deals and Gift Certificates (as described below).
Enhanced Listing	Our enhanced listing solution eliminates search advertising from the businesses' profile pages and allows them to incorporate a video clip or photo slide show on the pages.
Search and Other Ads	We allow businesses to promote themselves as a sponsored search result on our platform and on the listing pages of related businesses. We typically sell businesses a fixed number of these ad impressions per month, but also offer a "cost-per-click" program.
Call to Action	Our Call to Action feature allows businesses to promote a desired transaction of their choosing, such as scheduling an appointment or printing a coupon, directly on their business listing page. The feature takes consumers directly from the business's listing page to the business's own website to complete the action.

Brand Advertising

We offer advertising solutions for national brands that want to improve their local presence in the form of display advertisements and brand sponsorships. Our national advertisers include leading brands in the automobile, financial services, logistics, consumer goods and health and fitness industries. We recognize revenue from these products as brand advertising revenue.

Traditional Display Advertising	We offer both graphic and text display advertisements on our website and mobile app. We typically sell these ads on a per-impression basis.
Brand Sponsorships	Our fixed-price brand sponsorships provide businesses with exclusivity over a section or advertising placement on Yelp for a fixed period of time. Brand sponsorships are generally associated with a particular platform — desktop, mobile web or mobile app — and are short in duration.

Other Services

In addition to our business listing and advertising products, we also offer several features and consumer-interactive tools to facilitate transactions between consumers and the great local businesses they find on Yelp. We recognize revenue from these sources as other services revenue.

Yelp Platform	The Yelp Platform allows consumers to transact directly on Yelp. Through partnerships with Eat24 and delivery.com, consumers are currently able to complete food delivery transactions on Yelp. We have also announced partnerships that we expect to go live in 2014 that will provide consumers with the ability to complete transactions ranging from scheduling yoga sessions to making dentist appointments, all without leaving the Yelp Platform.
Online Reservations	We provide restaurants and nightlife venues with the ability to offer online reservations directly from their Yelp business listing pages through our SeatMe feature. Our partnership with OpenTable also provides consumers with the ability to reserve seats directly on business listing pages of restaurants that participate in OpenTable's network.
Yelp Deals	Our Yelp Deals product allows local business owners to create promotional discounted deals for their products and services, which are marketed to consumers through our platform. Yelp Deals typically have a fee structure based solely on transaction volume with no upfront costs, and we typically earn a fee based on the discounted price of each deal sold. We process all customer payments and remit to the business the revenue share of any Yelp Deal purchased. We primarily offer deals on our platform that are focused on demand fulfillment where businesses can target intent-driven consumers who are specifically searching for a product or service on our platform.
Gift Certificates	Our Gift Certificates product allows local business owners to sell full-price gift certificates directly to customers through their business profile page. The business chooses the price points to offer (from $10 to $500), and the buyer may purchase a Gift Certificate in one of those amounts. We earn a fee based on the amount of the Gift Certificate sold. We process all consumer payments and remit to the business the revenue share of any Gift Certificate purchased.

The following table provides a breakdown of our revenue by product for the years indicated:

	Year Ended December 31,		
	2013	**2012**	**2011**
Percentage of total net revenue by product:			
Local advertising	83%	79%	70%
Brand advertising	12	15	21
Other services	5	6	9
Total	100%	100%	100%

Technology

Product development and innovation are core pillars of our strategy. We aim to delight our users and business partners with our products. We provide our web-based and mobile services using a combination of in-house and third-party technology solutions and products.

- *Our Search and Ranking Technology.* We leverage the data stored on our platform and our proprietary indexing and ranking techniques to provide our users with contextual, relevant and up-to-date results to their search queries. For example, a consumer desiring environmentally-friendly carpet cleaners does not have to call individual cleaners and inquire about their use of chemical-based cleaning solutions. Instead the consumer can search for "environmentally-friendly carpet cleaners" on Yelp and discover cleaners with the best service and "green" cleaning products that serve a specific neighborhood.

- *Our Recommendation Software.* In order to maintain and enhance the quality, authenticity and integrity of the reviews on our platform, we employ our proprietary automated recommendation software to analyze and screen all of our reviews. Our recommendation software looks at a wide range of data associated with each review and reviewer in order to determine the review's relevance and reliability. Our recommendation software operates continually, and the results of its determinations with respect to particular reviews may change over time as it factors in new information. This can result in reviews that were previously recommended becoming not recommended and reviews that were previously not recommended being restored to recommended status. Reviews that are not recommended do not factor into a business's overall star rating and are segregated from recommended reviews on our website. By clicking on a link on a reviewed business's page on our website, users can access reviews that are not recommended for that business, as well as the star rating and other information about reviews that we have removed for violation of our terms of service. We believe our recommendation technology is one of the key contributors to the quality, authenticity and integrity of the reviews on our platform and the success of our service.

- *Our Mobile Solutions.* We identified mobile as a key area for our business as early as 2006. We have since invested significant resources into the development of a comprehensive mobile app platform, supporting the major smartphone operating systems available to consumers today, including iOS, Android, Blackberry and Windows Mobile. In addition, we maintain versions of our website dedicated to mobile-based browsers. Over time we have enhanced the functionality of our mobile app, such that it provides similar and, in some areas, greater functionality than our website. Some of the innovations we introduced through our mobile app include "check-ins," "tips," "comments," "Nearby" and "Monocle," our augmented reality feature, among others.

- *Infrastructure.* Our web and mobile properties are currently hosted from multiple locations. The primary and secondary locations are within shared data center environments in San Francisco, California and Ashburn, Virginia. We also host parts of our infrastructure in Amazon Web Services, as well as with third-party leased server providers. Our web and mobile properties are designed to have high availability, from the Internet connectivity providers we choose, to the servers, databases and networking hardware that we deploy. We design our systems such that the failure of any individual component is not expected to affect the overall availability of our platform. We also leverage other third-party Internet based (cloud) services including rich-content storage, map related services, ad serving and bulk processing.

- *Network Security.* Our platform includes a host of encryption, antivirus, firewall and patch-management technology to protect and maintain the systems located at the data center as well as other systems and computers across our business.

- *Internal Management Systems.* We rely on third-party 'off-the-shelf' technology solutions and products as well as internally developed and proprietary systems to ensure rapid, high-quality customer service, software development and website integration, update and maintenance.

Sales and Marketing

We have a team of Community Managers based in 117 Yelp markets in the United States and internationally, whose primary goals are to build a local community of contributors, raise brand awareness, organize events for the best contributors in their respective cities and engage with the surrounding community. These efforts foster and support vibrant communities of contributors in local markets across the United States, Canada, Europe, Singapore, New Zealand, Australia and Brazil. We believe that continuing to serve our contributors is a critical factor in improving the value of our platform and facilitating the network effect that has helped to attract approximately 120.0 million unique visitors, on a monthly average basis for the quarter ended December 31, 2013, to our website with almost no traffic acquisition costs.

Our sales force is concentrated in five primary locations: San Francisco, California; Scottsdale, Arizona; New York City, New York; London, the United Kingdom; and Hamburg, Germany. Our sales force primarily focuses on gaining new active local business accounts by identifying and contacting local businesses through direct engagement, direct marketing campaigns and weekly emails to claimed local businesses. A smaller component of our sales force is also responsible for attracting national brand advertisers to our platform.

Competition

We compete for consumer traffic with traditional, offline local business guides and directories and with other online providers of local and web search on the basis of a number of factors, including the reliability of our content, breadth, depth and timeliness of information and the strength and recognition of our brand. We also compete for a share of local businesses' overall advertising budgets with traditional, offline media companies and other Internet marketing providers on the basis of a number of factors, including our large consumer audience, effectiveness of our advertising solutions, our pricing structure and recognition of our brand. Our competitors include the following types of businesses:

- *Offline.* We primarily compete with offline media companies and service providers who typically have existing advertising relationships with local businesses. Services provided by competitors range from yellow pages listings to direct mail campaigns to advertising and listings services on local newspapers, magazines, television and radio.

- *Online.* We compete with Internet search engines, such as, Google, Yahoo! and Bing. We also compete with various other online service providers and review and social media websites.

Culture and Employees

We take great pride in our company culture and consider it to be one of our competitive strengths. Our culture helps drive our business forward and is a part of everything we do; it allows us to attract and retain a talented group of employees, create an energetic work environment and continue to innovate in a highly competitive market.

Our culture extends beyond our offices and into the local communities in which people use Yelp. Our full-time Community Managers' responsibilities include supporting the sharing of experiences by consumers in the local market that they serve and increasing brand awareness. In addition, we organize events several times a year to recognize our most important contributors, fostering face-to-face interaction, building the Yelp brand and fostering the sense of true community in which we believe so strongly. Our culture is at the foundation of our success, and our core values remain a pivotal part of our everyday operations.

As of December 31, 2013, we had 1,984 full-time employees globally. None of our employees are covered by collective bargaining agreements, and we consider our relations with our employees to be good.

The Yelp Foundation

In November 2011, our board of directors approved the establishment of The Yelp Foundation, a non-profit organization designed to support consumers and businesses in the communities in which we operate. In the quarter ended December 31, 2011, our board of directors approved the contribution and issuance to The Yelp Foundation of 520,000 shares of our common stock, of which The Yelp Foundation has sold an aggregate of 75,000 shares, including 50,000 shares in our initial public offering. The Yelp Foundation currently holds 445,000 shares of Class B common stock, representing less than 1% of our outstanding capital stock. We did not make any contributions in 2013 and we do not expect to make future contributions to The Yelp Foundation.

Intellectual Property

We rely on federal, state, common law and international rights, as well as contractual restrictions, to protect our intellectual property. We control access to our proprietary technology and algorithms by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties.

In addition to these contractual arrangements, we also rely on a combination of trade secrets, copyrights, trademarks, service marks and domain names to protect our intellectual property. We pursue the registration of our copyrights, trademarks, service marks and domain names in the United States and in certain locations outside the United States. Our registration efforts have focused on gaining protection of our trademarks for Yelp and the Yelp burst logo, among others. These marks are material to our business as they enable others to easily identify us as the source of the services offered under these marks and are essential to our brand identity.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in the United States or other countries in which we operate. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time-consuming. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and harm our operating results.

Companies in the Internet, media and other industries may own large numbers of patents, copyrights and trademarks and may frequently request license agreements, threaten litigation or file suit against us based on allegations of infringement or other violations of intellectual property rights. We are currently subject to, and expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors and non-practicing entities. As we face increasing competition and as our business grows, we will likely face more claims of infringement.

Government Regulation

As a company conducting business on the Internet, we are subject to a number of foreign and domestic laws and regulations relating to consumer protection, information security, data protection and privacy, among other things. In the area of information security and data protection, for example, the laws in several states require companies to implement specific information security controls to protect certain types of information. Likewise, all but a few states have laws in place requiring companies to notify users if there is a security breach that compromises certain categories of their information. Foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. Any failure on our part to comply with these laws may subject us to significant liabilities.

Many of these laws and regulations are still evolving and could be interpreted in ways that could harm our business. The application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning data protection that could affect us. For example, the European Commission is currently considering a data protection regulation imposing operational requirements on companies that receive personal data. The proposed requirements are different from those currently in place in the European Union, and the regulation may also include significant penalties for non-compliance.

Information About Segment and Geographic Revenue

Information about segment and geographic revenue is set forth in Note 15 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report.

Seasonality

Our business is affected both by cyclicality in business activity and by seasonal fluctuations in Internet usage and advertising spending. We believe our rapid growth has masked the cyclicality and seasonality of our business. As our revenue growth rate slows, we expect that the cyclicality and seasonality in our business may become more pronounced and may in the future cause our operating results to fluctuate.

Corporate and Available Information

We were incorporated in Delaware on September 3, 2004 under the name Yelp, Inc., and we changed our name in late September 2004 to Yelp! Inc. and in February 2012 to Yelp Inc. Our principal executive offices are located at 140 New Montgomery Street, San Francisco, California 94105, and our telephone number is (415) 908-3801. Our website address is www.yelp.com. Information contained on or accessible through our website is not incorporated into, and does not form a part of, this Annual Report.

We file or furnish electronically with the Securities and Exchange Commission, or SEC, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. We make available free of charge on or through our website copies of these reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov. You may also read and copy any of our materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information regarding the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our Class A common stock. You should carefully consider the risks and uncertainties described below before making an investment decision. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations.

Risks Related to Our Business and Industry

We have a limited operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have a limited operating history in an evolving industry that may not develop as expected, if at all. This limited operating history makes it difficult to assess our future prospects. You should consider our business and prospects in light of the risks and difficulties we may encounter in this rapidly evolving industry. These risks and difficulties include our ability to, among other things:

- increase the number of users of our website and mobile app and the number of reviews and other content on our platform;
- increase the revenue from advertisers on our website and mobile app;
- continue to earn and preserve a reputation for providing meaningful and reliable reviews of local businesses;
- effectively monetize our mobile products as usage continues to migrate toward mobile devices;
- manage, measure and demonstrate the effectiveness of our advertising solutions and attract and retain new advertising clients, many of which may only have limited or no online advertising experience;
- successfully compete with existing and future providers of other forms of offline and online advertising;

- successfully compete with other companies that are currently in, or may in the future enter, the business of providing information regarding local businesses;
- successfully expand our business in new and existing markets, both domestic and international;
- successfully develop and deploy new features and products;
- effectively integrate businesses we may acquire, such as Qype and SeatMe;
- avoid interruptions or disruptions in our service or slower than expected load times;
- develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased usage globally, as well as the deployment of new features and products;
- hire, integrate and retain talented sales and other personnel;
- effectively manage rapid growth in our sales force, personnel and operations; and
- effectively partner with other companies.

If the demand for information regarding local businesses does not develop as we expect, or if we fail to address the needs of this demand, our business will be harmed. We may not be able to address successfully these risks and difficulties or others, including those described elsewhere in these risk factors. Failure to address these risks and difficulties adequately could harm our business and cause our operating results to suffer.

We have incurred significant operating losses in the past, and we may not be able to generate sufficient revenue to achieve or maintain profitability, particularly given our significant ongoing sales and marketing expenses. Our recent growth rate will likely not be sustainable, and a failure to maintain an adequate growth rate will adversely affect our results of operations and business.

Since our inception, we have incurred significant operating losses, and, as of December 31, 2013, we had an accumulated deficit of approximately $70.5 million. Although our revenues have grown rapidly in the last several years, increasing from $12.1 million in 2008 to $233.0 million in 2013, we expect that our revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business and the gradual decline in the number of major geographic markets, especially within the United States, to which we have not already expanded, and you should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. In addition, historically, our costs have increased each year and we expect our costs to increase in future periods as we continue to expend substantial financial resources on:

- sales and marketing;
- domestic and international expansion efforts;
- product and feature development;
- our technology infrastructure;
- strategic opportunities, including commercial relationships and acquisitions; and
- general administration, including legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business. Our costs may also increase as we hire additional employees, particularly as a result of the significant competition that we face to attract and retain technical talent. Our expenses may grow faster than our revenue and may be greater than we anticipate in a particular period or over time. If we are unable to maintain adequate revenue growth and to manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

We rely on traffic to our website from search engines like Google, Bing and Yahoo!, some of which offer products and services that compete directly with our solutions. If information from and links to our website are not displayed as prominently on search engine result pages as those from competing products and services, traffic to our website could decline and our business would be adversely affected.

Our success depends in part on our ability to attract users through unpaid Internet search results on search engines like Google, Bing and Yahoo!. The number of users we attract from search engines to our website (including our mobile website) is due in large part to how and where information from and links to our website are displayed on search engine result pages. The display, including rankings, of unpaid search results can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, a search engine may change its ranking algorithms, methodologies or design layouts. As a result, links to our website may not be prominent enough to drive traffic to our website, and we may not know how or otherwise be in a position to influence the results. In some instances, search engine companies may change their displays or rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. Although traffic to our mobile app is less reliant on search results than traffic to our website, growth in mobile device usage may not decrease our overall reliance on search results if mobile users use our mobile website at the expense of our mobile app. In fact, growth in mobile device usage may exacerbate the risks associated with how and where our website is displayed in search results because mobile device screens are smaller than desktop computer screens and therefore display fewer search results. Our website has experienced fluctuations in search result rankings in the past, and we anticipate fluctuations in the future. Any reduction in the number of users directed to our website could adversely impact our business and results of operations.

Google in particular is the most significant source of traffic to our website, accounting for more than half of the visits to our website from Internet searches during the three months and year ended December 31, 2013. Our success depends on our ability to maintain a prominent presence in search results for queries regarding local businesses on Google. Google has removed links to our website from portions of its web search product and has promoted its own competing products, including Google's local products, in its search results. Given the large volume of traffic to our website and the importance of the placement and display of results of a user's search, similar actions in the future could have a substantial negative effect on our business and results of operations.

If we fail to generate and maintain sufficient high quality content from our users, we will be unable to provide consumers with the information they are looking for, which could negatively impact our traffic and revenue.

Our success depends on our ability to provide consumers with the information they seek, which in turn depends on the quantity and quality of the content provided by our users. For example, we may be unable to provide consumers with the information they seek if our users do not contribute content that is helpful and reliable, or if they remove content they previously submitted. For example, our ability to provide high quality content may be harmed as consumers increasingly contribute content through our mobile website and mobile app because desktop contributions tend to be longer than content contributed through mobile devices. Similarly, we may be unable to provide consumers with the information they seek if our users are unwilling to contribute content because of concerns that they may be harassed or sued by the businesses they review, instances of which have occurred in the past and may occur again in the future. In addition, we may not be able to provide users the information they seek if the information on our platform is not up-to-date. We do not phase out or remove dated reviews, and consumers may view older reviews as less relevant, helpful or reliable. If our platform does not provide current information about local businesses or users perceive reviews on our platform as less relevant, our brand and our business could be harmed.

If we are unable to provide consumers with the information they seek, or if they can find equivalent content on other services, they may stop or reduce their use of our platform, and traffic to our website and on our mobile app will decline. If our user traffic declines, our advertisers may stop or reduce the amount of advertising on our platform and our business could be harmed.

Our business may be harmed if users view our platform as primarily limited to reviews of restaurants and shopping experiences.

Our user traffic could be adversely affected if consumers perceive the utility of our platform to be limited to finding businesses in the restaurant and shopping categories, which together accounted for approximately 43% of the businesses that have been reviewed on our platform and approximately 59% of our cumulative reviews through December 31, 2013. We believe that this concentration of reviews is primarily due to the frequency with which individuals visit specific businesses or engage in certain activities versus others. For example, an individual may eat at a restaurant three times in one week or go shopping once a week, but the same individual is unlikely to visit a mechanic, get a haircut or use a home or local service with the same frequency. However, if the high concentration of reviews in the restaurant and shopping categories generates a perception that our platform is primarily limited to these categories, traffic may decline and advertising customers may be less likely to perceive value from using our services, which could harm our business.

If our automated software does not recommend helpful content or recommends unhelpful content, consumers and businesses alike may stop or reduce their use of our platform and products, and our business could suffer.

While we have designed our technology to avoid recommending content that we believe may be offensive, biased, unreliable or otherwise unhelpful, we cannot guarantee that our efforts will be effective or adequate. In addition, some consumers and businesses have alternately expressed concern that our technology either recommends too many reviews, thereby recommending some reviews that may not be legitimate, or too few reviews, thereby not recommending some reviews that may be legitimate. This may cause consumers and businesses to stop or reduce their use of our platform or our advertising solutions. If the performance of our automated recommendation software proves inadequate or ineffective, our reputation and brand may be harmed, users may stop using our products and our business and results of operations could be adversely affected.

Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain and expand our base of users and advertisers, as well as our ability to increase the frequency with which they use our solutions.

We have developed a strong brand that we believe has contributed significantly to the success of our business. Maintaining, protecting and enhancing the "Yelp" brand is critical to expanding our base of users and advertisers and increasing the frequency with which they use our solutions. Our ability to do so will depend largely on our ability to maintain consumer trust in our solutions and in the quality and integrity of the user content and other information found on our website and mobile app, which we may not do successfully. If we do not successfully maintain a strong brand, our business could be harmed.

For example, if consumers do not perceive the user content on our platform to be authentic, they may lose trust in the integrity of the content and our brand may be harmed. This may occur if consumers believe that the reviews, photos and other content contributed by our Community Managers or other employees are influenced by our advertising relationships or are otherwise biased. Although we take steps to prevent this from occurring by, for example, displaying an "ambassador" badge on the account profile pages for each of our Community Managers identifying them as Yelp employees and explaining their role on our platform, the designation does not appear on the page for each review contributed by the Community Manager and we may not be successful in our efforts to maintain consumer trust. Similarly, certain media outlets have previously reported allegations that a significant percentage of the reviews on our platform are not genuine. Although we take steps to address the reviews that may not be reliable through our automated recommendation software, our consumer alerts program, coordination with law enforcement and sting operations targeting the buying and selling of reviews, we cannot ensure that each of the 36.4 million recommended reviews on our platform as of December 31, 2013 are authentic. If consumers do not believe our recommended reviews to be reliable, they may seek other services to obtain the information for which they are looking, and may not return to our platform as often in the future, or at all. This would negatively impact our ability to retain and attract users and advertisers and increase the frequency with which they use our platform.

Maintaining and enhancing our brand may require us to make substantial investments, and these investments may not be successful. For example, our trademarks are an important element of our brand. We have faced in the past, and may face in the future, oppositions from third parties to our applications to register key trademarks in foreign jurisdictions in which we expect to expand our presence. If we are unsuccessful in defending against these oppositions, our trademark applications may be denied. Whether or not our trademark registration applications are denied, third parties may claim that our trademarks infringe their rights. As a result, we could be forced to pay significant settlement costs or cease the use of these trademarks and associated elements of our brand in those or other jurisdictions. Doing so could harm our brand or brand recognition and adversely affect our business, financial condition and results of operations. If we fail to maintain and enhance our brand successfully, or if we incur excessive expenses in this effort, our business and financial results may be adversely affected.

Negative publicity could adversely affect our reputation and brand.

Negative publicity about our company, including our technology, sales practices, personnel, customer service or litigation or political activities, could diminish confidence in and the use of our products. Certain media outlets have previously reported allegations that we manipulate our reviews, rankings and ratings in favor of our advertisers and against non-advertisers. These allegations, though untrue, could adversely affect our reputation and brand, require significant management time and attention, and subject us to inquiries or investigations. In order to demonstrate that our automated recommendation software applies in a nondiscriminatory manner to both advertisers and nonadvertisers, we have made all reviews that are not recommended accessible on our platform. We have also allowed businesses to comment publicly on negative reviews so that they can provide their response. Nevertheless, our reputation and brand, the traffic to our website and mobile app and our business may suffer if negative publicity about our company persists or if users otherwise perceive that content on our website and mobile app is manipulated or biased. In addition, our website and mobile app also serve as a platform for expression by our users, and third parties or the public at large may attribute the political or other sentiments expressed by users on our platform to us, which could harm our reputation. Similarly, the actions of our partners may affect our brand if users do not have a positive experience completing transactions on the Yelp Platform.

If we fail to maintain and expand our base of advertisers, our revenue and our business will be harmed.

For the three months and full year ended December 31, 2013, substantially all of our revenue was generated by the sale of advertising products. We have incurred significant costs to attract current and future advertisers and expect to incur significant additional costs for the foreseeable future. Our ability to grow our business depends on our ability to maintain and expand our advertiser base. To do so, we must convince existing and prospective advertisers alike that our advertising products offer a material benefit and can generate a competitive return relative to other alternatives. Many prospective advertisers, such as those in new markets, may not be familiar with our products or view them as unproven. Many of these businesses are more accustomed to using more traditional methods of advertising, such as newspapers or print yellow pages directories. If we do not deliver ads in an effective manner, or we do not provide accurate analytics and measurement solutions that demonstrate the value of our ads, advertisers may choose not to advertise with us.

Our advertisers typically do not have long-term obligations to purchase our products, and their decisions to renew depend on a number of factors, including the degree of satisfaction with our products and their ability to continue their operations and spending levels. We rely heavily on advertising spend by small and medium-sized local businesses, which have historically experienced high failure rates and often have limited advertising budgets. As a result, we may experience attrition in our advertisers in the ordinary course of business resulting from several factors, including losses to competitors, declining advertising budgets, closures and bankruptcies.

We may face greater challenges as we continue to expand our advertiser base in businesses outside the restaurant and shopping categories, which together accounted for approximately 43% of the businesses that have been reviewed on our platform and approximately 59% of our cumulative reviews through December 31, 2013, especially if these businesses believe that consumers perceive the utility of our platform to be limited to finding businesses in the restaurant and shopping categories. The ratings and reviews that businesses receive from our users may also affect advertising decisions by current and prospective advertisers. For instance, favorable ratings and reviews, on the one hand, could be perceived as obviating the need to advertise, and unfavorable ratings and reviews, on the other, could discourage businesses from advertising to an audience they perceive as hostile or cause them to form a negative opinion of our products and user base, which could discourage them from doing business with us.

We must continually add new advertisers both to replace advertisers who choose not to renew their advertising or who go out of business, or otherwise fail to fulfill their advertising contracts with us, to grow our business. If our advertisers increase their rates of non-renewal or if we experience significant advertiser attrition or contract breach, or if we are unable to attract new advertisers in numbers greater than the number of advertisers that we lose, our client base will decrease and our business, financial condition and results of operations would be harmed.

If we fail to expand effectively into new markets, both domestically and abroad, our revenue and our business will be harmed.

We intend to expand our operations into new markets, both domestically and abroad. We may incur losses or otherwise fail to enter new markets successfully. Our expansion into new markets places us in competitive environments with which we are unfamiliar and involves various risks, including the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years, or at all. In attempting to establish a presence in new markets, we expect, as we have in the past, to incur significant expenses and face various other challenges, such as expanding our sales force and community management personnel to reach those new markets and encountering different and potentially lower levels of user engagement in some or all of these markets. Our current and any future expansion plans will require significant resources and management attention. Furthermore, we have already entered many of the largest markets in the United States and further expansion in smaller markets may not yield similar results or sustain our growth.

We plan to continue expanding our operations abroad where we have limited operating experience and may be subject to increased risks that could affect our financial results.

We plan to continue the international expansion of our operations and our offerings in new languages. Our platform is now available in English and several other languages. However, we may have difficulty modifying our technology and content for use in non-English-speaking markets or fostering new communities in non-English-speaking markets. Our ability to manage our business and conduct our operations internationally requires considerable management attention and resources, and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Furthermore, in most international markets, we would not be the first entrant, and our competitors may be better positioned than we are to succeed. Expanding internationally may subject us to risks that we have either not faced before or increase our exposure to risks that we currently face, including risks associated with:

- recruiting and retaining qualified, multi-lingual employees, including sales personnel;
- integrating businesses we may acquire internationally, such as Qype;
- increased competition from local websites and guides, and potential preferences by local populations for local providers;
- compliance with applicable foreign laws and regulations, including different privacy, censorship and liability standards and regulations and different intellectual property laws;
- providing solutions in different languages for different cultures, which may require that we modify our solutions and features to ensure that they are culturally relevant in different countries;
- our ability to achieve prominent display of our content in unpaid search results, which may be more difficult in newer markets where we may have less content and more competitors than in established markets;
- the enforceability of our intellectual property rights;
- credit risk and higher levels of payment fraud;
- compliance with anti-bribery laws, including but not limited to compliance with the Foreign Corrupt Practices Act and the U.K. Bribery Act;
- currency exchange rate fluctuations;
- foreign exchange controls that might prevent us from repatriating cash earned outside the United States;
- political and economic instability in some countries;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the tax laws of the United States or the foreign jurisdictions in which we operate; and
- higher costs of doing business internationally.

Mobile advertising is new and evolving. If our mobile advertising solutions are not compelling or do not operate effectively with mobile operating systems, growth in use of our mobile app and mobile website, particularly if it substitutes for use of our website on personal computers, may adversely affect our results of operations and business.

The number of people who access information about local businesses through mobile devices, including smartphones and handheld tablets or computers, has increased dramatically in the past few years and is expected to continue to increase. Although we currently deliver advertising on our mobile app and mobile website, the mobile advertising market remains a new and evolving market. Given our limited experience in monetizing our mobile products and commitment to prioritizing the quality of user experience over short-term monetization, we may not be able to generate meaningful revenue from our mobile products despite the expected growth in mobile usage. In addition, if consumers use our mobile app and mobile website as substitutes for, rather than in addition to, use of our website on personal computers and our mobile solutions prove ineffective, our advertisers may stop or reduce their advertising with us. Similarly, we may be unable to attract new advertisers if our mobile advertising solutions are not compelling. If our advertising solutions are not effective or we fail to continue to innovate and introduce enhanced mobile solutions, if our solutions alienate our user base, or if our solutions are not widely adopted or are insufficiently profitable, our business may suffer.

Additionally, we are dependent on the interoperability of our mobile products with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade their functionality could adversely affect mobile usage. As new mobile devices and platforms are released, it is difficult to predict the problems we may encounter in developing products for these alternative devices and platforms, and we may need to devote significant resources to the creation, support and maintenance of such products. If we experience difficulties in the future in integrating our mobile app into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile application download stores, such as those of Google, with whose local products we compete, or Apple, our user growth and user engagement could be harmed. In addition, if our applications receive unfavorable treatment compared to the promotion and placement of competing applications, such as the order of our products in the Apple AppStore, or if we face increased costs to distribute our mobile app, our future growth and our results of operations could suffer. Further, in the event that it becomes more difficult for our users to access and use our mobile app, or if users choose to use mobile products that do not offer access to our mobile app, we may be unable to decrease our reliance on traffic from Google and other search engines.

We expect to face increased competition in the market.

The market for information regarding local businesses and advertising is intensely competitive and rapidly changing. With the emergence of new technologies and market entrants, competition is likely to intensify in the future. Our competitors include, among others, offline media companies and service providers; newspaper, television and other media companies; Internet search engines, such as Google, Bing and Yahoo!; and various other online service providers and review websites, including regional review websites that may have strong positions in particular countries.

Our competitors may enjoy competitive advantages, such as greater name recognition, longer operating histories, substantially greater market share, large existing user bases and substantially greater financial, technical and other resources. These companies may use these advantages to offer products similar to ours at a lower price, develop different products to compete with our current solutions and respond more quickly and effectively than we do to new or changing opportunities, technologies, standards or client requirements. In particular, major Internet companies, such as Google, facebook, Yahoo! and Microsoft may be more successful than us in developing and marketing online advertising offerings directly to local businesses and many of our advertisers and potential advertisers may choose to purchase online advertising services from these competitors and may reduce their purchases of our products. In addition, many of our current and potential competitors have established marketing relationships with and access to larger client bases. Certain competitors could also use strong or dominant positions in one or more markets to gain competitive advantage against us in areas where we operate, including by: integrating review platforms or features into products they control, such as search engines, web browsers or mobile device operating systems; changing their unpaid search result rankings to promote their products; refusing to enter into or renew licenses on which we depend; or limiting or denying our access to advertising measurement or delivery systems.

As the market for local online advertising increases, new competitors, business models and solutions are likely to emerge. We also compete with these companies for the attention of contributors and consumers, and may experience decreases in both if our competitors offer more compelling environments. For all of these reasons, we may be unable to maintain or grow the number of people who use our website and mobile app and the number of businesses that use our advertising solutions and we may face pressure to reduce the price of our advertising solutions, in which case our business, results of operations and financial condition will be harmed.

The traffic to our website and mobile application may decline and our business may suffer if other companies copy information from our platform and publish or aggregate it with other information for their own benefit.

From time to time, other companies copy information from our platform, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. For example, in parts of 2010 and 2011, Google incorporated content from our website into its own local product without our permission. Google's users, as a result, may not have visited our website because they found the information they sought on Google. While we do not believe that Google is still incorporating our content within its local products, we have no assurance that Google or other companies will not copy, publish or aggregate content from our platform in the future.

When third parties copy, publish or aggregate content from our platform, it makes them more competitive and decreases the likelihood that consumers will visit our website or use our mobile app to find the information they seek, which could negatively affect our business, results of operations and financial condition. We may not be able to detect such third-party conduct in a timely manner and, even if we could, we may not be able to prevent it. In some cases, particularly in the case of websites operating outside of the United States, our available remedies may be inadequate to protect us against such practices. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.

The impact of worldwide economic conditions, including the resulting effect on advertising spending by local businesses, may adversely affect our business, operating results and financial condition.

Worldwide economic conditions, such as the sovereign debt and federal government funding issues in the United States, create uncertainty and unpredictability and add risk to our future outlook. Our performance is subject to, among other things, the impact of worldwide economic conditions on levels of advertising spend by small and medium-sized businesses, which may be disproportionately affected by economic downturns. In the event of an economic slowdown or deterioration of worldwide economic conditions, our existing and potential advertising clients may no longer consider investment in our advertising solutions a necessity, or may elect to reduce advertising budgets. Historically, economic downturns have resulted in overall reductions in advertising spending. In particular, web-based advertising solutions may be viewed by some of our existing and potential advertising clients as a lower priority and could cause advertisers to reduce the amounts they spend on advertising, terminate their use of our solutions or default on their payment obligations to us. In addition, economic conditions may adversely impact levels of consumer spending, which could adversely impact the numbers of consumers visiting our website and mobile app. Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. If spending at many of the local businesses reviewed on our platform declines, businesses may be less likely to use our advertising products, which could have a material adverse effect on our financial condition and results of operations.

We face potential liability and expense for legal claims based on the content on our platform.

We face potential liability and expense for legal claims relating to the information that we publish on our website and mobile app, including claims for defamation, libel, negligence and copyright or trademark infringement, among others. For example, businesses in the past have claimed, and may in the future claim, that we are responsible for defamatory reviews posted by our users. We expect claims like these to continue, and potentially increase in proportion to the amount of content on our platform. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be compelled to remove content or may be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims. If we elect or are compelled to remove valuable content from our website or mobile app, our platform may become less useful to consumers and our traffic may decline, which could have a negative impact on our business and financial performance.

This risk may be increased if the immunities afforded to websites that publish user-generated content are limited through new legislation or otherwise. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement and other theories based on the nature and content of the materials searched, the ads posted or the content provided by users. It may also be enhanced in certain jurisdictions outside the United States where our protection from liability for third-party actions may be unclear and where we may be less protected under local laws than we are in the United States.

Our business is subject to complex and evolving U.S. and foreign regulations and other legal obligations related to privacy, data protection and other matters. Our actual or perceived failure to comply with such regulations and obligations could harm our business.

We are subject to a variety of laws in the United States and abroad that involve matters central to our business, including laws regarding privacy, data retention, distribution of user-generated content and consumer protection, among others. For example, because we receive, store and process personal information and other user data, including credit card information for certain users, we are subject to numerous federal, state and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other user data, such as the Children's Online Privacy Protection Act, which regulates the way we collect and use information from children. We are also subject to a variety of laws, regulations and guidelines that regulate the way we distinguish paid search results and other types of advertising from unpaid search results.

The application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be inconsistent between countries. It is also possible that the interpretation and application of these obligations may conflict with other rules or our practices, such as industry standards to which we adhere, our privacy policies and our privacy-related obligations to third parties (including, in certain instances, voluntary third-party certification bodies such as TRUSTe). It is difficult to predict how existing laws will be applied to our business, and if our business grows and evolves and our solutions are used in a greater number of countries, we will also become subject to laws and regulations in additional jurisdictions.

Similarly, our business could be adversely affected if new legislation or regulations are adopted that are inconsistent with our current business practices and that require us to change these practices or the design of our platform, products or features. For example, regulatory frameworks for privacy issues are currently in flux worldwide, and are likely to remain so for the foreseeable future due to increased public scrutiny of the practices of companies offering online services with respect to the personal information of their users. The U.S. government, including the White House, the Federal Trade Commissions, or FTC, and the Department of Commerce, and many state governments are reviewing the need for greater regulation of the collection of information concerning consumer behavior with respect to online services, including regulation aimed at restricting certain targeted advertising practices and the collection and use of data from mobile services. In addition, the European Union is in the process of promulgating a new general data protection regulation, which may result in significantly greater compliance burdens for companies such as us with users and operations in Europe. Changes like these could increase our administrative costs and make it more difficult for consumers to use our platform, resulting in less traffic and revenue. Similarly, such changes could make it more difficult for us to provide effective advertising tools to businesses on our platform, resulting in fewer advertisers and less revenue.

We believe our policies and practices comply with applicable laws and regulations. However, if our belief proves incorrect, if these guidelines, laws or regulations or their interpretation change or new legislation or regulations are enacted, or if the third parties with whom we share user information fail to comply with such guidelines, laws, regulations or their contractual obligations to us, we may be forced to implement new measures to reduce our legal exposure. This may require us to expend substantial resources, delay development of new products or discontinue certain products or features, which would negatively affect our business. For example, if we fail to comply with our privacy-related obligations to users or third parties, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, we may be compelled to provide additional disclosures to our users, obtain additional consents from our users before collecting or using their information or implement new safeguards to help our users manage our use of their information, among other changes. We may also face governmental enforcement actions, litigation or negative publicity, which could cause our users and advertisers to lose trust in us and have an adverse effect on our business. The FTC in particular has approved consent decrees resolving complaints and their resulting investigations into the privacy and security practices of a number of social media companies. Similar investigations, decrees or actions may adversely impact us directly.

Our growth depends in part on the success of our strategic relationships with third parties, and any failure to maintain these relationships could harm our business.

We rely in part on relationships with various third parties to grow our business, including strategic partners and technology and content providers. Identifying, negotiating and maintaining relationships with third parties require significant time and resources, as does integrating their services and technologies onto our platform. We may also have competing interests and obligations with respect to our partners, which may make it difficult to maintain, grow or maximize the benefit of each partnership. In addition, we have had, and may in the future have, disagreements or disputes with our partners about our respective contractual obligations, which could result in legal proceedings or negatively affect our brand and reputation. It is also possible that these third parties may not be able to devote the resources we expect to the relationships or they may terminate their relationships with us. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to grow our business could be impaired, and our operating results could suffer.

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results. We may also be unable to realize the expected benefits and synergies of any acquisitions.

Our success will depend, in part, on our ability to expand our product offerings and grow our business in response to changing technologies, user and advertiser demands and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses or technologies rather than through internal development. For example, in October 2012, we acquired Qype to accelerate our international expansion and, in July 2013, we acquired SeatMe to obtain an online reservation solution. We have limited experience as a company in the complex process of acquiring other businesses and technologies. The pursuit of potential future acquisitions may divert the attention of management and cause us to incur expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. Acquisitions that are consummated could result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our results of operations or our ability to achieve profitability. The incurrence of debt in particular could result in increased fixed obligations or include covenants or other restrictions that would impede our ability to manage our operations.

In order to realize any gains from any acquisition, we must successfully complete the integration of the acquired business, its operations, services and personnel with our organization. In order to realize the expected benefits and synergies of our acquisitions, we must meet a number of significant challenges, including:

- integrating operations, strategies, sites and technologies, and personnel of the acquired company;
- managing the combined business effectively;
- retaining and assimilating the key personnel of the acquired company;
- retaining existing customers and strategic partners and minimizing disruption to existing relationships as a result of any integration of new personnel;
- difficulties in the assimilation of employees and corporate cultures;
- implementing and retaining uniform standards, controls, procedures, policies and information systems;

- addressing risks related to the business of acquired company that may continue to impact the businesses following the acquisition; and
- potential unknown liabilities associated with an acquired company.

Any inability to integrate services, sites and technologies, operations or personnel in an efficient and timely manner could harm our results of operations. Transition activities are complex and require significant time and resources, and we may not manage the process successfully. In addition, we may be required to spend additional time or funds on integration that otherwise would be spent on the development and expansion of the combined business. Even if we are able to integrate the operations of any acquired company successfully, these integrations may not result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from the integration of each business, and these benefits may not be achieved within a reasonable period of time.

If we fail to manage our growth effectively, our brand, results of operations and business could be harmed.

We have experienced rapid growth in our headcount and operations, including through our acquisitions of Qype in October 2012 and SeatMe in July 2013, which places substantial demands on management and our operational infrastructure. Most of our employees have been with us for fewer than two years. We intend to make substantial investments in our technology, sales and marketing and community management organizations. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, including employees in international markets and from any acquired businesses, while maintaining the beneficial aspects of our company culture. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our brand, results of operations and business.

Our business is dependent on the uninterrupted and proper operation of our technology and network infrastructure. Any significant disruption in our service could damage our reputation, result a potential loss of users and engagement and adversely affect our results of operations.

It is important to our success that users in all geographies be able to access our platform at all times. We have previously experienced, and may experience in the future, service disruptions, outages and other performance problems. Such performance problems may be due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints due to an overwhelming number of users accessing our platform simultaneously. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If our platform is unavailable when users attempt to access it or it does not load as quickly as they expect, users may seek other services to obtain the information for which they are looking, and may not return to our platform as often in the future, or at all. This would negatively impact our ability to attract users and advertisers and increase the frequency with which they use our website and mobile app.

It may become increasingly difficult to maintain and improve the availability of our platform, especially during peak usage times, as our solutions become more complex and our user traffic increases. We expect to continue to make significant investments to maintain and improve the availability of our platform and to enable rapid releases of new features and products. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

Our systems and operations are also vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks and similar events. Our U.S. corporate offices and one of the facilities we lease to house our computer and telecommunications equipment are located in the San Francisco Bay Area, a region known for seismic activity. In addition, acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could cause disruptions in our or our local business advertisers' businesses or the economy as a whole. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting the San Francisco Bay Area, and our business interruption insurance may be insufficient to compensate us for losses that may occur. Our disaster recovery program contemplates transitioning our platform and data to a backup center in the event of a catastrophe. Although this program is functional, if our primary data center shuts down, there will be a period of time that our services will remain shut down while the transition to the back-up data center takes place. During this time, our platform may be unavailable in whole or in part to our users.

We are, and may in the future be, subject to disputes and assertions by third parties that we violate their rights. These disputes may be costly to defend and could harm our business and operating results.

We currently face, and we expect to face from time to time in the future, allegations that we have violated the rights of third parties, including patent, trademark, copyright and other intellectual property rights and the rights of current and former employees, users and business owners. For example, certain of our users have sued us claiming that they were in fact Yelp employees and should have received minimum wage for their time spent writing reviews. Other users have brought suit alleging that we violated their privacy rights when our mobile app accessed certain data on their mobile devices. Various businesses have also sued us alleging that we manipulate Yelp reviews in order to coerce them and other businesses to pay for Yelp advertising.

Companies in the Internet, technology and media industries own large numbers of patent and other intellectual property rights, and frequently enter into litigation based on allegations of infringement or other violations of such rights. In addition, various "non-practicing entities" that own patents and other intellectual property rights often aggressively attempt to assert their rights in order to extract value from technology companies. From time to time, we receive notice letters from patent holders alleging that certain of our products and services infringe their patent rights. We do not own any patents, and, therefore, may be unable to deter competitors or others from pursuing patent or other intellectual property infringement claims against us. We presently are involved in numerous patent lawsuits, all of which involve plaintiffs targeting multiple defendants in the same or similar suits.

Other claims against us can be expected to be made in the future, and as we face increasing competition and gain an increasingly high profile, we expect the number of claims against us to accelerate. The results of litigation and claims to which we may be subject cannot be predicted with certainty. Even if the claims are without merit, the costs associated with defending these types of claims may be substantial, both in terms of time, money and management distraction. In particular, patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop offering certain features, purchase licenses or modify our products and features while we develop non-infringing substitutes or may result in significant settlement costs. Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, results of operations and reputation.

Some of our products contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in our products and will use open source software in the future. From time to time, we may face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software (which could include our proprietary source code), or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license or cease offering the implicated solutions unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business and operating results.

We make the consumer experience our highest priority. Our dedication to making decisions based primarily on the best interests of consumers may cause us to forgo short-term gains and advertising revenue.

We base many of our decisions upon the best interests of the consumers who use our platform. We believe that this approach has been essential to our success in increasing our user growth rate and the frequency with which consumers use our platform and has served the long-term interests of our company and our stockholders. In the past, we have forgone, and we may in the future forgo, certain expansion or revenue opportunities that we do not believe are in the best interests of consumers, even if such decisions negatively impact our results of operations in the short term, and we believe that continued adherence to this principle will, in the long term, benefit our stockholders. In particular, our approach of putting our consumers first may negatively impact our relationships with our existing or prospective advertisers. For example, unless we believe that a review violates our terms of service, such as reviews that contain hate speech or bigotry, we allow the review to remain on the platform, even if the business disputes its accuracy. Certain advertisers may therefore perceive us as an impediment to their success as a result of negative reviews and ratings. This practice could result in a loss of advertisers, which in turn could harm our results of operations.

We rely on third-party service providers for many aspects of our business, and any failure to maintain these relationships could harm our business.

We rely on data about local businesses from third parties, including various yellow pages and other third parties that license such information to us. We also rely on third parties for other aspects of our business, such as mapping functionality and administrative software solutions. If these third parties experience difficulty meeting our requirements or standards, or our licenses are revoked or not renewed, it could make it difficult for us to operate some aspects of our business, which could damage our reputation. In addition, if such third-party service providers were to cease operations, temporarily or permanently, face financial distress or other business disruption, increase their fees or if our relationships with these providers deteriorate, we could suffer increased costs and delays in our ability to provide consumers and advertisers with content or provide similar services until an equivalent provider could be found or we could develop replacement technology or operations.

We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

Our operating results could vary significantly from quarter to quarter and year to year because of 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 to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to attract new local business advertisers and retain existing advertisers;
- our ability to accurately forecast revenue and adjusted EBITDA, as well as appropriately estimate and plan our expenses;
- the effects of changes in search engine placement and prominence;
- the effects of increased competition in our business;
- our ability to successfully expand in existing markets, enter new markets and manage our international expansion;
- our ability to maintain and increase traffic to our website and mobile app;
- our ability to manage and integrate successfully any acquisitions of businesses, solutions or technologies, such as Qype and SeatMe;
- the impact of worldwide economic conditions, including the resulting effect on consumer spending at local businesses and the level of advertising spending by local businesses;
- our ability to protect and grow our intellectual property;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- our ability to keep pace with changes in technology;
- the success of our sales and marketing efforts;
- costs associated with defending intellectual property infringement and other claims and related judgments or settlements;

- changes in government regulation affecting our business;
- interruptions in service and any related impact on our reputation;
- the attraction and retention of qualified employees and key personnel;
- our ability to choose and effectively manage third-party service providers;
- the impact of fluctuations in currency exchange rates;
- changes in consumer behavior with respect to local businesses;
- fluctuations in spending by our advertisers due to seasonality, such as historically stronger spending in the fourth quarter of each year, or other factors;
- the effects of natural or man-made catastrophic events;
- the effectiveness of our internal controls; and
- changes in our tax rates or exposure to additional tax liabilities.

Because we recognize most of the revenue from our advertising products over the term of an agreement, a significant downturn in our business may not be immediately reflected in our results of operations.

We recognize revenue from sales of our advertising products over the terms of the applicable agreements, which are generally three, six or 12 months. As a result, a significant portion of the revenue we report in each quarter is generated from agreements entered into during previous quarters. Consequently, a decline in new or renewed agreements in any one quarter may not significantly impact our revenue in that quarter but will negatively affect our revenue in future quarters. In addition, we may be unable to adjust our fixed costs in response to reduced revenue. Accordingly, the effect of significant declines in advertising sales may not be reflected in our short-term results of operations.

We rely on the performance of highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees, our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our employees, including our senior management team, software engineers, marketing professionals and advertising sales staff. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract them. As we mature, the incentives to attract, retain and motivate employees provided by our equity awards, for example, may not be as effective as in the past, and if we issue significant equity to attract additional employees, the ownership of our existing stockholders may be further diluted and our expenses may significantly increase.

In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan, and we may not be able to find adequate replacements. All of our officers and other U.S. employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business could be harmed.

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

We regard the protection of our trade secrets, copyrights, trademarks and domain names as critical to our success. In particular, we must maintain, protect and enhance the "Yelp" brand. We pursue the registration of our domain names, trademarks and service marks in the United States and in certain jurisdictions abroad. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technologies by others.

Effective trade secret, copyright, trademark and domain name protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and expenses and the costs of defending our rights. We are seeking to protect our trademarks and domain names in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. Litigation may be necessary to enforce our intellectual property rights, protect our respective trade secrets or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. We may incur significant costs in enforcing our trademarks against those who attempt to imitate our "Yelp" brand. If we fail to maintain, protect and enhance our intellectual property rights, our business and operating results may be harmed.

We may be unable to continue to use the domain names that we use in our business, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks.

We have registered domain names for our website that we use in our business, such as Yelp.com. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our products under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management's attention.

If our security measures are compromised, or if our platform is subject to attacks that degrade or deny the ability of users to access our content, users may curtail or stop use of our platform.

Our platform involves the storage and transmission of user and business information, some of which may be private, and security breaches could expose us to a risk of loss of this information, which could result in potential liability and litigation. Like all online services, our platform is vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated and more remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. User and business owner accounts and profile pages could also be hacked, hijacked, altered or otherwise claimed or controlled by unauthorized persons. For example, we enable businesses to create free online business accounts and claim the business profile pages for each of their business locations. We verify these claims through an automated telephone verification process, which is designed to confirm that the person setting up the account is affiliated with the business by confirming that the person has access to the business's telephone. Our verification system could fail to confirm that the recipient of the call is an authorized representative of the business, or mistakenly allow an unauthorized representative to claim the business's profile page.

Any or all of these issues could negatively impact our ability to attract new users or could deter current users from returning or reduce the frequency with which consumers and advertisers use our solutions, cause existing or potential advertisers to cancel their contracts or subject us to third-party lawsuits or other action or liability, thereby harming our results of operations. Government authorities could also initiate legal or regulatory actions against us in connection with such incidents, which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. For example, we work with third party vendors to process credit card payments by certain of our users and local businesses and are subject to payment card association operating rules. If our security measures fail to protect this information adequately as a result of employee error, malfeasance or otherwise, or we fail to comply with the applicable operating rules, we could be liable to our users and local businesses for their losses, as well as the vendors under our agreements with them; be subject to fines and higher transaction fees; face regulatory action; and our users, local businesses and vendors could end their relationships with us, any of which could harm our business and financial results.

Domestic and foreign laws may be interpreted and enforced in ways that impose new obligations on us with respect to Yelp Deals, which may harm our business and results of operations.

Our Yelp Deals products may be deemed gift certificates, store gift cards, general-use prepaid cards or other vouchers, or "gift cards," subject to, among other laws, the federal Credit Card Accountability Responsibility and Disclosure Act of 2009, or the Credit CARD Act, and similar federal, state and foreign laws. Many of these laws include specific disclosure requirements and prohibitions or limitations on the use of expiration dates and the imposition of certain fees. For example, the Credit CARD Act requires that gift cards expire no earlier than five years after their issue. Yelp Deals are comprised of two components: (i) the purchase value, which is the amount paid by the purchaser and which does not expire, and (ii) the promotional value, which is the remaining value for which the Yelp Deal can be redeemed during a limited period, which typically ends one year after the date of purchase. If, contrary to our belief, the Credit CARD Act and similar state laws were held to apply to the promotional value component of Yelp Deals, consumers would be entitled to redeem the promotional value component of their Yelp Deals for up to five years after their issue, and we could face liability for redemption periods that are less than five years. Various companies that provide deal products similar to ours are currently defendants in purported class action lawsuits that have been filed in federal and state court claiming that their deal products are subject to the Credit CARD Act and various state laws governing gift cards and that the defendants have violated these laws as a result of expiration dates and other restrictions they have placed on their deals. Similar lawsuits have been filed in other locations in which we plan to sell our Yelp Deals, such as the Canadian province of Ontario, alleging similar violations of provincial legislation governing gift cards.

The application of various other laws and regulations to our products, and particularly our Yelp Deals and Gift Certificates, is uncertain. These include laws and regulations pertaining to unclaimed and abandoned property, partial redemption, refunds, revenue-sharing restrictions on certain trade groups and professions, sales and other local taxes and the sale of alcoholic beverages. For example, although it is the responsibility of merchants to redeem or refund unexpired Yelp Deals and Gift Certificates that they offer through our platform, the law might be interpreted to require that we redeem or refund them. Because merchants alone, and not Yelp, are in a position to track the redemption of Yelp Deals and Gift Certificates, we may not be able to comply with such a requirement without substantial and potentially costly changes to our infrastructure and business practices. In addition, we may become, or be determined to be, subject to federal, state or foreign laws regulating money transmitters or aimed at preventing money laundering or terrorist financing, including the Bank Secrecy Act, the USA PATRIOT Act and other similar future laws or regulations.

If we become subject to claims or are required to alter our business practices as a result of current or future laws and regulations, our revenue could decrease, our costs could increase and our business could otherwise be harmed. In addition, the costs and expenses associated with defending any actions related to such additional laws and regulations and any payments of related penalties, fines, judgments or settlements could harm our business.

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

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

The intended tax benefits of our corporate structure and intercompany arrangements depend on the application of the tax laws of various jurisdictions and on how we operate our business.

Our corporate structure and intercompany arrangements, including the manner in which we develop and use our intellectual property and the transfer pricing of our intercompany transactions, are intended to reduce our worldwide effective tax rate. The application of the tax laws of various jurisdictions, including the United States, to our international business activities is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. 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 does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and harm our financial position and results of operations.

Our corporate structure includes legal entities located in jurisdictions with income tax rates lower than the U.S. statutory tax rate. Our intercompany arrangements allocate income to such entities in accordance with arm's-length principles and commensurate with functions performed, risks assumed and ownership of valuable corporate assets. We believe that income taxed in certain foreign jurisdictions at a lower rate relative to the U.S. statutory rate will have a beneficial impact on our worldwide effective tax rate.

Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm's length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In particular, there is uncertainty in relation to the U.S. tax legislation not only in terms of the future corporate tax rate, but also the U.S. tax consequences of income derived from income related to intellectual property earned overseas in low tax jurisdictions.

Our existing corporate structure and intercompany arrangements have been implemented in a manner we believe is in compliance with current prevailing tax laws. However, the tax benefits which we intend to eventually derive could be undermined if we are unable to adapt the manner in which we operate our business and due to changing tax laws.

Changes in tax laws or tax rulings could materially affect our financial position and results of operations.

The current U.S. administration and key members of Congress have made public statements indicating that tax reform is a priority. Certain changes to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the United States until those earnings are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could affect the tax treatment of our foreign earnings. In addition, many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws, that if enacted could increase our tax obligations in many countries where we do business. Due to the expanding scale of our international business activities, any changes in the taxation of such activities may increase our worldwide effective tax rate and harm our financial position and results of operations.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

Under accounting principles generally accepted in the United States of America, or GAAP, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered include a change in circumstances indicating that the carrying value of our goodwill or other intangible assets may not be recoverable include declines in our stock price and market capitalization or future cash flows projections. We recorded a significant amount of goodwill related to our acquisition of Qype in the fourth quarter of 2012 and our acquisition of SeatMe in the third quarter of 2013. A decline in our stock price, or any other adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill and intangible assets. Any such material charges may have a material negative impact on our financial and operating results.

Risks Related to Ownership of Our Class A Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our stock prior to our initial public offering, including our founders, directors, executive officers and employees and their affiliates, and limiting your ability to influence corporate matters.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including our founders, directors, executive officers and employees and their affiliates, together beneficially own shares representing approximately 66% of the voting power of our outstanding capital stock as of December 31, 2013. Consequently, the holders of Class B common stock collectively will continue to be able to control all matters submitted to our stockholders for approval even though their stock holdings represent less than 50% of the outstanding shares of our common stock. Because of the 10-to-1 voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent a small minority of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected. Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term, which may include existing founders, officers and directors and their affiliates.

Our share price has been and will likely continue to be volatile.

The trading price of our Class A common stock has been, and is likely to continue to be, highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. During fiscal year 2013, our Class A common stock's daily closing price has ranged from $19.70 to $74.89. In addition to the factors discussed in this "*Risk Factors*" section and elsewhere in this Annual Report, factors that may cause volatility in our share price include:

- actual or anticipated fluctuations in our financial condition and operating results;
- changes in projected operating and financial results;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements of technological innovations or new offerings by us or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- additions or departures of key personnel;

- issuance of research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- sales of our Class A or Class B common stock;
- changes in laws or regulations applicable to our solutions;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and
- general economic and market conditions.

Furthermore, the stock markets recently have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our Class A common stock. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could harm our business.

We do not intend to pay dividends for the foreseeable future, and as a result your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. 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 Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change in control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 10,000,000 shares of undesignated preferred stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chair of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with directors in each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;

- require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation; and

- reflect two classes of common stock, as discussed above.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our Class A common stock, to some extent, depends on the research and reports that securities or industry analysts publish about us or 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 change 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 could cause our share price or trading volume to decline.

Future sales of our Class A common stock in the public market could cause our share price to decline.

Sales of a substantial number of shares of our Class A common stock in the public market, particularly sales by our directors, officers and employees and significant stockholders, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. As of December 31, 2013, we had 59,163,134 shares of Class A common stock and 11,711,359 shares of Class B common stock outstanding. Although a public market exists for our Class A common stock only, shares of Class B common stock are generally convertible into an equivalent number of shares of Class A common stock at the option of the holder or upon transfer (subject to certain exceptions).

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the New York Stock Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increase demand on our systems and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have hired additional employees to comply with these requirements, we may need to hire more employees in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company that is subject to these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors and qualified executive officers.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices in North America are currently located at 140 New Montgomery Street, San Francisco, California, where we lease office space pursuant to a lease agreement that expires in 2021. We also lease office space in Scottsdale, Arizona and New York, New York, and currently our international offices are located in Dublin, Ireland, London, England, and Hamburg, Germany. We believe that our properties are generally suitable to meet our needs for the foreseeable future. In addition, to the extent we require additional space in the future, we believe that it would be readily available on commercially reasonable terms.

Item 3. Legal Proceedings.

In February and March 2010, we were sued in two putative class actions on behalf of local businesses asserting various causes of action based on claims that we manipulated the ratings and reviews on our platform to coerce local businesses to buy our advertising products. These cases were subsequently consolidated in an action asserting claims for violation of the California Business & Professions Code, extortion and attempted extortion based on the conduct they allege and seeking monetary relief in an unspecified amount and injunctive relief. In October 2011, the court dismissed this consolidated action with prejudice. The plaintiffs have appealed to the U.S. Court of Appeals for the Ninth Circuit, which heard the appeal on July 11, 2013. The Ninth Circuit has not yet issued a decision. Accordingly, we are currently unable to reasonably estimate either the probability of incurring a loss or an estimated range of such loss, if any, from this appeal.

Qype, our indirect wholly-owned subsidiary, is party to a lawsuit regarding fees payable for directory data that Qype and its predecessor purchased from Deutsche Telekom AG, or Deutsche Telekom, between 2005 and 2008 at a rate set by the German Federal Network Agency, or FNA. Following German court decisions overturning the rate set by the FNA, Deutsche Telekom sued Qype in the Regional Court of Bonn on August 26, 2010 for approximately €1.5 million plus interest for additional fees for data delivered between 2005 and 2008. In August 2011, the court rejected Deutsche Telekom's claim in full and Deutsche Telekom appealed the decision to the Higher Regional Court of Cologne, which referred the appeal to the Higher Regional Court in Düsseldorf in July 2012. Following a hearing in April 2013, the Higher Regional Court denied Deutsche Telekom's appeal, and Deutsche Telekom did not challenge this decision. In August 2013, Deutsche Telekom filed a claim against Qype in the Regional Court of Cologne seeking approximately €441,900 in additional data service fees, plus interest, for data delivered in 2009, which it subsequently withdrew in November 2013.

In addition, we are subject to legal proceedings arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently do not believe that the final outcome of any of these matters will have a material adverse effect on our business, financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Class A common stock, par value $0.000001 per share, has been listed on the New York Stock Exchange LLC, or NYSE, under the symbol "YELP" since March 2, 2012. Prior to that date, there was no public trading market for our Class A common stock. There is no public trading market for our Class B common stock. The following table sets forth on a per share basis the high and low intraday sales prices of our Class A common stock as reported by the NYSE for the periods indicated:

	2013		2012	
	High	Low	High	Low
First Quarter(1)	$ 25.46	$ 19.13	$ 31.96	$ 19.36
Second Quarter	$ 36.14	$ 22.48	$ 28.40	$ 14.10
Third Quarter	$ 71.50	$ 33.93	$ 28.93	$ 17.50
Fourth Quarter	$ 75.37	$ 56.65	$ 29.48	$ 16.32

(1) The period reported for the first quarter of 2012 is from March 2, 2012 through March 31, 2012.

On February 24, 2014, the last reported sale price of our Class A common stock was $94.67.

Stockholders

As of the close of business on February 24, 2014, there were 67 stockholders of record of our Class A common stock and 30 stockholders of record of our Class B common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our capital stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Performance Graph

We have presented below the cumulative total return to our stockholders during the period from March 2, 2012 (the date our Class A common stock commenced trading on the NYSE) through December 31, 2013 in comparison to the NYSE Composite Index and NYSE Arca Tech 100 Index. All values assume a $100 initial investment and data for the NYSE Composite Index and NYSE Arca Tech 100 Index assume reinvestment of dividends. The comparisons are based on historical data and are not indicative of, nor intended to forecast, the future performance of our Class A common stock.

Index	**3/2/2012**	**3/31/2012**	**6/30/2012**	**9/30/2012**	**12/31/2012**	**3/31/2013**	**6/30/2013**	**9/30/2013**	**12/31/2013**
Yelp Inc.	100	179.27	151.53	180.33	125.67	158.07	231.80	441.20	459.67
NYSE Composite Index	100	101.18	96.52	102.91	105.63	112.28	112.35	118.62	128.22
NYSE Arca Tech 100 Index	100	104.53	97.23	103.22	103.53	114.19	115.53	125.95	138.98

The information under "Performance Graph" is not deemed to be "soliciting material" or "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act, and is not to be incorporated by reference in any filing of Yelp under the Securities Act or the Exchange Act, whether made before or after the date of this Annual Report and irrespective of any general incorporation language in those filings.

Use of Proceeds from Public Offering of Common Stock

On March 2, 2012, we closed our initial public offering, in which we sold 8,172,500 shares of Class A common stock at a price to the public of $15.00 per share. The aggregate offering price for shares sold in the offering was approximately $122.6 million. The offer and sale of all of the shares in the initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-178030), which was declared effective by the SEC on February 16, 2012. Goldman, Sachs & Co. acted as the lead bookrunning manager and representative of the underwriters for the initial public offering. Citigroup Global Markets Inc. and Jefferies & Company, Inc. acted as joint bookrunning managers and Allen & Company LLC and Oppenheimer & Co. Inc. acted as co-managers for the initial public offering.

Our use of proceeds to date has been as described in our final prospectus, or the Prospectus, filed with the SEC pursuant to Rule 424(b) under the Securities Act on March 2, 2012, and has included the approximately $24.3 million cash portion of the purchase price of Qype and approximately $2.2 million for the cash portion of the purchase price of SeatMe. There has been no material change in the planned use of proceeds from our initial public offering as described in the Prospectus. We have invested the funds received that have not yet been utilized in registered money market funds.

Issuer Purchases of Equity Securities

The table below provides information with respect to repurchases of shares of our Class B common stock. [No shares of our Class A common stock were repurchased during this period.

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 – October 31, 2013	—	—	—	—
November 1 – November 30, 2013(1)	4,994	$ 62.38	—	—
December 1 – December 31, 2013(2)	205	$ 68.30	—	—
Total	5,199	$ 62.61		

(1) Represents shares withheld to satisfy tax withholding obligations in connection with the vesting of employee restricted stock awards under our 2012 Equity Incentive Plan, as amended.

(2) Represents shares released from escrow to the Company in connection with a post-closing adjustments to the purchase price of SeatMe based on its net working capital as of the acquisition date.

Item 6. Selected Consolidated Financial and Other Data.

The following selected consolidated financial and other data should be read in conjunction with, and are qualified by reference to, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and our audited consolidated financial statements and the accompanying notes included elsewhere in this Annual Report. The consolidated statements of operations data for the years ended December 31, 2013, 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013 and 2012 are derived from the audited consolidated financial statements that are included elsewhere in this Annual Report. We have included, in our opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of the financial information set forth in those statements. The consolidated statements of operations data for the years ended December 31, 2010 and 2009, as well as the consolidated balance sheet data as of December 31, 2011, 2010 and 2009, are derived from audited consolidated financial statements that are not included in this Annual Report. Our historical results are not necessarily indicative of the results to be expected in any period in the future.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenue	$ 232,988	$ 137,567	$ 83,285	$ 47,731	$ 25,808
Costs and expenses:					
Cost of revenue (exclusive of depreciation and amortization shown separately below)	16,561	9,928	5,931	3,137	1,121
Sales and marketing	131,970	85,915	54,539	33,919	17,979
Product development	38,243	20,473	11,586	6,560	3,243
General and administrative	42,907	31,531	17,234	11,287	4,597
Depreciation and amortization	11,455	7,223	4,238	2,334	1,201
Restructuring and integration	675	1,262	—	—	—
Contribution to The Yelp Foundation	—	—	5,928	—	—
Total costs and expenses	241,811	156,332	99,456	57,237	28,141
Loss from operations	(8,823)	(18,765)	(16,171)	(9,506)	(2,333)
Other income (expense), net	(407)	(226)	(395)	15	33
Loss before income taxes	(9,230)	(18,991)	(16,566)	(9,491)	(2,300)
Provision for income taxes	(838)	(122)	(102)	(75)	(8)
Net loss	(10,068)	(19,113)	(16,668)	(9,566)	(2,308)
Accretion of redeemable convertible preferred stock	—	(32)	(189)	(175)	(32)
Net loss attributable to common stockholders (Class A and B)	$ (10,068)	$ (19,145)	$ (16,857)	$ (9,741)	$ (2,340)
Net loss per share attributable to common stockholders (Class A and B):					
Basic	$ (0.15)	$ (0.35)	$ (1.10)	$ (0.71)	$ (0.19)
Diluted	$ (0.15)	$ (0.35)	$ (1.10)	$ (0.71)	$ (0.19)
Weighted-average shares used to compute net loss per share attributable to common stockholders (Class A and B):					
Basic	65,665	54,149	15,291	13,774	12,344
Diluted	65,665	54,149	15,291	13,774	12,344
Other Financial and Operational Data:					
Reviews(1)	52,757	35,959	24,817	15,115	8,834
Unique Visitors(2)	120,005	86,308	65,796	39,356	26,077
Claimed Local Business Locations(3)	1,488	994	606	307	120
Active Local Business Accounts(4)	67	40	24	11	7
Adjusted EBITDA(5)	$ 29,429	$ 4,598	$ (1,128)	$ (5,741)	$ (575)

(1) Represents the cumulative number of reviews submitted to Yelp since inception, as of the period end, including reviews that were not recommended or that had been removed from our platform. We define a review as each individually written assessment submitted by a user who has registered by creating a public profile on our platform. For more information, including information regarding reviews that are not recommended and removed reviews, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics— Reviews* ."

(2) Represents the average number of monthly unique visitors for the last three months of the period. We define monthly unique visitors as the total number of unique visitors who have visited our website at least once in a given month, and we average the number of monthly unique visitors in each month of the three-month period to calculate average monthly unique visitors. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Unique Visitors*."

(3) Represents the cumulative number of business locations that have been claimed on Yelp worldwide since 2008, as of the period end. We define a claimed local business location as each business address for which a business representative visits our website and claims the free business listing page for the business located at that address. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Claimed Local Business Locations*."

(4) Represents the number of active local business accounts from which we recognized revenue during the last three months of the period. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Active Local Business Accounts*."

(5) We define adjusted EBITDA as net income (loss), adjusted to exclude: provision (benefit) for income taxes, other income (expense), net, interest income, depreciation and amortization, stock-based compensation, restructuring and integration costs, and contribution to The Yelp Foundation. See "*—Non-GAAP Financial Measures—Adjusted EBITDA*" for more information and for a reconciliation of adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP.

Stock-based compensation included in the statements of operations data above was as follows:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Cost of revenue	$ 421	$ 122	$ 50	$ 26	$ —
Sales and marketing	10,131	4,917	1,607	662	221
Product development	6,270	1,705	721	260	179
General and administrative	9,300	8,134	2,499	483	157
Restructuring and integration	555	—	—	—	—
Total stock-based compensation	$ 26,677	$ 14,878	$ 4,877	$ 1,431	$ 557

	As of December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 389,764	$ 95,124	$ 21,736	$ 27,074	$ 15,074
Property, equipment and software, net	30,666	14,799	9,881	5,256	2,184
Working capital	391,844	91,218	18,996	28,741	15,092
Total assets	515,977	187,696	43,821	41,015	20,817
Redeemable convertible preferred stock	—	—	55,435	55,246	30,877
Total stockholders' equity (deficit)	486,483	165,662	(24,347)	(20,889)	(13,169)

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed in the table above and elsewhere in this Annual Report adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation below of adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have included adjusted EBITDA because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- adjusted EBITDA does not consider any dilutive impact of our contribution to The Yelp Foundation;
- adjusted EBITDA does not take into account any restructuring and integration costs associated with our acquisition of Qype; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP results. The following table presents a reconciliation of adjusted EBITDA to net loss for each of the periods indicated:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Reconciliation of Adjusted EBITDA:					
Net loss	$ (10,068)	$ (19,113)	$ (16,668)	$ (9,566)	$ (2,308)
Provision for income taxes	838	122	102	75	8
Other income (expense), net	407	226	395	(15)	(33)
Depreciation and amortization	11,455	7,223	4,238	2,334	1,201
Stock-based compensation	26,122	14,878	4,877	1,431	557
Restructuring and integration[(1)]	675	1,262	—	—	—
Contribution to The Yelp Foundation	—	—	5,928	—	—
Adjusted EBITDA	$ 29,429	$ 4,598	$ (1,128)	$ (5,741)	$ (575)

(1) Restructuring and integration includes $0.6 million in stock-based compensation expense for the year ended December 31, 2013.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs, and involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those discussed in the section titled "Risk Factors" included under Part I, Item 1A and elsewhere in this Annual Report. See "Special Note Regarding Forward-Looking Statements" in this Annual Report.

Overview

Yelp connects people with great local businesses. Our users have contributed a total of approximately 52.8 million cumulative reviews of almost every type of local business, from restaurants, boutiques and salons to dentists, mechanics, plumbers and more. These reviews are written by people using Yelp to share their everyday local business experiences, giving voice to consumers and bringing "word of mouth" online. The information these reviews provide is valuable for consumers and businesses alike. Approximately 120.0 million unique visitors used our website according to Google Analytics, and our mobile application was used on approximately 10.6 million unique mobile devices on a monthly average basis during the quarter ended December 31, 2013. Businesses of all sizes use our platform to engage with consumers at the critical moment when they are deciding where to spend their money. Our business revolves around three key constituencies: the communities of contributors who write reviews, the consumers who read them and the local businesses that they describe.

We provide businesses of all sizes with both free and paid services to connect with our large audience of consumers. Our free services include a business owner’s account that allows local merchants to update business listing information and respond to reviews in real time. We generate revenue from our paid services to businesses, which include enhanced business listings, search advertising solutions, Yelp Deals and Gift Certificates, as well as the sale of brand advertising. Many of our active local business accounts pay us on a monthly basis, primarily by credit card.

Our Growth Strategy. Our success is primarily the result of significant investment in our communities, employees, content, brand and technology. We believe that continued investment in our business provides our largest opportunity for future growth. Accordingly, we have determined to forgo the achievement of near-term profitability in return for long-term growth as we invest in our key growth strategies: growing our existing markets, expanding into new geographic markets, expanding our platform and enhancing monetization.

We expect to invest in features aimed at both attracting more, and increasing the usage of, users and businesses as we look to leverage our brand and benefit from accelerating network effect dynamics in our existing markets. We believe that by expanding the number of reviews on our platform, we will attract new consumers and increase the number of visits and searches per user. To this end, in October 2012, we acquired Qype, a Germany-based reviews website, to accelerate the expansion of our international footprint in Europe. We completed the migration of Qype content to our platform in the fourth quarter of 2013, substantially increasing our combined presence in European markets. We will continue to focus on user engagement by exploring new ways to enable contributors to share content and to ensure the authenticity of our content. We will also continue expanding our platform and business owner tools to encourage businesses to advertise on our platform.

We also plan to continue investing in additional domestic and international markets; as we do so, we believe that we will follow a similar pattern of investment preceding revenue growth. As of December 31, 2013, we are active in 61 Yelp markets in the United States and 56 Yelp markets internationally. This footprint represents a small portion of the potential domestic and international markets that we are currently targeting for expansion. While many of the potential new domestic markets are smaller than our current markets, we are targeting a mix of both large and small markets internationally. The table below summarizes the expansion of our business since 2008:

	2008	2009	2010	2011	2012	2013
Cumulative Yelp Markets(1)	20	27	49	71	97	117
New Yelp Markets(1)	6	7	22	22	26	20
Yelp Markets(1)	Philadelphia	Sacramento	Raleigh-Durham	Milwaukee	Richmond	Charleston
(United States)	Denver	Honolulu	Kansas City	Pittsburgh	Oklahoma City	Baton Rouge
	Minneapolis	St. Louis	Las Vegas	Tampa Bay	Hampton Roads	Tulsa
	Dallas	Orlando	San Antonio	Louisville	Birmingham	Reno
	Miami		Columbus	Baltimore	Madison	Omaha
	Detroit		Indianapolis	Memphis	Albuquerque	Portland(M)
			Charlotte	Hartford	Jacksonville	Rochester
			Cincinnati	Buffalo		Des Moines
			Tucson			
			Nashville			
			New Orleans			
			Cleveland			
			Salt Lake City			
			Providence			
Yelp Markets(1)		London	Dublin	Amsterdam	Antwerp	Istanbul
(International)		Toronto	Leeds	Halifax	Brussels	Krakow
		Vancouver	Paris	Edinburgh	Brisbane	Auckland
			Berlin	Vienna	Florence	Rotterdam
			Glasgow	Hamburg	Lille	Toulouse
			Manchester	Lyon	Perth	Naples
			Calgary	Madrid	Seville	Bordeaux
			Edmonton	Munich	Sydney	São Paulo
				Marseille	Adelaide	Prague
				Montreal	Copenhagen	Rio de Janeiro
				Rome	Oslo	Frankfurt
				Barcelona	Ottawa	Düsseldorf
				Milan	Stockholm	
				Melbourne	Valencia	
					Helsinki	
					Birmingham	
					Singapore	
					Zurich	
Metrics (in thousands):						
Reviews(2)	4,689	8,834	15,115	24,817	35,959	52,757

Unique Visitors(3)	15,736	26,077	39,356	65,796	86,308	120,005
Claimed Business Locations(4)	25	120	307	606	994	1,488
Active Local Business Accounts(5)	4	7	11	24	40	67

(1) A Yelp Market is defined as a city or region where we have hired a Community Manager. Cumulative Yelp Markets represents the cumulative number of Yelp Markets as of the end of each of the years in the period from 2008 through 2013.

(2) Represents the cumulative number of reviews submitted to Yelp since inception, as of the end of each of the years in the period from 2008 through 2013, including reviews that were not recommended or that had been removed from our platform. We define a review as each individually written assessment submitted by a user who has registered by creating a public profile on our platform. For more information, including information regarding not recommended and removed reviews, see "*—Key Metrics—Reviews*."

(3) Represents the average number of monthly unique visitors for the last quarter of each of the years in the period from 2008 through 2013. We define monthly unique visitors as the total number of unique visitors who have visited our website at least once in a given month according to Google Analytics, and we average the number of monthly unique visitors in each month of the three-month period to calculate average monthly unique visitors. For more information, see "*—Key Metrics—Unique Visitors*."

(4) Represents the cumulative number of business locations that have been claimed on Yelp worldwide since 2008, as of the end of each of the years in the period from 2008 through 2013. For more information, see "*—Key Metrics—Claimed Local Business Locations*."

(5) Represents the number of active local business accounts from which we recognized revenue during the last quarter of each of the years in the period from 2008 through 2013. For more information, see "*—Key Metrics—Active Local Business Accounts*."

We also expect to invest in product development to expand our platform by innovating and introducing new products to our website and mobile applications. We introduced our first mobile app in 2008, and, during the quarter ended December 31, 2013, our mobile app was used on approximately 10.6 million unique mobile devices on a monthly average basis. We currently deliver advertising on both our mobile website and mobile app, and plan to continue to innovate and introduce enhanced mobile solutions as mobile usage increases. In the third quarter of 2013, we acquired SeatMe, a web- and app-based reservation solution for restaurant and nightlife establishments that we believe will both enhance user experience and complement our existing partnership arrangements. We also introduced restaurant hygiene scores on Yelp business pages in certain markets and updated our "Nearby" feature to provide personalized suggestions.

While our core local advertising business in the United States has a significant and growing base of revenue, we have invested, and will continue to invest, in several initiatives to enhance our monetization opportunities. One such initiative is aggressively growing our sales force, which has been selling our advertising products internationally since the third quarter of 2012. Although our revenue from international markets only represented 4.6% of our consolidated revenue in the year ended December 31, 2013, we have sales operations in London and Hamburg, and plan to continue to grow our international sales force to reach more businesses internationally. To date, almost all of our revenue, and a majority of our expenses, have been denominated in U.S. dollars. As we expand internationally, however, we expect to generate an increasing percentage of revenue, and incur an increasing percentage of our expenses, in foreign currencies.

2013 Results of Operations. In the year ended December 31, 2013, our net revenue was $233.0 million, which represented an increase of 69% from the year ended December 31, 2012, and we generated a net loss of $10.1 million and adjusted EBITDA of $29.4 million. In the year ended December 31, 2012, our net revenue was $137.6 million, which represented an increase of 65% from the year ended December 31, 2011, and we generated a net loss of $19.1 million and an adjusted EBITDA loss of $4.6 million.

Outlook. Our overall strategy is to invest for long-term growth. Accordingly, we do not expect to be profitable in the near term as we anticipate that our operating expenses will increase significantly in the foreseeable future. As outlined above, we have made significant investments in our business and expect to continue investing in marketing and product development to improve both the consumer and local business experience on our online and mobile platforms. In addition, we expect to continue to grow our sales organization both domestically and abroad.

We also expect to invest between $10 million and $14 million in capital expenditures in 2014 as we continue to grow our business, the majority of which we expect to use to increase our office space, upgrade our technology and infrastructure to improve the ability of our platform to handle the projected increase in usage, and enable the release of new features and solutions.

Factors Affecting Our Performance

Ability to Attract and Retain Local Businesses. Our revenue growth is driven by our ability to acquire and retain local business advertisers that purchase our advertising solutions. Our largest sales and marketing expenses consist of the costs associated with acquiring local business advertisers. We spent a majority of our $132.0 million sales and marketing expense for 2013 on initiatives relating to local business advertiser acquisition and expect to continue to expend significant amounts to attract additional local business advertisers. Failure to effectively attract and retain paying local business advertisers would adversely affect our revenue and operating results.

Market Development. Our long-term growth depends on our ability to successfully develop new and existing domestic and international markets. We expanded into 20 new markets during 2013, increasing our total market reach to 117 domestic and international markets. It can take years for our platform to achieve a critical mass of consumers and reviews to drive meaningful traction of our advertising solutions and begin to generate revenue in a particular market. As a result, we may continue to generate losses in new markets for an extended period, and different markets can be expected to grow at different rates and generate varying levels of revenue. As with most businesses, we expect our revenue growth to slow as our business matures over time. Local advertising revenue for our oldest cohort of U.S. markets, which launched in 2005-2006, grew at a 53% year-over-year rate for the year ended December 31, 2013, compared to the year ended December 31, 2012. This rate is lower than the growth rate of local advertising revenue for the 2007-2008 cohort, which grew at 73% in the same period, and the 2009-2010 cohort, which grew at 102% in the same period. We believe this is indicative of continued revenue growth, but slowing revenue growth for more mature markets.

We opened a sales office in London in the third quarter of 2012 and expanded our European sales operations through our acquisition of Qype and its established European sales force in the fourth quarter of 2012. We plan to continue to grow our international sales force to reach more businesses internationally, including through a new sales office in Dublin, Ireland, which we expect to open in 2014.

Increasing Mobile Usage. Although we currently deliver advertising on our mobile app and mobile website, we have limited experience with mobile advertising and have prioritized the quality of user experience with our mobile products over short-term monetization. The increasing use of our platform on mobile devices may also affect our performance, particularly if mobile use substitutes for use of our website on personal computers. While we believe use of our mobile app and mobile website are complementary to the use of our website, if mobile device usage is substituting for, rather than incremental to, usage of our website on personal computers and our mobile advertising solutions prove ineffective, this trend could adversely impact our business.

Investment in Growth. We have invested aggressively in the growth of our platform and intend to continue to invest to support this growth as we expand our platform, grow our contributor and local business base, hire additional employees and further develop our technology. We also plan to invest in product development as we continue to innovate and introduce new products for our website and mobile app, explore new platforms and distribution channels and grow and develop advertising and e-commerce products and partner arrangements that provide incremental value to our advertisers and business partners to encourage them to increase their advertising budgets allocated towards our platform. We expect that these investments will increase our operating expenses, and that any increase in revenue resulting from product innovations will likely trail the increase in expenses.

User Engagement. Changes in user engagement, as reflected in consumer traffic and the quality and quantity of contributed content, will also affect our revenue and financial performance. As more people use our platform, more of them write reviews, add photos, tips and other content. Each review, photo or tip that a user contributes helps expand the breadth and depth of the content on our platform, drawing in more consumers and more prospective contributors. This virtuous cycle, which increases consumer traffic and content, improves our value proposition to local businesses as they seek low-cost, easy-to-use and effective advertising solutions to target a large number of intent-driven consumers. Accordingly, increased user engagement will enhance the usefulness of our platform for users and local businesses alike, benefiting our business in the long term. If user engagement decreases and traffic to our website and on our mobile app decline as a result, our advertisers may stop or reduce the amount of advertising on our platform and our business could be harmed.

Acquisitions. As part of our business strategy, we may determine to expand our product offerings and grow our business through the acquisition of complementary businesses or technologies. For example, in October 2012, we acquired Qype to accelerate our international expansion and, in July 2013, we acquired SeatMe to obtain an online reservation solution. Our acquisitions will affect our future financial results due to factors such as the amortization of acquired intangible assets and may also result in potential charges such as restructuring costs or impairment expense.

Impact of Economic Conditions on Local Businesses. We generate a significant portion of our revenue from local businesses advertising on Yelp. Many local businesses have limited financial resources, making them more vulnerable to weak economic conditions. A worsening economic outlook would likely cause businesses to decrease investments in advertising, which would adversely affect our revenue.

How We Generate Revenue

We generate revenue from local advertising, brand advertising and other services, which includes Yelp Deals, Gift Certificates and partner arrangements. The following table provides a breakdown of our net revenue for the periods indicated.

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Net revenue by product:			
Local advertising	$ 192,983	$ 109,159	$ 58,473
Brand advertising	27,960	20,579	17,686
Other services	12,045	7,829	7,126
Total	$ 232,988	$ 137,567	$ 83,285
Percentage of total net revenue by product:			
Local advertising	83%	79%	70%
Brand advertising	12	15	21
Other services	5	6	9
Total	100%	100%	100%

Local Advertising. We generate revenue from local advertising programs, including enhanced profile pages and performance and impression-based advertising in search results and elsewhere on our website and our mobile app.

Brand Advertising. We generate revenue from brand advertising through the sale of advertising solutions for national brands that want to improve their local presence in the form of display advertisements and brand sponsorships. Our national advertisers include leading brands in the automobile, financial services, logistics, consumer goods and health and fitness industries.

Other Services. We generate other revenue through partner arrangements, the sale of Yelp Deals and Gift Certificates, and monetization of remnant advertising inventory through third-party ad networks. Our revenue-sharing partner arrangements provide consumers with the ability to complete food delivery transactions through Eat24 and delivery.com and make online reservations through our SeatMe feature and OpenTable directly on Yelp. Yelp Deals allow merchants to promote themselves and offer discounted goods and services on a real-time basis to consumers directly on our website and mobile app. We earn a fee on Yelp Deals for acting as an agent in these transactions, which we record on a net basis and include in revenue upon a consumer's purchase of the deal. Gift Certificates allow merchants to sell full-priced gift certificates directly to customers through their business profile page. We earn a fee based on the amount of the Gift Certificate sold, which we record on a net basis and include in revenue upon a consumer's purchase of the Gift Certificate.

Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

Reviews. Number of reviews represents the cumulative number of reviews submitted to Yelp since inception, as of the period end, including reviews that are not recommended or that have been removed from our platform. In addition to the text of the review, each review includes a rating of one to five stars. We include reviews that are not recommended and that have been removed because all of them are either currently accessible on our platform or were accessible at some point in time, providing information that may be useful for users to evaluate businesses and individual reviewers. Because our automated recommendation software continually reassesses which reviews to recommend based on new information, the "recommended" or "not recommended" status of reviews may change over time. Reviews that are not recommended or that have been removed do not factor into a business's overall star rating. By clicking a link on a reviewed business's page on our website, users can access the reviews that are not recommended for the business, as well as the star rating and other information about reviews that we removed for violation of our terms of service. As of December 31, 2013, approximately 49.1 million reviews were available on business profile pages, including approximately 12.6 million reviews that were not recommended, after accounting for 3.7 million reviews that had been removed from our platform, either by us for violation of our terms of service or by the users who contributed them.

	As of December 31,		
	2013	2012	2011
	(in thousands)		
Reviews	52,757	35,959	24,817

From December 31, 2012 to December 31, 2013, the cumulative number of reviews (including reviews not recommended and removed) contributed to Yelp increased by 47% from approximately 36.0 million to 52.8 million, and from December 31, 2011 to December 31, 2012, the cumulative number of reviews (including reviews not recommended and removed) contributed to Yelp increased by 45% from approximately 24.8 million to 36.0 million. This increase in reviews is a key driver of our platform's value proposition to consumers seeking information on local business and to local businesses seeking to engage consumers. Growth in reviews also provides us with the benefit of a network effect that attracts more consumers, contributors and local businesses. As we expand internationally, growth in reviews will depend, in part, on our ability to include additional languages on our website and mobile app.

Unique Visitors. Unique visitors represent the average number of monthly unique visitors over a given three-month period. We define monthly unique visitors as the total number of unique visitors who have visited our website at least once in a given month, and we average the number of monthly unique visitors in each month of a given three-month period to calculate average monthly unique visitors. We track unique visitors based on the number of visitors with unique cookies who have visited our website using either a computer or mobile browser, as measured by Google Analytics, a product that provides digital marketing intelligence. Unique visitors do not include visitors who access our platform solely through our mobile app. Because the number of unique visitors is based on visitors with unique cookies, an individual who accesses our website from multiple devices with different cookies may be counted as multiple unique visitors, and multiple individuals who access our website from a shared device with a single cookie may be counted as a single unique visitor.

	Three months ended December 31,		
	2013	2012	2011
	(in thousands)		
Unique Visitors	120,005	86,308	65,796

From the quarter ended December 31, 2012 to the same period of 2013, average monthly unique visitors increased by 39% from approximately 86.3 million to 120.0 million, and from the quarter ended December 31, 2011 to the same period of 2012, average monthly unique visitors increased by 31% from approximately 65.8 million to 86.3 million, reflecting an increase in brand awareness and our domestic and international expansion. Of our unique visitors in the quarter ended December 31, 2013, 65%, or approximately 77.7 million, visited our desktop website and 35%, or approximately 42.3 million, visited our mobile website. Of the unique visitors in the quarter ended December 31, 2012, 72%, or approximately 62.3 million, visited our desktop website and 28%, or approximately 24.0 million, visited our mobile website. We view unique visitors, along with mobile unique visitors (as discussed below), as a key indicator of our brand awareness among consumers and whether we are providing consumers with useful products and features, thereby increasing their usage of our platform. We believe that a higher level of usage may contribute to an increase in sales of our advertising solutions, as businesses will have access to a larger potential customer base.

Mobile Unique Visitors. Since unique visitors do not include visitors who access our platform solely through our mobile app, we also separately calculate mobile unique visitors to gauge mobile usage. We define mobile unique visitors for a given three month period to be the sum of (i) average number of monthly unique visitors who have visited our mobile website during that period (measured as described above) and (ii) unique mobile devices using our mobile app on a monthly average basis over that period. Under this method of calculation, an individual who accesses both our mobile website and our mobile app, or accesses either our mobile website or mobile app from multiple mobile devices, will be counted as multiple mobile unique visitors. Multiple individuals who access either our mobile website or mobile app from a shared device will be counted as a single mobile unique visitor.

For the quarter ended December 31, 2013, approximately 42.3 million unique visitors visited our mobile website and our mobile app was used on approximately 10.6 million unique mobile devices, each on a monthly average basis. Accordingly, we had approximately 52.9 million mobile unique visitors on a monthly average basis in the quarter ended December 31, 2013. We view mobile unique visitors as a key indicator of the usage of our mobile solutions, which we expect to be important as users increasingly rely on their mobile devices.

Claimed Local Business Locations. The number of claimed local business locations represents the cumulative number of business locations that have been claimed on Yelp worldwide since 2008, as of a given date. We define a claimed local business location as each business address for which a business representative visits our website and claims the free business listing page for the business located at that address.

	As of December 31,		
	2013	2012	2011
	(in thousands)		
Claimed Local Business Locations	1,488	994	606

From December 31, 2012 to December 31, 2013, the number of claimed local business locations increased by 50% from approximately 994,000 to 1,488,000, and from December 31, 2011 to December 31, 2012, the number of claimed local business locations increased by 64% from approximately 606,000 to 994,000. We view the number of claimed local business locations as an indicator of increased brand awareness among local businesses and an opportunity to introduce those local businesses to our advertising solutions.

Active Local Business Accounts. The number of active local business accounts represents the number of local business accounts from which we recognized revenue in a given three-month period. We treat business accounts that have the same payment and/or user information as a single business account.

	Three months ended December 31,		
	2013	**2012**	**2011**
		(in thousands)	
Active Local Business Accounts	67	40	24

From the quarter ended December 31, 2012 to the quarter ended December 31, 2013, the number of active local business accounts increased by 69% from approximately 39,800 to 67,200, and from the quarter ended December 31, 2011 to the quarter ended December 31, 2012, the number of active local business accounts increased by 68% from approximately 23,700 to 39,800. Of the approximately 67,200 total active local business accounts for the quarter ended December 31, 2013, approximately 46,900, or approximately 70%, were existing advertisers from which we recognized local advertising revenue in the immediately preceding 12-month period, and approximately 20,300, or approximately 30%, were advertisers from which we did not recognize any local advertising revenue in that immediately preceding 12-month period. We view the number of active local business accounts as an indicator of the health of our business, our brand awareness and the benefit that a business ascribes to the consumers coming to our website or using our mobile app, as well as our ability to grow our market share. It also provides us with a measure of how productive our sales force is in engaging new active local business accounts.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), adjusted to exclude: provision (benefit) for income taxes, other income (expense), net, interest income, depreciation and amortization, stock-based compensation, restructuring and integration costs and our contribution to The Yelp Foundation. We believe that adjusted EBITDA provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors. This non-GAAP information is not necessarily comparable to non-GAAP information of other companies. Non-GAAP information should not be viewed as a substitute for, or superior to, net income (loss) prepared in accordance with GAAP as a measure of our profitability or liquidity. Users of this financial information should consider the types of events and transactions for which adjustments have been made. For more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to net income (loss), see "*Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures—Adjusted EBITDA*."

Cost of Revenue and Expenses

Cost of Revenue. Our cost of revenue consists primarily of credit card processing fees, web hosting, Internet services costs and salaries, benefits and stock-based compensation for our infrastructure teams related to operating our website, as well as creative design for brand advertising, video production expenses and allocated facilities costs.

Sales and Marketing. Our sales and marketing expenses primarily consist of salaries, benefits, stock-based compensation, travel expense and incentive compensation for our sales and marketing employees. In addition, sales and marketing expenses include business acquisition marketing, community management, branding and advertising costs, as well as allocated facilities and other supporting overhead costs. We spend almost no sales and marketing expenses to acquire traffic to our website or mobile app. Our Community Managers are responsible for growing and fostering local communities, and coordinating events to raise awareness of our brand. We expect our community management costs to increase as we continue to expand to new markets and within existing markets. We expect our sales and marketing expenses to increase both domestically and internationally as we expand our domestic and international footprint, increase the number of active local business accounts and continue to build our brand. The substantial majority of these expenses will be related to hiring Community Managers and sales employees. We expect sales and marketing expenses to increase and to be our largest expense for the foreseeable future.

Product Development. Our product development expenses primarily consist of salaries, benefits and stock-based compensation for our engineers, product management and information technology personnel. In addition, product development expenses include outside services and consulting, allocated facilities and other supporting overhead costs. We believe that continued investment in features, software development tools and code modification is important to attaining our strategic objectives, and, as a result, we expect product development expense to increase for the foreseeable future.

General and Administrative. Our general and administrative expenses primarily consist of salaries, benefits and stock-based compensation for our executive, finance, user operations, legal, human resources and other administrative employees. In addition, general and administrative expenses include outside consulting, legal and accounting services, and facilities and other supporting overhead costs not allocated to other departments. We expect our general and administrative expenses to increase for the foreseeable future as we continue to expand our business and incur additional expenses associated with being a publicly traded company.

Contribution to The Yelp Foundation. In November 2011, our board of directors approved the establishment of The Yelp Foundation, a non-profit organization designed to support consumers and businesses in the communities in which we operate. Contributions made to The Yelp Foundation consist of the issuance and contribution of 520,000 shares of our common stock in the form of a charitable contribution to The Yelp Foundation during 2011. The Yelp Foundation has sold an aggregate of 75,000 shares, including 50,000 in our initial public offering, or IPO. The Yelp Foundation currently holds 445,000 shares of Class B common stock, representing less than 1% of our outstanding capital stock. We did not make any contributions in 2013 and we do not expect to make future contributions to The Yelp Foundation.

Depreciation and Amortization. Depreciation and amortization expenses primarily consist of depreciation on computer equipment, software, leasehold improvements, capitalized website and internal software development costs and amortization of purchased intangibles. We expect depreciation and amortization expenses to increase for the foreseeable future as we continue to expand our technology infrastructure.

Other Income (Expense), Net. Other income (expense), net consists primarily of the interest income earned on our cash and cash equivalents, gains and losses on the disposal of assets, and foreign exchange gains and losses.

Provision for Income Taxes. Provision for income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions, deferred income taxes reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and the realization of net operating loss carryforwards.

Results of Operations

The following tables set forth our results of operations for the periods presented as a percentage of net revenue for those periods (certain items may not foot due to rounding). The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,		
	2013	2012	2011
	(as a percentage of net revenue)		
Consolidated Statements of Operations Data:			
Net revenue by product			
Local advertising	83%	79%	70%
Brand advertising	12	15	21
Other services	5	6	9
Total net revenue	100%	100%	100%
Costs and expenses:			
Cost of revenue (exclusive of depreciation and amortization shown separately below)	7%	7%	7%
Sales and marketing	57	62	66
Product development	16	15	14
General and administrative	18	23	21
Depreciation and amortization	5	5	5
Restructuring and integration	—	1	—
Contribution to The Yelp Foundation	—	—	7
Total costs and expenses	104	113	120
Loss from operations	(4)	(14)	(20)
Other income (expense), net	—	—	—
Loss before income taxes	(4)	(14)	(20)
Provision for income taxes	—	—	—
Net loss	(4)%	(14)%	(20)%

Years Ended December 31, 2013, 2012 and 2011

Net Revenue

	Year Ended December 31,			2012 to 2013 % Change	2011 to 2012 % Change
	2013	2012	2011		
	(dollars in thousands)				
Net revenue by product:					
Local advertising	$ 192,983	$ 109,159	$ 58,473	77%	87%
Brand advertising	27,960	20,579	17,686	36	16
Other services	12,045	7,829	7,126	54	10
Total	$ 232,988	$ 137,567	$ 83,285	69%	65%

During 2013, 2012 and 2011, we focused on revenue growth related to our local advertiser customer base as well as the development of relationships with brand advertising agencies. Additionally, during the second half of 2012 we began selling Gift Certificates through our platform.

2013 Compared to 2012. Total net revenue increased $95.4 million, or 69%, from 2012 to 2013. Our local advertising revenue increased $83.8 million, or 77%, primarily due to a significant increase in the number of customers purchasing local advertising plans as we expanded our sales force to reach more local businesses. Our brand advertising revenue increased $7.4 million, or 36%, primarily due to an increase in the average spend per brand advertiser driven primarily by increased advertising impressions per brand advertiser. In addition, our other services revenue increased by $4.2 million, or 54%, primarily due to an increase in revenue from the sale of Yelp Deals and remnant advertising inventory and from added partnership arrangements.

2012 Compared to 2011. Total net revenue increased $54.3 million, or 65%, from 2011 to 2012. Our local advertising revenue increased by $50.7 million, or 87%, primarily due to a significant increase in the number of customers purchasing local advertising plans as we expanded our sales force to reach more prospective local businesses, as well as an increase in average sales per customer. In 2012, the number of customers purchasing local advertising plans increased 64% from 2011. Our brand advertising revenue also increased by $2.9 million, or 16%, due primarily to an increase in brand advertisers of 19% year over year. In addition, our other services revenue increased $0.7 million or 10%, from 2011 to 2012, primarily due to additional remnant advertising inventory and from increases in revenue from existing partnership arrangements related to online reservations, partially offset by not selling Yelp Deals via email in 2012.

Cost of Revenue

	Year Ended December 31,			2012 to 2013 % Change	2011 to 2012 % Change
	2013	2012	2011		
	(dollars in thousands)				
Cost of revenue	$ 16,561	$ 9,928	$ 5,931	67%	67%
Percentage of net revenue	7%	7%	7%		

2013 Compared to 2012. In the year ended December 31, 2013, cost of revenue increased $6.6 million, or 67%, compared to the year ended December 31, 2012. This increase was primarily attributable to an increase of $1.7 million in outside hosting and Internet service fees, which are necessary to support the increase in visitors to our website and transactions completed on our website. In addition, setup costs, including video production, for active local business pages increased by $1.3 million due to increased demand by local businesses for video on their business pages, and expenses related to creative design for brand and local advertising customers increased $0.2 million. Merchant fees related to credit card transactions for local advertising also increased $1.8 million, and we added personnel to support our website infrastructure resulting in an increase of $1.6 million.

2012 Compared to 2011. In the year ended December 31, 2012, cost of revenue increased $4.0 million, or 67%, compared to the year ended December 31, 2011. This increase was primarily attributable to an increase of $1.9 million in outside hosting and Internet service fees, which are necessary to support the increase in visitors and transactions completed on our website, and an increase of $0.7 million in merchant fees related to credit card transactions for local advertising. We incurred an increase in video hosting fees related to slide shows on our website for $0.6 million. We incurred an increase of $0.4 million in expenses related to creative design for brand advertising customers. Lastly, we added personnel to support our website infrastructure resulting in an increase of $0.3 million.

Sales and Marketing

	Year Ended December 31,			2012 to 2013 % Change	2011 to 2012 % Change
	2013	2012	2011		
	(dollars in thousands)				
Sales and marketing	$ 131,970	$ 85,915	$ 54,539	54%	58%
Percentage of net revenue	57%	62%	66%		

2013 Compared to 2012. In the year ended December 31, 2013, sales and marketing expenses increased $46.1 million, or 54%, compared to the year ended December 31, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $30.2 million, including an increase in stock-based compensation of $5.2 million, as we expanded our sales organization to take advantage of the market opportunity created by increased recognition of the value of our platform and increased use of our free online business accounts. As a result of our increase in net revenue, our commission expenses also increased $9.4 million. In addition, we experienced an increase in facilities and related allocations of $6.4 million. Domestic and international marketing and advertising costs increased by $0.1 million. For the year ended December 31, 2013, we spent $20.2 million related to our international sales and marketing operations compared to $13.2 million for the year ended December 31, 2012.

2012 Compared to 2011. In the year ended December 31, 2012, sales and marketing expenses increased $31.4 million, or 58%, compared to the year ended December 31, 2011. The increase was primarily attributable to an increase in headcount and related expenses of $23.3 million, including an increase in stock-based compensation of $3.3 million, as we expanded our sales organization, including our international sales organization, to take advantage of the market opportunity created by increased recognition of the value of our platform and increased use of our free online business accounts. As a result of our increase in net revenue, our commission expenses also increased $3.5 million. In addition, we experienced an increase in facilities and related allocations of $5.0 million and domestic and international marketing and advertising costs of $0.4 million. For the year ended December 31, 2012, we spent $13.2 million related to our international sales and marketing operations compared to $7.0 million for the year ended December 31, 2011.

Product Development

	Year Ended December 31,			2012 to 2013 % Change	2011 to 2012 % Change
	2013	2012	2011		
	(dollars in thousands)				
Product development	$ 38,243	$ 20,473	$ 11,586	87%	77%
Percentage of net revenue	16%	15%	14%		

2013 Compared to 2012. In the year ended December 31, 2013, product development expenses increased $17.8 million, or 87%, compared to the year ended December 31, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $15.3 million, including an increase in stock-based compensation of $4.6 million, and an increase of $1.2 million in the use of outside consultants as we continued to invest in adding features and functionality to our website and mobile app. In addition, we experienced an increase in facilities and related expenses of $1.3 million as a result of the increase in headcount.

2012 Compared to 2011. In the year ended December 31, 2012, product development expenses increased $8.9 million, or 77%, compared to the year ended December 31, 2011. The increase was primarily attributable to an increase in headcount and related expenses of $7.7 million, including an increase in stock-based compensation of $1.0 million, as we continued to invest in adding features and functionality to our website and mobile app. In addition, we experienced an increase in facilities and related allocations of $0.6 million as a result of the increase in headcount. Lastly, we incurred an increase in consulting and outside services of $0.5 million for investing in systems and support for the growth of the business.

General and Administrative

	Year Ended December 31,			2012 to 2013 % Change	2011 to 2012 % Change
	2013	2012	2011		
	(dollars in thousands)				
General and administrative	$ 42,907	$ 31,531	$ 17,234	36%	83%
Percentage of net revenue	18%	23%	21%		

2013 Compared to 2012. In the year ended December 31, 2013, general and administrative expenses increased $11.4 million, or 36%, compared to the year ended December 31, 2012. The increase was primarily attributable to an increase in headcount and related expenses of $6.5 million, including an increase in stock-based compensation of $1.2 million. Additionally, we invested in our systems and support for the growth of the business through the use of outside consultants, which contributed to the increase by $2.4 million. In addition, we experienced an increase in facilities and related expenses of $1.7 million and an increase in bad debt expense of $1.3 million. These increases were offset by a decrease in legal costs of $0.5 million due to recent court decisions on prior litigation claims.

2012 Compared to 2011. In the year ended December 31, 2012, general and administrative expenses increased $14.3 million, or 83%, compared to the year ended December 31, 2011. The increase was primarily attributable to an increase in headcount and related expenses of $9.2 million as we continued to invest in key accounting, finance and management positions within the organization to support the growth of the Company and greater compliance requirements associated with being a publicly traded company, including an increase in stock-based compensation expense of $5.6 million related primarily to the acceleration of vesting of stock options held by two executives in connection with the completion of our IPO. Additionally, we invested in the growth of the business through the use of outside consultants, which contributed to the increase by $1.7 million, had an increase in bad debt expense of $1.3 million, an increase in legal expense of $0.7 million and an increase in facilities and related allocations of $0.6 million.

Depreciation and Amortization

	Year Ended December 31,			2012 to 2013 % Change	2011 to 2012 % Change
	2013	2012	2011		
	(dollars in thousands)				
Depreciation and amortization	$ 11,455	$ 7,223	$ 4,238	59%	70%
Percentage of net revenue	5%	5%	5%		

2013 Compared to 2012. In the year ended December 31, 2013, depreciation and amortization expense increased $4.2 million, or 59%, compared to the year ended December 31, 2012. The increase was primarily the result of our investments in expanding our technology infrastructure and capital assets to support our increase in headcount across the organization. Depreciation and amortization related to our fixed assets and capitalized website and internal use software development costs increased $1.5 million and $0.8 million, respectively. In addition, amortization related to our intangibles increased $1.9 million primarily due to the intangibles acquired in the Qype and SeatMe acquisitions.

2012 Compared to 2011. In the year ended December 31, 2012, depreciation and amortization expense increased $3.0 million, or 70%, compared to the year ended December 31, 2011. The increase was primarily the result of our investments in expanding our technology infrastructure and capital assets. Our technology infrastructure costs have increased in order to support the growth in new products and features for the desktop and mobile applications as well to support the increased demand on our website due to continued growth in user traffic. Depreciation and amortization related to our fixed assets and capitalized website and internal use software development costs increased $1.5 million and $0.8 million, respectively. Additionally, amortization related to our intangibles increased by $0.3 million primarily due to the acquired intangibles from the Qype acquisition.

Restructuring and Integration

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Restructuring and integration	$ 675	$ 1,262	$ —

2013 Compared to 2012. In the year ended December 31, 2013, we incurred restructuring and integration costs of $0.7 million, compared to $1.3 million for year ended December 31, 2012. In 2013, we announced our plan to further reduce the size of the Qype workforce. These actions were made in order to reduce our cost structure, enhance operating efficiencies and strengthen our business to achieve long-term profitable growth. We incurred the restructuring and integration costs of $0.7 million as a result of this plan. The restructuring plan was substantially completed during 2013. We expect that any additional expense related to this restructuring plan incurred in the future will be immaterial.

2012 Compared to 2011. In the year ended December 31, 2012, following the acquisition of Qype, we announced our plan to reduce the size of the Qype workforce and to terminate several of Qype's leases. These actions were made in order to reduce our cost structure, enhance operating efficiencies and strengthen our business to achieve long-term profitable growth. As a result of this plan, we incurred restructuring charges during the fourth quarter of 2012 of $1.3 million.

Contribution to The Yelp Foundation

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Contribution to The Yelp Foundation	$ —	$ —	$ 5,928

In the year ended December 31, 2011, we issued 520,000 shares of common stock to The Yelp Foundation as a charitable contribution. We recorded an expense in the amount of $5.9 million for the contribution based on the fair value of the common stock on the date the shares were issued to The Yelp Foundation. There were no contributions to The Yelp Foundation in either 2013 or 2012.

Other Income (Expense), Net

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Interest income	$ 62	$ 51	$ 13
Transaction gains (losses), net on foreign exchange	(251)	(259)	(393)
Other non-operating loss, net	(218)	(18)	(15)
Total other income (expense), net	$ (407)	$ (226)	$ (395)

2013 Compared to 2012. In the year ended December 31, 2013, other income (expense), net decreased $0.2 million compared to the year ended December 31, 2012. The decrease was largely driven by a loss on the disposal of assets.

2012 Compared to 2011. In the year ended December 31, 2012, other income (expense), net increased $0.2 million compared to the year ended December 31, 2011. In 2012, the transaction losses on foreign exchange were largely driven by unfavorable changes in the exchange rate between the Euro and the British pound sterling. In 2011, transaction losses on foreign exchange were driven by unfavorable changes in the exchange rates between the Euro and the U.S. dollar.

Provision for Income Taxes

	Year Ended December 31,		
	2013	**2012**	**2011**
	(in thousands)		
Provision for income taxes	$ 838	$ 122	$ 102

2013 Compared to 2012. In the year ended December 31, 2013, income tax expense increased $716,000 because of taxes due in foreign jurisdictions and state taxes.

2012 Compared to 2011. In the year ended December 31, 2012, income tax expense increased $20,000 because of taxes due in foreign jurisdictions.

Quarterly Results of Operations and Other Data

The following tables set forth our unaudited quarterly consolidated statements of operations data and our consolidated statements of operations data as a percentage of net revenue for each of the eight quarters in the period ended December 31, 2013. We also present other financial and operational data and a reconciliation of net loss to adjusted EBITDA. We have prepared the quarterly data on a consistent basis with the audited consolidated financial statements included in this Annual Report. In the opinion of management, the quarterly financial information reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this Annual Report. The results of historical periods are not necessarily indicative of the results of operations for any future period.

	Quarter Ended							
	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
	(dollars in thousands, except per share data)							
Consolidated Statements of Operations Data:								
Net revenue by product								
Local advertising	$ 58,052	$ 51,167	$ 44,797	$ 38,967	$ 33,945	$ 28,485	$ 25,255	$ 21,473
Brand advertising	9,244	6,910	7,048	4,758	4,997	5,886	5,703	3,994
Other services	3,355	3,104	3,178	2,408	2,215	2,000	1,695	1,918
Total net revenue	$ 70,651	$ 61,181	$ 55,023	$ 46,133	$ 41,157	$ 36,371	$ 32,653	$ 27,385
Costs and expenses:								
Cost of revenue (exclusive of depreciation and amortization shown separately below)(1)	4,926	4,277	4,018	3,340	3,003	2,501	2,298	2,126
Sales and marketing(1)	38,847	34,126	30,803	28,194	25,511	21,302	20,333	18,770
Product development(1)	11,802	11,208	7,997	7,236	6,244	5,753	4,336	4,140
General and administrative(1)	13,460	10,535	10,148	8,764	7,852	6,987	5,963	10,729
Depreciation and amortization	3,524	2,816	2,637	2,478	2,421	1,780	1,661	1,361
Restructuring and integration(1)	—	—	—	675	1,262	—	—	—
Total costs and expenses	72,559	62,962	55,603	50,687	46,293	38,323	34,591	37,126
Loss from operations	(1,908)	(1,781)	(580)	(4,554)	(5,136)	(1,952)	(1,938)	(9,741)
Other income (expense), net	(109)	(31)	(66)	(201)	(203)	(14)	22	(30)
Loss before income taxes	(2,017)	(1,812)	(646)	(4,755)	(5,339)	(1,966)	(1,916)	(9,771)
Provision for income taxes	(52)	(510)	(232)	(44)	20	(45)	(66)	(31)
Net loss	(2,069)	(2,322)	(878)	(4,799)	(5,319)	(2,011)	(1,982)	(9,802)
Accretion of preferred stock	—	—	—	—	—	—	—	(31)
Net loss attributable to common stockholders (Class A and B)	$ (2,069)	$ (2,322)	$ (878)	$ (4,799)	$ (5,319)	$ (2,011)	$ (1,982)	$ (9,833)
Net loss per share attributable to common stockholders (Class A and B):								
Basic	$ (0.03)	$ (0.04)	$ (0.01)	$ (0.08)	$ (0.08)	$ (0.03)	$ (0.03)	$ (0.31)
Diluted	$ (0.03)	$ (0.04)	$ (0.01)	$ (0.08)	$ (0.08)	$ (0.03)	$ (0.03)	$ (0.31)
Weighted-average shares used to compute net loss per share attributable to common stockholders (Class A and B):								
Basic	68,847	65,530	64,576	63,733	63,003	61,267	60,887	31,263
Diluted	68,847	65,530	64,576	63,733	63,003	61,267	60,887	31,263
Stock-based compensation								
Cost of revenue	$ 140	$ 104	$ 105	$ 72	$ 38	$ 27	$ 35	$ 23
Sales and marketing	3,201	2,660	2,282	1,988	1,746	1,152	895	1,124
Product development	2,705	1,709	1,040	816	696	466	300	243
General and administrative	2,743	2,542	2,286	1,729	778	689	628	6,039

Restructuring and integration	—	—	—	555	—	—	—	—
Total stock-based compensation	$ 8,789	$ 7,015	$ 5,713	$ 5,160	$ 3,258	$ 2,334	$ 1,858	$ 7,429

(1) Includes non-cash stock-based compensation expense.

	Quarter Ended							
	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
	(as a percentage of net revenue)							
Consolidated Statements of Operations Data:								
Net revenue by product								
Local advertising	82%	84%	81%	85%	82%	78%	77%	78%
Brand advertising	13	11	13	10	12	16	18	15
Other services	5	5	6	5	6	6	5	7
Total net revenue	100%	100%	100%	100%	100%	100%	100%	100%
Costs and expenses:								
Cost of revenue	7	7	7	7	7	7	7	8
Sales and marketing	55	56	56	61	62	59	62	69
Product development	17	18	15	16	15	16	13	15
General and administrative	19	17	18	19	19	19	18	39
Depreciation and amortization	5	5	5	5	6	5	5	5
Restructuring and integration	—	—	—	1	3	—	—	—
Total costs and expenses	103	103	101	109	112	106	106	136
Loss from operations	(3)	(3)	(1)	(10)	(12)	(6)	(6)	(36)
Other income (expense), net	—	—	—	—	—	—	—	—
Loss before income taxes	(3)	(3)	(1)	(10)	(13)	(6)	(6)	(36)
Provision for income taxes	—	(1)	—	—	—	—	—	—
Net loss	(3)%	(4)%	(1)%	(10)%	(13)%	(6)%	(6)%	(36)%

	Quarter Ended							
	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
	(in thousands)							
Other Financial and Operational Data(1):								
Reviews	52,757	47,322	42,526	39,103	35,959	33,258	30,259	27,569
Unique Visitors	120,005	117,447	108,058	102,065	86,308	83,538	78,329	71,448
Claimed Local Business Locations	1,488	1,344	1,222	1,103	994	889	791	700
Active Local Business Accounts	67	57	51	45	40	36	32	27
Adjusted EBITDA	$ 10,405	$ 8,050	$ 7,770	$ 3,204	$ 1,805	$ 2,162	$ 1,581	$ (951)

(1) For information on how we define these operational and other metrics, see "*—Key Metrics*."

The following table presents a reconciliation of adjusted EBITDA to net loss.

	Quarter Ended							
	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
	(in thousands)							
Reconciliation of adjusted EBITDA:								
Net loss	$ (2,069)	$ (2,322)	$ (878)	$ (4,799)	$ (5,319)	$ (2,011)	$ (1,982)	$ (9,802)
Provision for income taxes	52	510	232	44	(20)	45	66	31
Other (income) expense, net	109	31	66	201	203	14	(22)	30
Depreciation and amortization	3,524	2,816	2,637	2,478	2,421	1,780	1,661	1,361
Stock-based compensation	8,789	7,015	5,713	4,605	3,258	2,334	1,858	7,429
Restructuring and integration	—	—	—	675	1,262	—	—	—
Adjusted EBITDA	$ 10,405	$ 8,050	$ 7,770	$ 3,204	$ 1,805	$ 2,162	$ 1,581	$ (951)

Liquidity and Capital Resources

As of December 31, 2013, we had cash and cash equivalents of $389.8 million. Cash and cash equivalents consist of cash and money market funds. Our cash held internationally as of December 31, 2013 was $8.7 million. We did not have any short-term or long-term investments. Additionally, we do not have any outstanding bank loans or credit facilities in place. To date, we have been able to finance our operations and our acquisitions of SeatMe and Qype through proceeds from private and public financings, including our IPO in March 2012, our follow-on offering in October 2013 and to a lesser extent from the exercise of employee stock options.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under " *Risk Factors*" in this Annual Report. We believe that our existing cash and cash equivalents, together with any cash generated from operations, will be sufficient to meet our working capital requirements and anticipated purchases of property and equipment for at least the next 12 months. However, this estimate is based on a number of assumptions that may prove to be wrong and we could exhaust our available cash and cash equivalents earlier than presently anticipated. We may require or otherwise seek additional funds in the next 12 months to respond to business challenges, including the need to develop new features and products or enhance existing services, improve our operating infrastructure or acquire complementary businesses and technologies, and, accordingly, we may need to engage in equity or debt financings to secure additional funds.

Amounts deposited with third party financial institutions exceed the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation, insurance limits, as applicable. These cash and cash equivalents could be impacted if the underlying financial institutions fail or are subjected to other adverse conditions in the financial markets. To date we have experienced no loss or lack of access to our cash and cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

Cash Flows

The following table summarizes our cash flows for the periods presented.

	Year Ended December 31,		
	2013	**2012**	**2011**
	(in thousands)		
Consolidated Statements of Cash Flows Data:			
Purchases of property and equipment	$ 16,243	$ 7,524	$ 4,798
Depreciation and amortization	11,455	7,223	4,238
Cash provided by (used in) operating activities	21,432	(99)	250
Cash used in investing activities	(18,827)	(40,592)	(7,453)
Cash provided by financing activities	291,720	114,173	1,582

Operating Activities

We generated $21.4 million of cash from operating activities during the year ended December 31, 2013, primarily resulting from our net loss of $10.1 million, offset by non-cash stock-based compensation of $26.7 million, non-cash depreciation and amortization of $11.5 million, an increase in excess tax benefit from the exercise of stock-based award activity of $0.4 million, which is reclassified as a financing activity, and non-cash provision for doubtful accounts of $3.3 million. In addition, significant changes in our operating assets and liabilities resulted from the following:

- increase in accounts receivable of $12.8 million due to an increase in billings for local advertising plans and brand advertising campaigns, as well as timing of payments from these customers;

- increase in accounts payable, accrued expenses, and other liabilities of $5.0 million relating to the growth in the business, and, more specifically, the increase in accrued vacation and employee related expenses, deferred rent for new facilities, as well as timing of invoices and payments to vendors; and

- increase in prepaids and other assets of $1.6 million relating to the increase in value added tax due from taxing authorities, an increase in deferred tax assets, prepaid business data and prepaid rent for our facilities.

We used $0.1 million of cash from operating activities during the year ended December 31, 2012, primarily resulting from our net loss of $19.1 million, non-cash stock-based compensation of $14.9 million, provision for doubtful accounts of $1.9 million and non-cash depreciation and amortization of $7.2 million. In addition, significant changes in our operating assets and liabilities resulted from the following:

- increase in accounts receivable of $4.1 million due to an increase in billings for local advertising plans and brand advertising campaigns, as well as timing of payments from these customers;

- increase in prepaids and other assets of $2.6 million relating to the increase in value added tax due from taxing authorities, prepaid business data and prepaid rent for our facilities; and

- increase in accounts payable, accrued expenses, and other liabilities of $2.0 million relating to the growth in the business and, more specifically, the increase in accrued bonus and commissions, increase in accrued vacation and employee related expenses, and deferred rent for new facilities.

We generated $0.3 million of cash from operating activities during the year ended December 31, 2011, primarily resulting from our net loss of $16.7 million, offset by a non-cash expense of $5.9 million related to the contribution of common stock to The Yelp Foundation, non-cash stock-based compensation of $4.9 million and non-cash depreciation and amortization of $4.2 million. In addition, significant changes in our operating assets and liabilities resulted from the following:

- increase in accounts receivable of $2.3 million due to an increase in billings for local advertising plans and brand advertising campaigns, as well as timing of payments from these customers; and

- increase in accounts payable and accrued expenses of $4.0 million relating to the growth in the business and, more specifically, the increase in accrued vacation and employee related expenses, deferred rent for new facilities, as well as timing of invoices and payments to vendors.

Investing Activities

Our primary investing activities in 2013 were the purchase of SeatMe in July and the continued purchase of property and equipment to support the build out of our data centers and leasehold improvements for our new headquarters building in San Francisco and other locations. We also continued to invest in technology hardware to support our growth in headcount and software to support website and mobile app development and operations and our corporate infrastructure. Purchases of property and equipment, as well as leasehold improvements, may vary from period to period due to the timing of the expansion of our offices, operations and website and internal-use software development. We expect to continue to invest in property and equipment, leasehold improvements, and the development of software for 2014 and thereafter.

We used $18.8 million in investing activities during the year ended December 31, 2013, including $2.1 million net of cash received related to the acquisition of SeatMe. In addition, we used $16.2 million for purchases of property, equipment and software and incurred expenditures of $4.9 million for capitalized website and software development costs. Cash used in investing was offset by $1.2 million of cash released from escrow related to the Qype acquisition, recorded as a measurement period adjustment to the initial fair value of the acquired assets and liabilities. Cash used in investing was also offset by a decrease in the required amount of letters of credit in connection with the San Francisco lease, which resulted in a decrease of $3.2 million in restricted cash.

We used $40.6 million in investing activities during the year ended December 31, 2012, including $24.1 million net of cash received for the acquisition of Qype. In addition, we used $7.5 million for purchases of property, equipment and software and incurred expenditures of $2.9 million for capitalized website and software development costs. We also entered into new lease agreements for office space in San Francisco and London. In connection with entry into such leases, we were obligated to deliver letters of credit in the aggregate amount of $6.0 million, which resulted in an increase of $6.0 million in restricted cash.

We used $7.5 million of cash in investing activities during the year ended December 31, 2011. We purchased $4.8 million in property, equipment and software and incurred expenditures of $2.5 million for capitalized website and software development costs.

Financing Activities

We generated $291.7 million of cash from financing activities during the year ended December 31, 2013. We received $276.5 million in proceeds from our follow-on offering, net of $12.4 million in total offering expenses, including underwriter commission and discounts associated with the transaction. We also generated $13.5 million in net proceeds from the issuance of common stock related to the exercise of stock options, an increase of $0.4 million in excess tax benefit from the exercise of stock options and $2.0 million in net proceeds from the sale of stock under our 2012 Employee Stock Purchase Plan, or ESPP.

We generated $114.2 million of cash from financing activities during the year ended December 31, 2012. We received $111.8 million in proceeds from our IPO, net of $10.8 million in offering expenses, including underwriter commission and discounts associated with the transaction. With the exception of the IPO, our financing activities during the year ended December 31, 2012 consisted primarily of net proceeds from the issuance of common stock related to the exercise of stock options.

We generated $1.6 million of cash from financing activities during the year ended December 31, 2011, which consisted primarily of $2.0 million in net proceeds from the issuance of common stock related to the exercise of stock options. We used $0.5 million in financing activities in 2011 related to our deferred offering costs.

Off Balance Sheet Arrangements

We did not have any off balance sheet arrangements in 2013, 2012 or 2011.

Contractual Obligations

We lease various office facilities, including our corporate headquarters in San Francisco, California, under operating lease agreements that expire from 2014 to 2021. The terms of the lease agreements provide for rental payments on a graduated basis. We recognize rent expense on a straight-line basis over the lease periods. We do not have any debt or material capital lease obligations, and all of our property, equipment and software have been purchased with cash. As of December 31, 2013, we had no material long-term purchase obligations outstanding with any vendors or third parties. Our future minimum payments under non-cancelable operating leases for equipment and office facilities are as follows as of December 31, 2013:

	Payments Due by Period				
	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
			(in thousands)		
Operating lease obligations	$ 103,100	$ 15,275	$ 32,548	$ 26,796	$ 28,481

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above. As of December 31, 2013, our total liability for uncertain tax positions was $1.8 million. We are not able to reasonably estimate the timing of future cash flow related to this liability. As a result, this amount is not included in above contractual obligations table.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, website and internal-use software development costs, business combinations, income taxes and stock-based compensation have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 2 of the notes to our consolidated financial statements.

Revenue Recognition

We generate revenue from local advertising, brand advertising and other services, which include Yelp Deals and various partner arrangements. Since 2007, net revenue from local advertising represented a majority of our revenue.

We enter into arrangements with customers to sell advertising packages that include different media placements or ad services that are delivered at the same time, or within close proximity of one another, and we allocate consideration at the inception of an arrangement to all deliverables based on the relative selling price method in accordance with the selling price hierarchy. The objective of the hierarchy is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis and requires the use of: (1) vendor-specific objective evidence, or VSOE, if available; (2) third-party evidence, or TPE, if VSOE is not available; and (3) best estimate of selling price, or BESP, if neither VSOE nor TPE is available.

VSOE. We determine VSOE based on our historical pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, we require that a substantial majority of the standalone selling prices for these services fall within a reasonably narrow pricing range. We have not historically sold a large volume of transactions on a standalone basis. As a result, we have not been able to establish VSOE for any of its advertising products.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, we are unable to reliably determine what similar competitor services' selling prices are on a standalone basis. As a result, we have not been able to establish selling price based on TPE.

BESP. When we are unable to establish selling price using VSOE or TPE, we use BESP in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the service were sold on a standalone basis. BESP is generally used to allocate the selling price to deliverables in our multiple element arrangements. We determine BESP for deliverables by considering multiple factors including, but not limited to, prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. We limit the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

If the facts and circumstances underlying the factors we considered change or should future facts and circumstances lead us to consider additional factors, both our determination of our relative selling price under the hierarchy and our BESPs could change in future periods.

Website and Internal-Use Software Development Costs

We capitalize certain costs related to the development of our website, mobile app or software developed for internal use. In accordance with authoritative guidance, we begin to capitalize our costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding and it is probable that the project will be completed and the software will be used as intended. Such costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated to be two to three years. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded in product development expenses on our consolidated statements of operations. Costs incurred for enhancements that are expected to result in additional features or functionality are capitalized and expensed over the estimated useful life of the enhancements, generally two or three years.

Business Combinations and Valuation of Goodwill and Other Acquired Intangible Assets

We account for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. We allocate the purchase price of the acquisition to the 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. During the measurement period, which could be up to one year after the transaction date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, subsequent adjustments are recorded to our consolidated statements of operations.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of our single reporting operating unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment under the new authoritative guidance issued by the Financial Accounting Standards Board. If we determine that it is more likely than not that its fair value is less than its carrying amount, or opt to not perform a qualitative assessment, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As of December 31, 2013, no impairment of goodwill has been identified.

Acquired intangible assets are amortized over their estimated useful lives. We evaluate the recoverability of amortizable intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any such impairment charge during the years presented.

In addition to the recoverability assessment, we routinely review the remaining estimated useful lives of our amortizable intangible assets. If we reduce the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized over the revised estimated useful life.

Income Taxes

We account for our income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our consolidated financial statements or in our income tax returns. Deferred income taxes are recognized for differences between financial reporting and tax bases of assets and liabilities at the enacted statutory income tax rates in effect for the years in which the temporary differences are expected to reverse. The effect on deferred taxes of a change in income tax rates is recognized in income in the period that includes the enactment date. We evaluate the realizability of our deferred tax assets and valuation allowances are provided when necessary to reduce net deferred tax assets to the amounts expected to be realized.

We recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. We will recognize interest and penalties related to unrecognized tax benefits in our income tax provision in the accompanying consolidated statement of operations.

Stock-Based Compensation

Stock-based compensation expenses are classified in the consolidated statement of operations based on the department to which the related employee reports. Our stock-based awards are comprised principally of stock options, restricted stock units, or RSUs, restricted stock awards, or RSAs, and our employee stock purchase plan.

We account for stock-based compensation in accordance with the authoritative guidance on stock compensation. Under the fair value recognition provisions of this guidance, stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. As a result, we are required to estimate the amount of stock-based compensation we expect to be forfeited based on our historical experience. If actual forfeitures differ significantly from our estimates, stock-based compensation expense and our results of operations could be materially impacted.

Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options and our employee stock purchase plan. The determination of the grant date fair value using an option-pricing model is affected by our estimated common stock fair value as well as assumptions regarding a number of other complex and subjective variables. These variables include our expected stock price volatility over the expected term of the award, actual and projected employee stock option exercise behaviors, the risk-free interest rate for the expected term of the award and expected dividends. The value of the portion of the award that is ultimately expected to vest is recognized as expense in our consolidated statements of operations. We estimate the expense for restricted stock awards and restricted stock units based on grant date fair value of our common stock.

We account for stock options issued to non-employees in accordance with the guidance for equity-based payments to non-employees. We believe that the fair value of stock options is more reliably measured than the fair value of the services received. As such, the fair value of the unvested portion of the options granted to non-employees is re-measured each period. The resulting increase in value, if any, is recognized as expense during the period the related services are rendered.

Prior to our IPO, our board of directors considered numerous objective and subjective factors to determine the fair market value of our common stock at each meeting at which stock options were granted and approved.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate, foreign exchange risks and inflation.

Interest Rate Fluctuation Risk

Our cash and cash equivalents consist of cash and money market funds. We do not have any long-term borrowings.

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash and cash equivalents have a relatively short maturity, our portfolio's fair value is relatively insensitive to interest rate changes. During the year ended December 31, 2013, we determined that the nominal difference in basis points for investing our cash and cash equivalents in longer-term investments did not warrant a change in our investment strategy. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives. We believe a hypothetical 10% increase in interest rates as of December 31, 2013 would have an immaterial impact on our investment portfolio.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, principally the British pound sterling and the Euro. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. Although we have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains (losses), net related to revaluing certain cash balances, trade accounts receivable balances and intercompany balances that are denominated in currencies other than the U.S. dollar, we believe a hypothetical 10% strengthening/(weakening) of the U.S. dollar against the British pound sterling, either alone or in combination with a hypothetical 10% strengthening/(weakening) of the U.S. dollar against the Euro would not have a material impact on our results of operations. In the event our foreign sales and expenses continue to increase, our operating results may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Inflation Risk

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 may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Item 8. Financial Statements and Supplementary Data.

Our financial statements and the report of our independent registered public accounting firm are included in this Annual Report beginning on page F-1. The index to these reports and our financial statements is included in Part IV, Item 15 below.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on the evaluation of our disclosure controls and procedures as of December 31, 2013, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual 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 Chief Executive Officer and Chief Financial Officer, our management evaluated the effectiveness of our internal control over financial reporting based on the framework set forth in *"Internal Control – Integrated Framework (1992)"* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2013. Our management reviewed the results of this evaluation with the audit committee of our board of directors.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report and, as part of the audit, has issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2013, which is included below.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Yelp Inc.
San Francisco, California

We have audited the internal control over financial reporting of Yelp Inc. and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Company and our report dated February 28, 2014 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
February 28, 2014

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this item regarding directors and director nominees, executive officers, the board of directors and its committees, and certain corporate governance matters is incorporated by reference to the information set forth under the captions "Proposal No. 1—Election of Directors," "Information Regarding the Board of Directors and Corporate Governance" and "Executive Officers" in the definitive proxy statement for our 2014 Annual Meeting of Stockholders, or the 2014 Proxy Statement. Information required by this item regarding compliance with Section 16(a) of the Exchange Act is incorporated by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2014 Proxy Statement.

We have adopted a written code of business conduct and ethics that applies to all of our employees, officers and directors, including our principal executive officer, principal financial officer and principal accounting officer. The code of business conduct and ethics is available on our corporate website at www.yelp-ir.com/phoenix.zhtml?c=250809&p=irol-govhighlights. If we make any substantive amendments to our code of business conduct and ethics or grant to any of our directors or executive officers any waiver, including any implicit waiver, from a provision of our code of business conduct and ethics, we will disclose the nature of the amendment or waiver on our website or in a Current Report on Form 8-K.

Item 11. Executive Compensation.

Information required by this item regarding executive compensation is incorporated by reference to the information set forth under the captions "Executive Compensation," "Director Compensation" and "Information Regarding the Board of Directors and Corporate Governance" in our 2014 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this item regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in our 2014 Proxy Statement. Information required by this item regarding securities authorized for issuance under our equity compensation plans is incorporated by reference to the information set forth under the caption "Equity Compensation Plan Information" in our 2014 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this item regarding certain relationships and related transactions is incorporated by reference to the information set forth under the caption "Transactions with Related Persons" in our 2014 Proxy Statement. Information required by this item regarding director independence is incorporated by reference to the information set forth under the caption "Information Regarding the Board of Directors and Corporate Governance" in our 2014 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

Information required by this item regarding principal accounting fees and services is incorporated by reference to the information set forth under the caption "Proposal No. 2—Ratification of Selection of Independent Registered Public Accounting Firm" in our 2014 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report:

1. *Financial Statements.* Our consolidated financial statements and the Report of Independent Registered Public Accounting Firm are included herein on the pages indicated:

2. *Financial Statement Schedules*. None. All financial statement schedules are omitted because they are not applicable, not required under the instructions, or the requested information is included in the consolidated financial statements or notes thereto.

3. *Exhibits*. A list of exhibits filed with this report or incorporated herein by reference is found in the Exhibit Index immediately following the signature page of this Annual Report.

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.

Date: February 28, 2014

YELP INC.

/s/ Rob Krolik
Rob Krolik
Chief Financial Officer
(*Principal Financial and Accounting Officer*)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Rob Krolik and Laurence Wilson, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution for him or her, and in his or her name in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and either of them, his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Jeremy Stoppelman JEREMY STOPPELMAN	Chief Executive Officer and Director (*Principal Executive Officer*)	February 28, 2014
/s/ Geoff Donaker GEOFF DONAKER	Chief Operating Officer and Director	February 28, 2014
/s/ Rob Krolik ROB KROLIK	Chief Financial Officer (*Principal Financial and Accounting Officer*)	February 28, 2014
/s/ Max Levchin MAX LEVCHIN	Chairman	February 28, 2014
/s/ Fred Anderson FRED ANDERSON	Director	February 28, 2014
/s/ Peter Fenton PETER FENTON	Director	February 28, 2014
/s/ Robert Gibbs ROBERT GIBBS	Director	February 28, 2014
/s/ Diane Irvine DIANE IRVINE	Director	February 28, 2014
/s/ Jeremy Levine JEREMY LEVINE	Director	February 28, 2014
/s/ Mariam Naficy MARIAM NAFICY	Director	February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Yelp Inc.
San Francisco, California

We have audited the accompanying consolidated balance sheets of Yelp Inc. and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders’ equity (deficit), and cash flows for each of the three years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the consolidated financial position of Yelp Inc., and subsidiaries, as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
February 28, 2014

Yelp Inc.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	$ 389,764	$ 95,124
Accounts receivable (net of allowance for doubtful accounts of $810 and $384 at December 31, 2013 and 2012, respectively)	21,317	11,738
Prepaid expenses and other current assets	5,752	4,470
Total current assets	416,833	111,332
Property, equipment and software, net	30,666	14,799
Goodwill	59,690	48,605
Intangibles, net	5,235	5,936
Restricted cash	3,247	6,400
Other assets	306	624
Total Assets	$ 515,977	$ 187,696
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 3,364	$ 2,284
Accrued liabilities	19,004	14,974
Deferred revenue	2,621	2,856
Total current liabilities	24,989	20,114
Long-term liabilities	4,505	1,920
Total liabilities	$ 29,494	$ 22,034
Commitments and contingencies (Note 10)		
Stockholders' Equity		
Common stock, $0.000001 par value—500,000,000 shares authorized; 70,874,493, and 63,505,269 shares issued and outstanding at December 31, 2013 and 2012, respectively	—	—
Additional paid-in capital	553,753	225,245
Accumulated other comprehensive income	3,186	805
Accumulated deficit	(70,456)	(60,388)
Total Stockholders' Equity	486,483	165,662
Total Liabilities and Stockholders' Equity	$ 515,977	$ 187,696

See notes to consolidated financial statements.

Yelp Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2013	2012	2011
Net revenue	$ 232,988	$ 137,567	$ 83,285
Costs and expenses:			
Cost of revenue (exclusive of depreciation and amortization shown separately below)	16,561	9,928	5,931
Sales and marketing	131,970	85,915	54,539
Product development	38,243	20,473	11,586
General and administrative	42,907	31,531	17,234
Depreciation and amortization	11,455	7,223	4,238
Restructuring and integration	675	1,262	—
Contribution to The Yelp Foundation	—	—	5,928
Total costs and expenses	241,811	156,332	99,456
Loss from operations	(8,823)	(18,765)	(16,171)
Other income (expense), net	(407)	(226)	(395)
Loss before income taxes	(9,230)	(18,991)	(16,566)
Provision for income taxes	(838)	(122)	(102)
Net loss	(10,068)	(19,113)	(16,668)
Accretion of redeemable convertible preferred stock	—	(32)	(189)
Net loss attributable to common stockholders (Class A and B)	$ (10,068)	$ (19,145)	$ (16,857)
Net loss per share attributable to common stockholders (Class A and B)			
Basic	$ (0.15)	$ (0.35)	$ (1.10)
Diluted	$ (0.15)	$ (0.35)	$ (1.10)
Weighted-average shares used to compute net loss per share attributable to common stockholders (Class A and B)			
Basic	65,665	54,149	15,291
Diluted	65,665	54,149	15,291

See notes to consolidated financial statements.

Yelp Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Year Ended December 31,		
	2013	2012	2011
Net loss	$ (10,068)	$ (19,113)	$ (16,668)
Other comprehensive income:			
Foreign currency translation adjustments	2,381	534	298
Other comprehensive income	2,381	534	298
Comprehensive loss	$ (7,687)	$ (18,579)	$ (16,370)

See notes to consolidated financial statements.

Yelp Inc.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

(In thousands, except shares)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Deficit	Deficit
Balance—January 1, 2011	143,267,115	$ 55,246	14,848,625	$ —	$ 3,524	$ (27)	$ (24,386)	$ (20,889)
Issuance of common stock upon exercises of employee stock options	—	—	1,419,034	—	2,125	—	—	2,125
Issuance of restricted stock	—	—	168,750	—	—	—	—	—
Stock-based compensation	—	—	—	—	5,048	—	—	5,048
Issuance of common stock as charitable contribution to The Yelp Foundation	—	—	520,000	—	5,928	—	—	5,928
Accretion of redeemable convertible preferred stock	—	189	—	—	—	—	(189)	(189)
Foreign currency translation adjustment	—	—	—	—	—	298	—	298
Net loss	—	—	—	—	—	—	(16,668)	(16,668)
Balance—December 31, 2011	143,267,115	55,435	16,956,409	—	16,625	271	(41,243)	(24,347)
Issuance of common stock upon exercises of employee stock options	—	—	1,606,612	—	3,736	—	—	3,736
Issuance of restricted stock	—	—	1,250	—	—	—	—	—
Stock-based compensation	—	—	—	—	15,147	—	—	15,147
Accretion of redeemable convertible preferred stock	—	32	—	—	—	—	(32)	(32)
Conversion of preferred stock to common stock in connection with initial public offering	(143,267,115)	(55,467)	35,816,772	—	55,466	—	—	55,466
Issuance of common stock in connection with initial public offering, net of offering costs.	—	—	8,172,500	—	111,350	—	—	111,350
Repurchase of common stock from employees	—	—	(17,193)		(333)	—	—	(333)
Issuance of common stock in connection with acquisition of Qype GmbH	—	—	968,919	—	23,254	—	—	23,254
Foreign currency translation adjustment	—	—	—	—	—	534	—	534
Net loss	—	—	—	—	—	—	(19,113)	(19,113)
Balance—December 31, 2012	—	—	63,505,269	—	225,245	805	(60,388)	165,662
Issuance of common stock upon exercises of employee stock options	—	—	2,648,121	—	13,554	—	—	13,554
Issuance of common stock upon release of restricted stock units (RSUs)	—	—	98,033	—	—	—	—	—
Issuance of common stock for employee stock purchase plan	—	—	81,900	—	1,960	—	—	1,960
Stock-based compensation	—	—	—	—	27,170	—	—	27,170

Issuance of common stock in connection with follow-on public offering, net of offering costs	—	—	4,312,500	—	276,527	—	—	276,527
Repurchase of common stock from employees	—	—	(15,850)	—	(674)	—	—	(674)
Issuance of common stock in connection with acquisition of SeatMe, Inc.	—	—	244,520	—	9,666	—	—	9,666
Excess tax benefit from share-based award activity	—	—	—	—	305	—	—	305
Foreign currency translation adjustment	—	—	—	—	—	2,381	—	2,381
Net loss	—	—	—	—	—	—	(10,068)	(10,068)
Balance—December 31, 2013	—	$ —	70,874,493	$ —	$ 553,753	$ 3,186	$ (70,456)	$ 486,483

See notes to consolidated financial statements.

Yelp Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2013	2012	2011
OPERATING ACTIVITIES:			
Net loss	$ (10,068)	$ (19,113)	$ (16,668)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	11,455	7,223	4,238
Provision for doubtful accounts	3,304	1,913	627
Stock-based compensation	26,677	14,878	4,877
Contribution to The Yelp Foundation	—	—	5,928
Loss on disposal of assets and web-site development costs	159	64	13
Excess tax benefit from share-based award activity	(353)	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(12,843)	(4,118)	(2,274)
Prepaid expenses and other assets	(1,572)	(2,552)	(1,099)
Accounts payable, accrued expenses, and other liabilities	4,971	2,049	3,975
Deferred revenue	(298)	(443)	633
Net cash provided by (used in) operating activities	21,432	(99)	250
INVESTING ACTIVITIES:			
Acquisition of SeatMe, net of cash received	(2,057)	—	—
Acquisition of Qype GmbH, net of cash received	—	(24,125)	—
Purchases of property, equipment, and software	(16,243)	(7,524)	(4,798)
Capitalized website and software development costs	(4,856)	(2,930)	(2,506)
Change in restricted cash	3,176	(6,013)	(149)
Goodwill measurement period adjustment	1,153	—	—
Net cash used in investing activities	(18,827)	(40,592)	(7,453)
FINANCING ACTIVITIES:			
Proceeds from initial public offering, net of underwriter fees	—	114,006	—
Proceeds from follow-on offering, net of offering costs	276,527	—	—
Payments for deferred offering costs	—	(2,200)	(456)
Proceeds from issuance of common stock from share-based awards	13,554	3,675	2,038
Proceeds from issuance of common stock from employee stock purchase plan	1,960	—	—
Repurchase of common stock	(674)	—	—
Excess tax benefit from share-based award activity	353	—	—
Repayment of acquired debt	—	(1,308)	—
Net cash provided by financing activities	291,720	114,173	1,582
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	315	(94)	283
CHANGE IN CASH AND CASH EQUIVALENTS	294,640	73,388	(5,338)
CASH AND CASH EQUIVALENTS—Beginning of period	95,124	21,736	27,074
CASH AND CASH EQUIVALENTS—End of period	$ 389,764	$ 95,124	$ 21,736
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:			
Cash paid for income taxes	$ 291	$ 110	$ 92
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Purchases of property and equipment recorded in accounts payable and accruals	$ 2,685	$ 549	$ 690
Deferred offering costs recorded in accounts payable and accrued liabilities	$ —	$ —	$ 887
Capitalized website and software development costs recorded in accounts payable and accruals	$ 17	$ 4	$ —
Accretion of redeemable convertible preferred stock	$ —	$ 32	$ 189

Vesting of early exercised options	$ —	$ 61	$ 87

See notes to consolidated financial statements.

Yelp Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Yelp Inc. was incorporated in Delaware on September 3, 2004. Except where specifically noted or the context otherwise requires, the use of terms such as the “Company” and “Yelp” in these Notes to Consolidated Financial Statements refers to Yelp Inc. and its subsidiaries.

Yelp connects people with great local businesses. Yelp’s users have contributed millions of reviews of almost every type of local business, giving a voice to consumers and bringing “word of mouth” online. Businesses of all sizes use the Yelp platform to engage with consumers at the critical moment when they are deciding where to spend their money.

The Company is comprised of Yelp Inc. and 17 wholly-owned entities. Yelp UK Ltd was incorporated on December 1, 2008, Yelp Canada Inc. was incorporated on February 24, 2009, Yelp Ireland Limited was incorporated on May 31, 2010, Yelp Deutschland GmbH was incorporated on June 7, 2010, Yelp Ireland Holding Company Limited was incorporated on June 16, 2010, Yelp France SAS was incorporated on July 8, 2010, Yelp Italia S.r.l. was incorporated on June 27, 2011, Yelp Australia Pty. Ltd was incorporated on August 9, 2011, Yelp Spain, S.L. was incorporated on May 4, 2012, Yelp Singapore PTE Ltd was incorporated on June 15, 2012, Yelp Brazil Serviços de Marketing Ltda. was incorporated on May 29, 2013, and Yelp Japan, G.K. was incorporated on September 20, 2013. Qype GmbH, Qype Ltd., Qype SARL and Qype SL (collectively, “Qype”) were acquired on October 23, 2012, and SeatMe, Inc. was acquired on July 24, 2013 (see Note 4). The financial results of these subsidiaries are included within the consolidated financial statements of the Company presented herein.

Basis of Presentation—The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All intercompany balances and transactions have been eliminated in consolidation.

Certain Significant Risks and Uncertainties—The Company operates in a dynamic industry and, accordingly, can be affected by a variety of factors. For example, the Company’s management believes that changes in any of the following areas could have a significant negative effect on the Company in terms of its future financial position, results of operations or cash flows: rates of revenue growth; traffic to the Company’s websites and the number of reviews and advertisers they attract; reliance on search engines and the placement and prominence in results rankings; the quality and reliability of reviews; scaling and adaptation of existing technology and network infrastructure; management of the Company’s growth; new markets and international expansion; protection of the Company’s brand, reputation and intellectual property; competition in the Company’s market; qualified employees and key personnel; intellectual property infringement and other claims; and changes in government regulation affecting the Company’s business, among other things.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates—The preparation of the Company’s consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the consolidated financial statements; therefore, actual results could differ from management’s estimates.

Foreign Currency Translation—The consolidated financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of foreign subsidiaries are translated at exchange rates in effect as of the balance sheet date. Revenues and expenses are translated at average exchanges rates in effect during the year. Translation adjustments are recorded within accumulated other comprehensive loss, a separate component of stockholders' equity (deficit).

Cash and Cash Equivalents—The Company considers all highly liquid investments, such as treasury bills, commercial paper, certificates of deposit and money market instruments with maturities of three months or less at the time of acquisition to be cash equivalents. Cash and cash equivalents primarily consist of amounts held in interest-bearing money market funds that were readily convertible to cash. The fair value of cash and cash equivalents approximates their carrying value.

Concentrations of Credit Risk—Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with major financial institutions, which management assesses to be of high credit quality, in order to limit the exposure of each investment.

Credit risk with respect to accounts receivable is dispersed due to the large number of customers. In addition, the Company's credit risk is mitigated by the relatively short collection period. Collateral is not required for accounts receivable. The Company maintains an allowance for doubtful accounts receivable balances. The allowance is based upon historical loss patterns, the number of days that billings are past due and an evaluation of the potential risk of loss associated with delinquent accounts. When new information becomes available to indicate that the estimate provided as the allowance was incorrect, an adjustment, which is considered a change in estimate, is made. The fair value of accounts receivable approximates their carrying value.

As of December 31, 2013 and 2012, there were no customers that accounted for more than 10% of total accounts receivable.

The following table presents the changes in the allowance for doubtful accounts (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Allowance for doubtful accounts:			
Balance, beginning of period	$ 384	$ 210	$ 175
Add: bad debt expense	3,210	1,913	627
Less: write-offs, net of recoveries	(2,784)	(1,739)	(592)
Balance, end of period	$ 810	$ 384	$ 210

Property, Equipment and Software—Property, equipment and software are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is approximately three years. Leasehold improvements are amortized over the lease term.

Website and Internal-Use Software Development Costs—Costs related to website and internal-use software are primarily related to the Company's website, including support systems. The Company capitalizes its costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding and it is probable that the project will be completed and the software will be used as intended. Such costs are amortized on a straight-line basis over the estimated useful life of the related asset, which approximates three years. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred. Costs incurred for enhancements that are expected to result in additional material functionality are capitalized and amortized over the estimated useful life of the upgrades.

The Company capitalized $5.4 million, $3.2 million and $2.7 million in website and internal-use software costs during the years ended December 31, 2013, 2012 and 2011, respectively, which are included in property, equipment and software, net on the consolidated balance sheets. Amortization expense related to website and internal-use software was $2.6 million, $1.9 million and $1.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The Company wrote off $0.1 and $0.2 million of website and internal-use software costs during the fiscal years ended December 31, 2013 and 2012, respectively. The retirements were related to obsolete projects no longer supported by the Company. The loss on disposition of the projects has been included in depreciation and amortization expense in the Company's consolidated statements of operations.

Business Combinations—The Company accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The Company allocates the purchase price of the acquisition to the 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 integration costs are expensed as incurred. During the measurement period, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, which could be up to one year after the transaction date, subsequent adjustments are recorded to the Company's consolidated statements of operations.

Goodwill—Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. The carrying amounts of goodwill is reviewed at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of our single reporting operating unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment under the new authoritative guidance issued by the Financial Accounting Standards Board (FASB). If we determine that it is more likely than not that its fair value is less than its carrying amount, or opt to not perform a qualitative assessment, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. No impairment charges have been recorded to date.

Intangible Assets—Intangible assets include acquired intangible assets identified through business combinations and purchased domain names, which are carried at cost less accumulated amortization. Amortization is recorded over the estimated useful lives of the assets, generally 24 to 84 months. The Company reviews amortizable intangible assets to be held and used for impairment whenever events or changes in circumstance indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value. No impairment charges have been recorded to date.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of—The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue Recognition—The Company generates revenue from local advertising, brand advertising and other services. The Company recognizes revenue when all of the following conditions are met: there is persuasive evidence of an arrangement, service has been provided to the customer, collection of the fees is reasonably assured and the amount of fees to be paid by the customer are fixed or determinable. Payments received in advance of services being rendered are recorded as deferred revenue and recognized over the requisite service period.

Local Advertising—Local advertising revenue is generated primarily through fixed monthly fee advertising plans with local businesses for advertising placements on the Company's website and mobile app. Revenue is recognized ratably over the service period, net of customer discounts. The arrangements are evidenced by written and/or electronic acceptance of the Company's agreement that stipulates the volume of advertising to be delivered and the pricing.

Brand Advertising—The Company generates brand advertising revenue through the sale of display advertisements (both graphic and text) on its website, including advertisements from leading national brands in the automobile, financial services, logistics, consumer goods and health and fitness industries. The Company recognizes revenue from the sale of impression-based advertisements on its online network in the period in which the advertisements ("impressions") are delivered, net of customer discounts. The Company also has brand revenue from fixed-price brand sponsorships that are recognized ratably over the service period. The arrangements are evidenced by insertion orders or contracts that stipulate the types of advertising to be delivered and the pricing.

Other Services—Other service revenue includes the sale of vouchers through the Company's "Yelp Deals" and "Gift Certificates," partner arrangements related to reservations and the monetization of remnant advertising inventory through third-party ad networks. Yelp Deals allow merchants to promote themselves and offer discounted goods and services on a real-time basis to consumers directly on the Company's website and mobile app and, until the quarter ended December 31, 2011, via email. The Company earns a fee on Yelp Deals for acting as an agent in these transactions, which are recorded on a net basis and included in revenue upon sale of the deal. The Company records a sales allowance for potential Yelp Deal refunds based on the Company's estimate of future refunds. Gift Certificates allow merchants to sell full-priced gift certificates directly to customers through their business profile page. The Company earns a fee based on the amount of the Gift Certificate sold, which it records on a net basis and include in revenue upon a consumer's purchase of the Gift Certificate. The Company also generates revenue through various partnership agreements on a transaction-by-transaction basis. Reservation revenue and promotional certificates are recognized on a transaction-by-transaction basis.

Multiple-Element Arrangements. The Company enters into arrangements with customers to sell advertising packages that include different media placements or ad services that are delivered at the same time, or within close proximity of one another.

Beginning on January 1, 2011, the Company adopted new authoritative guidance on multiple element arrangements, using the prospective method for all arrangements entered into or materially modified from the date of adoption. Under this new guidance, the Company allocates arrangement consideration in multiple-deliverable revenue arrangements at the inception of an arrangement to all deliverables or those packages in which all components of the package are delivered at the same time, based on the relative selling price method in accordance with the selling price hierarchy, which includes: (1) vendor-specific objective evidence ("VSOE") if available; (2) third-party evidence ("TPE") if VSOE is not available; and (3) best estimate of selling price ("BESP") if neither VSOE nor TPE is available.

VSOE. The Company determines VSOE based on its historical pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, the Company requires that a substantial majority of the standalone selling prices for these services fall within a reasonably narrow pricing range. The Company has not historically sold a large volume of transactions on a standalone basis. As a result, the Company has not been able to establish VSOE for any of its advertising products.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, the Company applies judgment with respect to whether it can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, the Company's go-to-market strategy differs from that of its peers and its offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor services' selling prices are on a standalone basis. As a result, the Company has not been able to establish selling price based on TPE.

BESP. When it is unable to establish selling price using VSOE or TPE, the Company uses BESP in its allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the service were sold on a standalone basis. BESP is generally used to allocate the selling price to deliverables in the Company's multiple element arrangements. The Company determines BESP for deliverables by considering multiple factors including, but not limited to, prices it charges for similar offerings, market conditions, competitive landscape and pricing practices. The Company limits the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables. The Company will regularly review BESP. Changes in assumptions or judgments or changes to the elements in the arrangement could cause a material increase or decrease in the amount of revenue that the Company reports in a particular period.

The Company recognizes the relative fair value of the media placements or ad services as they are delivered assuming all other revenue recognition criteria are met. As a result of implementing this recent authoritative guidance, the Company's revenue for the years ended December 31, 2013, 2012 and 2011 was not materially different from what would have been recognized under the previous guidance for multiple-element arrangements.

Cost of Revenue—The Company's cost of revenue primarily consists of credit card processing fees, web hosting, Internet service costs and salaries, benefits and stock-based compensation for its infrastructure teams related to operating the Company's website as well as creative design for brand advertising and video production expenses.

Stock-Based Compensation—We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options, restricted stock awards ("RSAs"), restricted stock units ("RSUs") and our employee stock purchase plan to be measured based on the grant-date fair value of the awards.

Share-based compensation expense is recorded net of estimated forfeitures in the Company's consolidated statements of income and, accordingly, is recorded for only those share-based awards that the Company expects to vest. The Company estimates the forfeiture rate based on historical forfeitures of equity awards and adjusts the rate to reflect changes in facts and circumstances, if any. The Company will revise its estimated forfeiture rate if actual forfeitures differ from its initial estimates.

Advertising Expenses—Advertising expenses are expensed as incurred. Total advertising expenses incurred were $1.3 million, $0.7 million and $0.5 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Comprehensive loss—The Company reports by major components and, as a single total, the change in its net assets during the period from non-owner sources. Comprehensive loss consists of net loss and accumulated other comprehensive loss, which includes certain changes in equity that are excluded from net loss. Specifically, it includes foreign currency translation adjustments.

Income Taxes—The Company records income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company operates in various tax jurisdictions and is subject to audit by various tax authorities. The Company provides for tax contingencies whenever it is deemed probable that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws. Tax contingencies are based upon their technical merits, relative tax law and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax contingencies.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Stock Split—On January 25, 2012, the Company's board of directors approved a 1-for-4 reverse stock split of the Company's common stock. The reverse stock split became effective on February 2, 2012. Upon the effectiveness of the reverse stock split, (i) every four shares of outstanding common stock was decreased to one share of common stock, (ii) the number of shares of common stock into which each outstanding warrant or option to purchase common stock is exercisable was proportionally decreased on a 1-for-4 basis, (iii) the exercise price of each outstanding warrant or option to purchase common stock was proportionately increased on a 1-for-4 basis and (iv) the conversion ratio for each share of preferred stock outstanding was proportionately reduced on a 1-for-4 basis. All of the share numbers, share prices and exercise prices have been adjusted within these financial statements, on a retroactive basis, to reflect this 1-for-4 reverse stock split.

Employee Benefit Plan—The Company sponsors a qualified 401(k) defined contribution plan covering eligible employees. Participants may contribute a portion of their annual compensation limited to a maximum annual amount set by the Internal Revenue Service. There were no employer contributions under this plan for the years ended December 31, 2013, 2012 and 2011.

Recently Issued Accounting Standards—Effective January 1, 2013, the Company prospectively adopted Accounting Standards Update ("ASU") 2013-02, "*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.*" This update requires companies to provide information regarding the amounts reclassified out of accumulated other comprehensive income by component. In addition, companies are required to present, either on the face of the statement where net income (loss) is presented or in the accompanying notes, significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items of net income (loss). The adoption of ASU 2013-02 did not have a material impact on the Company's consolidated financial statements.

Effective July 1, 2013, the Company prospectively adopted ASU 2013-11, "*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the Financial Accounting Standards Board Emerging Issues Task Force).*" This update eliminates diversity in practice for presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is available to reduce the taxable income or tax payable that would result from disallowance of a tax position. The adoption of this standard resulted in unrecognized tax benefits at December 31, 2013 that have reduced deferred tax assets of available same jurisdiction loss carryforwards that would be applied in settlement of the uncertain tax position.

3. FAIR VALUE OFFINANCIAL INSTRUMENTS

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value in the following hierarchy:

Level 1—Observable inputs, such as quoted prices in active markets,

Level 2—Inputs other than the quoted prices in active markets that are observable either directly, or

Level 3—Unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures its financial assets at fair value. The Company's investment instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices in active markets. The following table represents the Company's financial instruments measured at fair value as of December 31, 2013 and 2012 (in thousands):

	December 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Money market funds(1)	$ 360,690	—	—	360,690	$ 87,262	—	—	$ 87,262

(1) Included in cash and cash equivalents on the consolidated balance sheets.

4. ACQUISITIONS

SeatMe, Inc.

On July 24, 2013, the Company acquired SeatMe, Inc. ("SeatMe"). In connection with the acquisition, all of the outstanding capital stock and options to purchase capital stock of SeatMe were converted into the right to receive an aggregate of approximately $2.2 million in cash and 260,901 shares of Yelp Class A common stock with an aggregate fair value of approximately $9.7 million, as determined on the basis of the closing market price of the Company's Class A common stock on the acquisition date. Of the total consideration paid in connection with the acquisition, $0.1 million in cash and 31,236 shares of Yelp Class A common stock were initially held in escrow to secure indemnification obligations. The key factor underlying the acquisition was securing the technology to provide online reservations directly through the Company's website with minimal product and engineering work.

The acquisition was accounted for as a business combination in accordance with Accounting Standards Codification Topic 805, "Business Combinations " ("ASC 805"), with the results of SeatMe's operations included in the consolidated financial statements starting on July 24, 2013. The following table summarizes the consideration paid for SeatMe and the preliminary allocation of the purchase price, based on the estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

	July 24, 2013
Fair value of purchase consideration:	
Cash:	
Distributed to SeatMe equity holders	$ 2,057
Held in escrow account	56
Class A common stock:	
Distributed to SeatMe equity holders	8,420
Held in escrow account	1,246
Total purchase consideration	$ 11,779
Fair value of net assets acquired:	
Cash and Cash Equivalents	$ 56
Property and equipment	47
Intangibles	1,440
Goodwill	10,279
Other assets	117
Total assets acquired	11,939
Total liabilities assumed	160
Net assets acquired	$ 11,779

Estimated useful lives of the intangible assets acquired are shown below:

Intangible Type	Useful Life
Developed technology	6 years
Customer relationships	2 years
Trade name	2 years
Weighted average	5.6 years

The intangible assets are being amortized on a straight-line basis, which reflects the pattern in which the economic benefits of the intangible assets are being utilized. The goodwill results from the Company's opportunity to offer its customers and leverage the SeatMe web- and app-based reservation solution. None of the goodwill is deductible for tax purposes.

For the fiscal year ended December 31, 2013, the Company recorded acquisition-related transaction costs of approximately $0.2 million, which were included in general and administrative expense in the accompanying consolidated statement of operations. Net revenues, earnings since the acquisition and pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations, either individually or in aggregate.

Qype GmbH

On October 23, 2012, the Company, through its wholly-owned subsidiary, Yelp Ireland Ltd., completed the acquisition of all the outstanding equity interests of Qype for approximately $24.3 million in cash and Yelp Class A common stock with an approximate fair value of $23.3 million. Of the total consideration paid in connection with the acquisition, $10.3 million is held in the form of cash in escrow to secure indemnification obligations. The balance remaining in the escrow fund relating to this acquisition was approximately $9.5 million as of December 31, 2013. The acquisition was accounted for as a business combination in accordance with ASC 805, with the results of Qype's operations included in the consolidated financial statements starting on October 23, 2012. The key factors underlying the acquisition were to secure an established European market presence, obtain Qype's content and traffic and the opportunity for expansion.

The following table summarizes the consideration paid for Qype and the preliminary allocation of the purchase price, based on the estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

	October 23, 2012
Fair value of purchase consideration:	
Cash consideration	$ 14,020
Cash in escrow account	10,276
Fair value of Class A common stock	23,254
Total purchase consideration	$ 47,550
Fair value of net assets acquired:	
Cash	$ 172
Accounts receivable	1,237
Other current assets	1,239
Property and equipment	233
Intangibles	6,134
Goodwill	48,056
Total assets acquired	57,071
Accounts payable	2,169
Accrued liabilities	4,858
Deferred revenue	1,190
Debt	1,304
Total liabilities assumed	9,521
Net assets acquired	$ 47,550

The fair value of the 968,919 shares of Class A common stock issued as part of the consideration paid for Qype was determined on the basis of the closing market price of the Company's Class A common stock on the acquisition date. The total weighted-average amortization period for intangible assets is 3.6 years. The intangible assets are being amortized on a straight-line basis, which reflects the pattern in which the economic benefits of the intangible assets are being utilized. The goodwill results from the Company's opportunity to expand its geographic footprint in Europe, the future revenue opportunities that the Company expects to achieve from leveraging Qype's content to attract more traffic and users to its website and ultimately to acquire more advertisers. None of the goodwill is deductible for tax purposes.

Estimated useful lives of the intangible assets acquired are shown below:

Intangible Type	Useful Life
Content	5 years
Advertiser relationships	2 years
Developed technology	2 years
Trade name	2 years

For the year ended December 31, 2012, the Company recorded acquisition-related transaction costs of approximately $1.0 million, which were included in general and administrative expense in the accompanying consolidated statement of operations.

Refer to Note 13 regarding the tax effect of the acquisition on the Company's consolidated financial statements.

The unaudited pro forma financial information in the table below summarizes the combined results of operations for the Company and Qype, and includes the accounting effects resulting from the acquisition, including transaction, restructuring and integration costs, amortization charges from acquired intangible assets, and changes in depreciation due to differing asset values and depreciation lives as though the companies were combined as of January 1, 2012. The unaudited pro forma financial information, as presented below, is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place as of January 1, 2012 (in thousands, except per share data):

	Pro Forma for the Year Ended December 31, 2012
Revenue	$ 146,265
Net loss	(23,186)
Basic and diluted net loss per share attributable to common stockholders	$ (0.42)

In October 2012, following the acquisition of Qype, the Company announced its plan to reduce the size of the Qype workforce and terminate several of Qype's leases. These actions were made in order to reduce the Company's cost structure, enhance operating efficiencies and strengthen the Company's business to achieve longterm profitable growth. As a result of this plan, the Company incurred restructuring charges during the fourth quarter of 2012 and the first quarter of 2013, which were included in the restructuring and integration costs in the accompanying consolidated statements of operations for such periods. Restructuring liabilities were $0.1 million as of December 31, 2013, and are included in accrued liabilities on the accompanying consolidated balance sheet. The Company's restructuring plan was substantially completed during the year ended December 31, 2013. Any additional expense related to this restructuring plan incurred in the future is expected to be immaterial. The Company has recorded restructuring charges of $1.9 million through December 31, 2013. The following table summarizes the changes in the Company's restructuring liabilities (in thousands):

Balance as of January 1, 2013	$ 685
Provision	935
Adjustment to provision	(261)
Payments	(1,308)
Balance as of December 31, 2013	$ 51

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2013 and 2012 consist of the following (in thousands):

	December 31, 2013	December 31, 2012
Cash and cash equivalents		
Cash	$ 29,074	$ 7,862
Money market funds	360,690	87,262
Total cash and cash equivalents	$ 389,764	$ 95,124

The lease agreements for certain of the Company's offices require the Company to maintain letters of credit issued to the landlords of each facility. The letters of credit are subject to renewal annually until the leases expire. As of December 31, 2013 and December 31, 2012, the Company had letters of credit totaling $3.2 million and $6.4 million, respectively, related to such leases.

6. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software, net as of December 31, 2013 and 2012 consist of the following (in thousands):

	December 31, 2013	December 31, 2012
Computer equipment	$ 13,348	$ 8,315
Software	541	433
Capitalized website and internally developed software costs	13,878	8,653
Furniture and fixtures	4,388	2,613
Leasehold improvements	13,984	5,017
Telecommunication	2,179	1,570
Total	48,318	26,601
Less accumulated depreciation	(17,652)	(11,802)
Property, equipment and software, net	$ 30,666	$ 14,799

Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was approximately $7.9 million, $5.9 million and $4.2 million, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

The Company's goodwill is the result of the acquisition of Qype on October 23, 2012 and the acquisition of SeatMe on July 24, 2013, and represents the excess of purchase consideration over the fair value of assets and liabilities acquired. Goodwill allocated as of December 31, 2013 and 2012 and changes in the carrying amount of goodwill during the fiscal years ended December 31, 2013 and 2012 are as follows (in thousands):

Balance as of January 1, 2012	$ —
Goodwill acquired	48,056
Effect of currency translation	549
Balance as of December 31, 2012	$ 48,605
Goodwill acquired	10,279
Measurement period adjustment	(1,153)
Effect of currency translation	1,959
Balance as of December 31, 2013	$ 59,690

Under the terms of the share purchase agreement by and among the Company, its wholly-owned subsidiary Yelp Ireland Ltd., Qype and its shareholders, the Qype purchase price was subject to a post-closing adjustment based on Qype's net working capital as of the acquisition date. On April 15, 2013, Yelp and the former Qype shareholders agreed to an adjustment of the purchase price in favor of Yelp in the amount of €0.9 million (approximately $1.2 million as of April 15, 2013) based on Qype's net working capital as of the acquisition date. As this agreement occurred during the measurement period of the acquisition, as defined by ASC 805, the impact of this adjustment was recorded as an increase to cash and a decrease to goodwill. The related funds were released to the Company from the escrow fund during the fiscal year ended December 31, 2013.

The intangible assets detail at December 31, 2013 and 2012 consist of the following (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
December 31, 2013:				
Content	$ 3,413	$ (811)	$ 2,602	3.8 years
Advertiser relationships	2,045	(1,214)	831	2.0 years
Developed technology	1,851	(422)	1,429	4.8 years
Trade name and other	553	(276)	277	1.1 years
Domains	250	(154)	96	3.9 years
	$ 8,112	$ (2,877)	$ 5,235	

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life
December 31, 2012:				
Content	$ 3,304	$ (126)	$ 3,178	4.8 years
Advertiser relationships	1,982	(188)	1,794	1.8 years
Developed technology	529	(51)	478	1.8 years
Trade name and other	396	(38)	358	1.8 years
Domains	246	(118)	128	4.6 years
	$ 6,457	$ (521)	$ 5,936	

Amortization expense for the years ended December 31, 2013, 2012 and 2011 was approximately $2.3 million, $0.4 million and zero, respectively. Amortization expense related to developed technology is included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Estimated future amortization of purchased intangible assets at December 31, 2013 was as follows (in thousands):

Year ending December 31,	Amount
2014	$ 2,226
2015	958
2016	916
2017	783
2018 and thereafter	352
Total amortization	$ 5,235

8. ACCRUED LIABILITIES

Accrued liabilities as of December 31, 2013 and 2012 consist of the following (in thousands):

	December 31,	
	2013	2012
Accrued vacation and employee related expenses	$ 4,734	$ 2,463
Accrued bonus and commissions	3,707	2,037
Deferred rent	298	362
Accrued value added taxes payable	87	1,260
Legal settlement accrual	—	2,167
Accrued payroll tax	1,508	845
Merchant revenue share liability	932	538
Accrued restructuring and integration	51	710
Fixed asset purchase commitments	2,247	383
Other accrued expenses	5,440	4,209
Total	$ 19,004	$ 14,974

Subsequent to the issuance of the Company's 2012 consolidated financial statements, the Company recorded an immaterial correction in the classification of certain balances within accrued liabilities which has been reflected in the table above (see Note 16).

9. OTHER INCOME (EXPENSE), NET

Other income (expense), net as of December 31, 2013, 2012 and 2011 consist of the following (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Interest income	$ 62	$ 51	$ 13
Transaction gains (losses), net on foreign exchange	(251)	(259)	(393)
Other non-operating loss, net	(218)	(18)	(15)
Other income (expense), net	$ (407)	$ (226)	$ (395)

10. COMMITMENTS AND CONTINGENCIES

Office Facility Lease—The Company leases its office facilities under operating lease agreements that expire from 2014 to 2021. Certain lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on a straight-line basis over the lease period.

On May 9, 2012, the Company entered into an office lease (the "Lease") to lease space for its corporate headquarters located in San Francisco, California from Stockbridge 138 New Montgomery LLC (the "Landlord"). Pursuant to the Lease, the Company will lease premises containing 110,412 square feet of space at 140 New Montgomery Street for a term of eight years beginning October 1, 2013.

Rental expense was $8.7 million, $4.8 million and $2.4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Aggregate Future Lease Commitments—The Company's minimum payments under noncancelable operating leases for equipment and office space having initial terms in excess of one year are as follows at December 31, 2013 (in thousands):

Year Ending December 31,	Operating Leases
2014	$ 15,275
2015	17,366
2016	15,182
2017	14,091
2018	12,705
Thereafter	28,481
Total minimum lease payments	$ 103,100

Legal Proceedings—The Company is subject to legal proceedings arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently does not believe that the final outcome of any of these matters will have a material adverse effect on the Company's business, financial position, results of operations or cash flows.

In February and March 2010, the Company was sued in two putative class actions on behalf of local businesses asserting various causes of action based on claims that the Company manipulated the ratings and reviews on its platform to coerce local businesses to buy its advertising products. These cases were subsequently consolidated in an action asserting claims for violation of the California Business & Professions Code, extortion and attempted extortion based on the conduct they allege and seeking monetary relief in an unspecified amount and injunctive relief. In October 2011, the court dismissed this consolidated action with prejudice. The plaintiffs have appealed to the U.S. Court of Appeals for the Ninth Circuit, which heard the appeal on July 11, 2013. The Ninth Circuit has not yet issued a decision. Accordingly, the Company is currently unable to reasonably estimate either the probability of incurring a loss or an estimated range of such loss, if any, from this appeal.

Qype, the Company's indirect wholly-owned subsidiary, is party to a lawsuit regarding fees payable for directory data that Qype and its predecessor purchased from Deutsche Telekom AG ("Deutsche Telekom") between 2005 and 2008 at a rate set by the German Federal Network Agency ("FNA"). Following German court decisions overturning the rate set by the FNA, Deutsche Telekom sued Qype in the Regional Court of Bonn on August 26, 2010 for approximately €1.5 million plus interest for additional fees for data delivered between 2005 and 2008. In August 2011, the court rejected Deutsche Telekom's claim in full and Deutsche Telekom appealed the decision to the Higher Regional Court of Cologne, which referred the appeal to the Higher Regional Court in Düsseldorf in July 2012. Following a hearing in April 2013, the Higher Regional Court denied Deutsche Telekom's appeal, and Deutsche Telekom did not challenge this decision. In August 2013, Deutsche Telekom filed a claim against Qype in the Regional Court of Cologne seeking approximately €441,900 in additional data service fees, plus interest, for data delivered in 2009, which it subsequently withdrew in November 2013.

In addition, we are subject to legal proceedings arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently do not believe that the final outcome of any of these matters will have a material adverse effect on our business, financial position, results of operations or cash flows.

Indemnification Agreements— In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees.

While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on the Company's financial position, results of operations or cash flows.

11. STOCKHOLDERS' EQUITY (DEFICIT)

Initial Public Offering

In March 2012, the Company completed its IPO whereby 8,172,500 shares of Class A common stock were sold by the Company (inclusive of 1,072,500 shares of Class A common stock from the full exercise of the overallotment option of shares granted to the underwriters) and 50,000 shares of Class A common stock were sold by a selling stockholder, The Yelp Foundation. The public offering price of the shares sold in the offering was $15.00 per share. The Company did not receive any proceeds from the sales of shares by the selling stockholder. The total gross proceeds from the offering to the Company were $122.6 million. After deducting underwriters' discounts and commissions and offering expenses, the aggregate net proceeds received by the Company totaled approximately $111.4 million. Immediately prior to the closing of the IPO, all shares of the Company's outstanding redeemable convertible preferred stock automatically converted into 35,816,772 shares of Class B common stock. As a result, following the IPO, the Company has two classes of authorized common stock outstanding: Class A common stock (one vote per share) and Class B common stock (ten votes per share).

In November 2011, the board of directors of the Company approved the establishment of The Yelp Foundation (the "Foundation"), a non-profit organization designed to support consumers and businesses in the communities in which the Company operates. The Foundation's officers include several of the Company's current officers. The Company's board of directors approved a contribution and issuance of 520,000 shares of the Company's common stock to the Foundation, of which the Foundation has sold 75,000 shares, including 50,000 shares in the IPO. The Company recorded an expense in the amount of $5.9 million for the contribution based on the fair value of the common stock on the date the shares were issued to the Foundation. The Company recorded the expense as a charitable contribution expense as it constituted an unconditional transfer of assets to an entity in a voluntary nonreciprocal transfer.

The Company has not consolidated the Foundation as (1) the Company does not have a financial interest in the Foundation, (2) the Company does not have voting rights and (3) the Foundation meets the definition of a non-profit organization under ASC 810-20, Consolidation – Control of Partnerships and Similar Entities as it is organized exclusively for charitable, scientific, literary and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and is governed by Section 5211(b) of the California Nonprofit Public Benefit Corporation Law.

Follow-on Offering

In October 2013, the Company closed its follow-on offering of 4,312,500 shares of its Class A common stock (inclusive of 562,500 shares of Class A common stock from the full exercise of the overallotment option of shares granted to the underwriters). The public offering price of the shares sold in the offering was $67.00 per share. The total gross proceeds from the offering to the Company were $288.9 million. After deducting underwriting discounts and commissions and offering expenses payable by the Company, the aggregate net proceeds received by the Company totaled approximately $276.5 million.

The following table presents the shares authorized and issued and outstanding as of the periods presented:

	December 31, 2013		December 31, 2012	
	Shares Authorized	Shares Issued and Outstanding	Shares Authorized	Shares Issued and Outstanding
Stockholders' equity:				
Class A common stock, $0.000001 par value	200,000,000	59,163,134	200,000,000	23,380,283
Class B common stock, $0.000001 par value	100,000,000	11,711,359	100,000,000	40,124,986
Common stock, $0.000001 par value	200,000,000	—	200,000,000	—
Undesignated Preferred Stock	10,000,000	—	10,000,000	—

Common Stock Reserved for Future Issuance

As of December 31, 2013, the Company had reserved shares of common stock for future issuances in connection with the following:

Options outstanding:	11,101,166
Restricted stock units outstanding	443,603
Available for future awards under the 2012 Equity Incentive Plan, as amended	2,526,300
Available for future issuance under the Employee Stock Purchase Plan	2,238,205
Total reserved for future issuance	16,309,274

Equity Incentive Plans

The Company has outstanding awards under three equity incentive plans: the Amended and Restated 2005 Equity Incentive Plan (the “2005 Plan”), the 2011 Equity Incentive Plan (the “2011 Plan”) and the 2012 Equity Incentive Plan, as amended (the “2012 Plan”). In July 2011, the Company terminated the 2005 Plan and provided that no further stock awards were to be granted under the 2005 Plan. All outstanding stock awards under the 2005 Plan will continue to be governed by their existing terms. Upon the effectiveness of the underwriting agreement in connection with the IPO, all shares that were reserved under the 2011 Plan but not issued were assumed by the 2012 Plan. No further awards will be granted pursuant to the 2011 Plan. All outstanding stock awards under the 2011 Plan will continue to be governed by their existing terms. Under the 2012 Plan, the Company has the ability to issue incentive stock options (“ISOs”), non-statutory stock options (“NSOs”), stock appreciation rights, restricted stock awards (“RSAs”), restricted stock units (“RSUs”), performance units and/or performance shares. Additionally, the 2012 Plan provides for the grant of performance cash awards to employees, directors and consultants.

Stock Options

Stock options granted under the 2012 Plan will be granted at a price per share not less than the fair value at date of grant. Options granted to date generally vest either over a four-year period with 25% vesting at the end of one year and the remaining vesting monthly thereafter or over a four-year period with 10% vesting over the first year, 20% vesting over the second year, 30% vesting over the third year and 40% vesting over the fourth year. Options granted generally are exercisable for up to 10 years.

A summary of stock option activity for the year ended December 31, 2013 is as follows:

	Options Outstanding		Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
	Number of Shares	Weighted-Average Exercise Price		
Options outstanding—December 31, 2012	10,113,176	$ 10.00	7.89	$ 96,992
Granted	4,420,302	29.72		
Exercised	(2,648,121)	5.12		
Canceled	(784,191)	21.03		
Options outstanding—December 31, 2013	11,101,166	$ 18.24	8.17	$ 562,855
Options vested and expected to vest as of December 31, 2013	10,456,258	$ 17.71	8.12	$ 535,767
Options vested and exercisable as of December 31, 2013	3,866,336	$ 9.34	7.19	$ 230,476

Aggregate intrinsic value represents the difference between the Company’s estimated fair value of its common stock and the exercise price of outstanding, in-the-money options. The total intrinsic value of options exercised was approximately $90.7 million, $31.3 million and $10.3 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The weighted-average grant date fair value of options granted was $16.75, $0.72 and $4.48 for the years ended December 31, 2013, 2012 and 2011, respectively.

As of December 31, 2013, total unrecognized compensation costs, adjusted for estimated forfeitures, related to unvested stock options was approximately $80.1 million, which is expected to be recognized over a weighted-average time period of 2.76 years.

The following table summarizes information about outstanding and vested stock options as of December 31, 2013:

	Options Outstanding			Options Vested and Exercisable	
Exercise Price Range	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$0.20 – $6.92	411,429	5.69	$ 4.04	366,445	$ 3.71
$7.16	3,727,293	7.01	7.16	2,556,633	7.16
$8.16 – $18.85	1,591,816	8.12	13.61	470,094	11.68
$18.91 – $21.13	379,447	9.16	20.27	57,166	19.96
$21.18	1,840,000	9.10	21.18	204,164	21.18
$21.24 – $26.03	1,518,232	8.98	24.66	142,583	24.32
$26.89 – $41.80	1,132,389	9.34	32.52	68,633	28.87
$51.98 – $66.80	391,285	9.70	61.69	618	66.18
$67.75	92,175	9.83	67.75	—	—
$68.95	17,100	10.00	68.95	—	—
Total	11,101,166	8.17	$ 18.24	3,866,336	$ 9.34

RSUs and RSAs

The Company began granting RSAs to its employees in July 2011. In March 2012, the Company began granting RSUs. The cost of RSAs and RSUs are determined using the fair value of the Company's common stock on the date of grant. RSAs and RSUs generally vest over a four-year period with 25% vesting at the end of one year and the remaining vesting quarterly or annually thereafter.

A summary of restricted stock units and restricted stock awards activity for the year ended December 31, 2013 is as follows:

	Restricted Stock Units		Restricted Stock Awards	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested—December 31, 2012	283,630	$ 23.30	115,971	$ 9.39
Granted	330,732	53.33	—	—
Released	(103,637)	24.42	(42,501)	9.36
Canceled	(67,122)	23.44	—	—
Unvested—December 31, 2013	443,603	$ 44.66	73,470	$ 9.41

As of December 31, 2013, the Company had approximately $17.1 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to RSUs and RSAs, which will be recognized over the remaining weighted-average vesting period of approximately 3.34 years.

Employee Stock Purchase Plan

Concurrent with the effectiveness of the underwriting agreement in connection with the IPO on March 1, 2012, the Company's 2012 Employee Stock Purchase Plan (the "ESPP") became effective. The ESPP allows eligible employees to purchase shares of the Company's Class A common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations during designated offering periods. At the end of each offering period, employees are able to purchase shares at 85% of the lower of the fair market value of the Company's Class A common stock on the first trading day of the offering period or on the last day of the offering period. The Company initiated an offering under the ESPP on June 3, 2013, with a twenty-four month duration, with purchase periods every six months, with the first purchase period of November 29, 2013. There were 81,900 shares purchased by employees under the ESPP at weighted-average purchase price of $23.93 per share. A new offering was initiated starting December 2, 2013, with a twenty-four month duration and with purchase periods occurring every six months, with the first purchase period in May 2014. The Company recognized $1.2 million of stock-based compensation related to the ESPP during the fiscal year ended December 31, 2013.

Stock-Based Compensation Expense

The fair value of options granted to employees is estimated on the grant date using the Black-Scholes-Merton option valuation model. This valuation model for stock-based compensation expense requires the Company to make assumptions and judgments about the variables used in the calculation including the expected term (weighted-average period of time that the options granted are expected to be outstanding), the volatility in the fair market value of the Company's Class A common stock, a risk-free interest rate, expected dividends and the estimated forfeitures of unvested stock options. To the extent actual results differ from the estimates, the difference will be recorded as a cumulative adjustment in the period estimates are revised. No compensation cost is recorded for options that do not vest. The Company uses the simplified calculation of expected life and volatility is based on an average of the historical volatilities of the common stock of several entities with characteristics similar to those of the Company. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. Expected forfeitures are based on the Company's historical experience.

The Company uses the straight-line method for expense attribution. For the years ended December 31, 2013, 2012 and 2011, the weighted-average assumptions are as follows:

	Year Ended December 31,		
	2013	2012	2011
Dividend yield	—	—	—
Annual risk-free rate	1.25%	1.01%	2.30%
Expected volatility	60.83%	62.76%	60.71%
Expected term (years)	6.17	6.18	6.08

The following table presents the weighted-average assumptions used to estimate the fair value of the ESPP for the fiscal year ended December 31, 2013:

Dividend yield	—
Annual risk-free rate	0.19%
Expected volatility	56.30%
Expected term (years)	1.25

The following table summarizes the effects of stock-based compensation related to stock-based awards to employees and non-employees on the Company's consolidated statements of operations as of December 31, 2013, 2012 and 2011, is as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Stock-based compensation effects in loss before income taxes:			
Cost of revenue	$ 421	$ 122	$ 50
Sales and marketing	10,131	4,917	1,607
Product development	6,270	1,705	721
General and administrative	9,300	8,134	2,499
Restructuring and integration	555	—	—
Total stock-based compensation	$ 26,677	$ 14,878	$ 4,877

During the years ended December 31, 2013, 2012 and 2011, the Company capitalized $0.5 million, $0.3 million and $0.2 million, respectively, of stock-based compensation as website development costs.

12. NET LOSS PER SHARE

Basic and diluted net loss per common share for periods prior to the completion of the Company's IPO is presented in conformity with the two-class method required for participating securities. Holders of Series A, Series B, Series C, Series D and Series E redeemable convertible preferred stock were each entitled to receive noncumulative dividends at the annual rate of $0.0015, $0.006696, $0.018582, $0.061935 and $0.12882 per share per annum, respectively, payable prior and in preference to any dividends on any shares of the Company's common stock. In the event a dividend is paid on common stock, the holders of Series A, Series B, Series C, Series D and Series E redeemable convertible preferred stock were entitled to a proportionate share of any such dividend as if they were holders of common stock (on an as-if converted basis). The holders of the Company's Series A, Series B, Series C, Series D and Series E redeemable convertible preferred stock did not have a contractual obligation to share in the losses of the Company. The Company considered its preferred stock to be participating securities and, in accordance with the two-class method, earnings allocated to preferred stock and the related number of outstanding shares of preferred stock have been excluded from the computation of basic and diluted net loss per common share.

Under the two-class method, net income (loss) attributable to common stockholders is determined by allocating undistributed earnings, calculated as net income less current period Series A, Series B, Series C, Series D and Series E redeemable convertible preferred stock non-cumulative dividends, between common stock and Series A and Series B convertible preferred stock and Series C and D redeemable convertible preferred stock. In computing diluted net income (loss) attributable to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. Basic net income (loss) per common share is computed by dividing the net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Shares of common stock subject to repurchase resulting from the early exercise of employee stock options are considered participating securities and are therefore included in the basic weighted-average common shares outstanding. Diluted net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted-average number of common shares outstanding, including potential dilutive common shares assuming the dilutive effect of outstanding stock options using the treasury stock method.

Basic and diluted net income (loss) per share attributable to common stockholders for periods following the completion of the Company's IPO is presented in conformity with the "two-class method" required for participating securities. Immediately prior to the consummation of the IPO in March 2012, all outstanding shares of preferred stock and common stock were converted to Class B common stock. As a result, Class A and Class B common stock are the only outstanding equity in the Company. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each class of Class B common stock is entitled to 10 votes per share. Shares of Class B common stock may be converted into Class A common stock at any time at the option of the stockholder, and are automatically converted upon sale or transfer to Class A common stock, subject to certain limited exceptions, among other ways.

The following table presents the calculation of basic and diluted net loss per share (in thousands, except per share data):

	Year Ended December 31,				
	2013		**2012**		**2011**
	Class A	Class B	Class A	Class B	
Net loss	$ (6,291)	$ (3,777)	$ (3,464)	$ (15,649)	$ (16,668)
Add: accretion of redeemable convertible preferred stock	—	—	(6)	(26)	(189)
Net loss attributable to common stockholders	$ (6,291)	$ (3,777)	$ (3,470)	$ (15,675)	$ (16,857)
Basic shares:					
Weighted-average common shares outstanding	41,033	24,632	9,815	44,333	15,291
Diluted shares:					
Weighted-average shares used to compute diluted net loss per share	41,033	24,632	9,815	44,333	15,291
Net loss per share attributable to common stockholders:					
Basic	$ (0.15)	$ (0.15)	$ (0.35)	$ (0.35)	$ (1.10)
Diluted	$ (0.15)	$ (0.15)	$ (0.35)	$ (0.35)	$ (1.10)

The following employee stock awards were excluded from the calculation of diluted net loss per share attributable to common stockholders because their effect would have been anti-dilutive for the periods presented (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Employee stock options	11,101	10,113	9,303
Restricted stock units	444	284	—
Restricted stock awards	73	116	169
Employee stock purchase plan	20	—	—

13. INCOME TAXES

The Company accounts for income taxes in accordance with authoritative guidance, which requires the use of the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based upon the difference between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities and are measured using the enacted tax rate expected to apply to taxable income in the years in which the differences are expected to be reversed.

The following table presents domestic and foreign components of income (loss) before income taxes for the periods presented (in thousands):

	2013	2012	2011
United States	$ (6,184)	$ (12,624)	$ (14,684)
Foreign	(3,046)	(6,367)	(1,882)
Total	$ (9,230)	$ (18,991)	$ (16,566)

The income tax provision is composed of the following (in thousands):

	2013	2012	2011
Current:			
Federal	$ —	$ —	$ —
State	145	3	20
Foreign	1,189	136	95
	1,334	139	115
Deferred:			
Federal	$ —	$ —	$ —
State	—	—	—
Foreign	(496)	(17)	(13)
	(496)	(17)	(13)
Total provision for income taxes	$ 838	$ 122	$ 102

The following table presents a reconciliation of the statutory federal rate and the Company's effective tax rate for the periods presented:

	2013	2012	2011
Tax benefit at federal statutory rate	(34.00%)	(34.00%)	(34.00%)
State—net of federal effect	(4.71)	(5.84)	(5.92)
Foreign rate differential	33.11	(38.74)	2.99
Stock-based compensation	1.21	7.96	7.26
Acquisition costs	0.51	2.39	0.00
Meals & Entertainment	3.74	3.05	1.07
Tax credits	(39.77)	(5.22)	0.00
Change in valuation allowance	45.02	70.13	27.71
Other	3.95	0.91	1.50
Effective tax rate	9.06%	0.64%	0.61%

The increase in income tax expense in 2013 as compared to 2012 is primarily due to an increase in foreign earnings. The effective tax rate in 2013 reflects a $3.7 million tax benefit attributable to California Enterprise Zone credits related to 2007 through 2013. Management applied a full valuation allowance against the net deferred tax assets associated with the California Enterprise Zone credits.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company's deferred tax assets and liabilities for the periods presented (in thousands):

	2013	2012
Deferred tax assets:		
Reserves and others	$ 4,285	$ 3,673
Accrued legal	12	332
Stock-based compensation	10,416	4,295
Contribution carryforward	2,070	2,223
Net operating loss carryforward	17,335	17,810
Tax credit carryforward	4,671	1,002
Gross deferred tax assets	38,789	29,335
Valuation allowance	(31,166)	(25,714)
Total deferred tax assets	7,623	3,621
Deferred tax liabilities:		
Depreciation and amortization	(7,095)	(3,593)
Total deferred tax liabilities	(7,095)	(3,593)
Net deferred tax assets	$ 528	$ 28

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

As of December 31, 2013 and 2012, based on the available objective evidence, management believes it is more likely than not that the net deferred tax assets, except for those recorded in the UK and Australia entities, will not be realized. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets related to the UK and Australia will be realized. Accordingly, management has applied a full valuation allowance against its net deferred tax assets except for those recorded in the UK and Australia entities at December 31, 2013 and 2012. The net change in the total valuation allowance for the year ended December 31, 2013, 2012, and 2011 was an increase of approximately $5.5 million, $13.3 million and $4.5 million, respectively.

At December 31, 2013, the Company has federal and state net operating loss carryforwards of approximately $113.3 million and $79.8 million respectively, expiring beginning in 2024 and 2014, respectively. Further, the Company has trading losses in Ireland of $15.9 million. The Ireland trading losses may be carried forward indefinitely against Ireland profits. The Company has losses of $11.8 million, $12.9 million, and $1.8 million in Germany, the United Kingdom and France, respectively, which may be carried forward indefinitely against profits in the respective jurisdictions as a result of the acquisition of Qype. At December 31, 2013, the Company has federal research credit carryforwards of approximately $2.0 million that expire beginning in 2024 and California research credit carryforwards of approximately $2.0 million which do not expire. At December 31, 2013, the Company also has $3.7 million of California Enterprise Zone credit, expiring beginning in 2023.

Utilization of the net operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization. The Company completed a Section 382 and 383 analysis through 2012 and determined that an ownership change, as defined under Section 382 and 383 of the Internal Revenue Code, occurred in prior years. The Company does not expect the limitation to result in a reduction in total amount utilizable. Further, Qype's loss carryforwards may be subject to limitations under the applicable laws of the taxing jurisdictions due to ownership change limitations.

As a result of certain realization requirements of the accounting guidance for stock-based compensation, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets at December 31, 2013 and 2012 that arose directly from (or the use of which was postponed by) tax deductions related to equity compensation in excess of compensation recognized for financial reporting. Approximately $93.2 million of federal net operating losses and $66.6 million of state net operating losses are related to tax stock option deductions in excess of book deductions. The Company uses the accounting guidance for income taxes for purposes of determining when excess tax benefits have been realized.

It is the intention of the Company to reinvest the earnings from Canada, France, Germany, United Kingdom, and Yelp Ireland Holding Company Limited. The Company does not provide for U.S. income taxes on the earnings of foreign subsidiaries as such earnings are to be reinvested indefinitely. As of December 31, 2013, $4.3 million of cumulative amount of earnings upon which U.S. income taxes have not been provided.

As of December 31, 2013 and 2012, the Company has $1.8 million and $0.6 million, respectively, of unrecognized tax benefits. The Company had a nominal amount of unrecognized tax benefits during the year ended December 31, 2011.

A reconciliation of the beginning and ending amount of unrecognized benefits is as follows (in thousands):

	2013	2012	2011
Balance at the beginning of the year	$ 611	$ 1	$ 1
Increase based on tax positions related to the prior year	3	495	—
Increase based on tax positions related to the current year	1,160	115	—
Balance at the end of the year	$ 1,774	$ 611	$ 1

As of December 31, 2013, $1.6 million of the Company's $1.8 million unrecognized tax benefits are subject to full valuation allowance and, if recognized, will not affect the annual effective tax rate. Included in the balance of unrecognized tax benefits as of December 31, 2013, 2012, and 2011, is an immaterial amount of tax benefits that, if recognized, would affect the effective tax rate. The Company's policy is to record interest and penalties related to unrecognized tax benefits as income tax expense. During the years ended December 31, 2013, 2012, and 2011, the Company had immaterial amounts related to the accrual of interest and penalties.

The Company does not have any tax positions for which it is reasonably possible the total amount of gross unrecognized tax benefits will increase or decrease within 12 months of the year ended December 31, 2013.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. Due to the Company's net losses, substantially all of its federal, state and foreign income tax returns since inception are still subject to audit.

During January 2013, the U.S. Federal Research and Development Tax Credit was reinstated retroactively to 2012. The U.S. Federal Research and Development Tax Credit benefit was recorded in the first quarter of 2013, the period of enactment.

On September 13, 2013, the U.S. Treasury Department released final income tax regulations on the deduction and capitalization of expenditures related to tangible property. These final regulations apply to tax years beginning on or after January 1, 2014. Several of the provisions within the regulations will require a tax accounting method change to be filed with the IRS, resulting in a cumulative effect adjustment; however, we do not anticipate the impact of these changes to be material to our consolidated financial position, consolidated results of operations, or both.

14. RELATED-PARTY TRANSACTIONS

The Company does not have any significant related party transactions, other than contributions made to The Foundation (see Note 11).

15. INFORMATION ABOUT REVENUE AND GEOGRAPHIC AREAS

The Company considers operating segments to be components of the Company in which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a consolidated basis, accompanied by information about revenue by product line and geographic region for purposes of allocating resources and evaluating financial performance. The Company has one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single operating and reporting segment.

Revenue by geography is based on the billing address of the customer. The following tables present the Company's revenue by product line, as well as revenue and long-lived assets by geographic region for the periods presented (in thousands):

Net revenue

	Year Ended December 31,		
	2013	2012	2011
Net revenue by product:			
Local advertising	$ 192,983	$ 109,159	$ 58,473
Brand advertising	27,960	20,579	17,686
Other services	12,045	7,829	7,126
Total	$ 232,988	$ 137,567	$ 83,285

For the fiscal years ended December 31, 2013 and 2012, revenue generated internationally was 4.6% and 2.2%, respectively. During the year ended December 31, 2011, all of the Company's revenue was generated in the United States. No individual customer accounted for 10% or more of consolidated net revenue in any of such periods.

Long-Lived Assets

	December 31,		
	2013	2012	2011
United States	$ 29,186	$ 14,275	$ 11,675
All Other Countries	1,786	702	54
Total long-lived assets	$ 30,972	$ 14,977	$ 11,729

16. CORRECTION OF ERROR

Subsequent to the issuance of the Company's 2012 consolidated financial statements, the Company identified immaterial corrections in the classification of certain balances within prepaid expenses and other current assets and also within accrued liabilities. Specifically, prepaid rent was recorded in prepaid expenses and other current assets when the underlying terms would indicate that the prepaid rent should be recorded in other assets. In addition, the Company previously recorded deferred rent as an accrued liability when the underlying terms would indicate that a portion of the deferred rent should have been recorded as long-term liabilities. The correction of the above items have no impact on revenue, net loss or the Company's cash flows. The following table presents the correction of these items from originally reported amounts for the year ended December 31, 2012:

	As Originally Reported	As Corrected
	(in thousands)	
Prepaid expenses and other current assets	$ 4,912	$ 4,470
Total current assets	111,774	111,332
Other assets	$ 182	$ 624
Accrued liabilities	$ 16,367	$ 14,974
Total current liabilities	21,507	20,114
Long-term liabilities	$ 527	$ 1,920

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Share Purchase Agreement, dated October 23, 2012, by and among Yelp Inc., Yelp Ireland Ltd., Qype GmbH and the shareholders of Qype GmbH.	8-K	001-35444	99.1	10/24/2012	
2.2	Agreement and Plan of Merger, dated July 18, 2013, by and among Yelp Inc., Ranger Merger Corp., Ranger Merger LLC, SeatMe, Inc. and Alexander Kvamme, as Stockholders' Agent.	8-K	001-35444	99.1	7/24/2013	
3.1	Amended and Restated Certificate of Incorporation of Yelp Inc.	8-K	001-35444	3.1	3/9/2012	
3.2	Amended and Restated Bylaws of Yelp Inc.	S-1/A	333-178030	3.4	2/3/2012	
4.1	Reference is made to Exhibits 3.1 and 3.2.					
4.2	Form of Class A Common Stock Certificate.	S-1/A	333-178030	4.1	2/3/2012	
4.3	Form of Class B Common Stock Certificate.	S-1/A	333-178030	4.2	2/3/2012	
10.1	Fourth Amended and Restated Investor Rights Agreement, by and between Yelp Inc. and the investors listed on Schedules I and II thereto, dated January 22, 2010.	S-1	333-178030	10.1	11/17/2011	
10.2*	Amended and Restated 2005 Equity Incentive Plan.	S-1	333-178030	10.2	11/17/2011	
10.3*	Form of Option Agreement and Option Grant Notice under Amended and Restated 2005 Equity Incentive Plan.	S-1	333-178030	10.3	11/17/2011	
10.4*	2011 Equity Incentive Plan.	S-1/A	333-178030	10.4	2/3/2012	
10.5*	Forms of Option Agreement and Option Grant Notice under 2011 Equity Incentive Plan.	S-1/A	333-178030	10.5	2/3/2012	
10.6*	Form of Indemnification Agreement made by and between Yelp Inc. and each of its directors and executive officers.	S-1/A	333-178030	10.6	2/3/2012	
10.7*	Amended and Restated Offer Letter, by and between Yelp Inc. and Geoff Donaker, dated February 3, 2012.	S-1/A	333-178030	10.7	2/3/2012	
10.8*	Amended and Restated Offer Letter, by and between Yelp Inc. and Rob Krolik, dated February 3, 2012.	S-1/A	333-178030	10.8	2/3/2012	
10.9*	Amended and Restated Offer Letter, by and between Yelp Inc. and Jed Nachman, dated February 3, 2012.	S-1/A	333-178030	10.9	2/3/2012	
10.10*	Amended and Restated Offer Letter, by and between Yelp Inc. and Laurence Wilson, dated February 3, 2012.	S-1/A	333-178030	10.10	2/3/2012	
10.11	Galleria Corporate Center Lease between Yelp Inc. and JEMB SCOTTSDALE LLC, dated January 20, 2010; First Amendment to Lease, dated January 4, 2011; Second Amendment to Lease, dated August 8, 2011.	S-1/A	333-178030	10.13	2/3/2012	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.12	License Agreement between Harrison 160, LLC, as Licensor, and MRL Ventures Inc., as Licensee, dated as of April 16, 2004; Addendums through November 10, 2011.	S-1/A	333-178030	10.14	2/3/2012	
10.13*	Offer Letter, by and between Yelp Inc. and Jeremy Stoppelman, dated February 3, 2012.	S-1/A	333-178030	10.15	2/3/2012	
10.14*	2012 Equity Incentive Plan, as amended.	8-K	001-35444	10.1	6/11/2013	
10.15*	Form of Option Agreement and Grant Notice and RSU Award Agreement and Grant Notice under 2012 Equity Incentive Plan.	S-1/A	333-178030	10.17	2/3/2012	
10.16*	2012 Employee Stock Purchase Plan.	S-1/A	333-178030	10.18	2/3/2012	
10.17*	Executive Severance Benefit Plan.	S-1/A	333-178030	10.19	2/3/2012	
10.18*	Secondment Agreement, dated April 25, 2012, by and between Yelp Inc. and Jed Nachman.	8-K	001-35444	99.1	4/27/2012	
10.19	Lease Agreement, by and between Yelp UK Limited and Knight Frank LLP, dated March 1, 2012.	10-Q	001-35444	10.11	5/4/2012	
10.20	Office Lease, dated May 9, 2012, by and between Yelp Inc. and Stockbridge 138 New Montgomery LLC.	8-K	001-35444	10.1	5/10/2012	
10.21*	2013 Compensation Information for Registrant’s Executive Officers.	8-K	001-35444		2/8/2013	
10.22	Master Subscription Agreement, dated May 18, 2007, by and between Yelp Inc. and salesforce.com.					X
21.1	Subsidiaries of Yelp Inc.					X
23.1	Consent of Independent Registered Public Accounting Firm.					X
24.1	Power of Attorney (included on signature page).					X
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a).					X
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a).					X
32.1†	Certifications of Chief Executive Officer and Chief Financial Officer.					X
101.INS#	XBRL Instance Document.					X
101.SCH#	XBRL Taxonomy Extension Schema Document.					X
101.CAL#	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF#	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB#	XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document.					X

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
*	Indicates management contract or compensatory plan or arrangement.					
†	The certifications attached as Exhibit 32.1 accompany this Annual Report, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Yelp Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report, irrespective of any general incorporation language contained in such filing.					
#	Pursuant to applicable securities laws and regulations, the Registrant is deemed to have complied with the reporting obligation related to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Registrant has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. These interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for the purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.					

Master Subscription Agreement

SALESFORCE.COM TERMS OF USE:

BY CLICKING THE "I ACCEPT" BUTTON DISPLAYED AS PART OF THE ORDERING PROCESS, YOU AGREE TO THE FOLLOWING TERMS AND CONDITIONS (THE "AGREEMENT") GOVERNING YOUR USE OF SALESFORCE.COM'S ONLINE SERVICE, INCLUDING OFFLINE COMPONENTS (COLLECTIVELY, THE "SERVICE"). IF YOU ARE ENTERING INTO THIS AGREEMENT ON BEHALF OF A COMPANY OR OTHER LEGAL ENTITY, YOUREPRESENT THAT YOU HAVE THE AUTHORITY TO BIND THE SUCH ENTITY TO THESE TERMS AND CONDITIONS, IN WHICH CASE THE TERMS "YOU" OR "YOUR" SHALL REFER TO SUCH ENTITY. IF YOU DO NOT HAVE SUCH AUTHORITY, OR IF YOU DO NOT AGREE WITH THESE TERMS ANDCONDITIONS, YOU MUST SELECT THE "I DECLINE" BUTTON AND MAY NOT USE THE SERVICE.

Welcome

As part of the Service, salesforce.com will provide you with use of the Service, including a browser interface and data encryption, transmission, access and storage. Your registration for, or use of, the Service shall be deemed to be your agreement to abide by this Agreement including any materials available on the salesforce.com website incorporated by reference herein, including but not limited to salesforce.com's privacy and security policies. For reference, a Definitions section is included at the end of this Agreement

The Service is offered in several editions:

- Unlimited Edition
- Enterprise Edition
- Professional Edition
- Group Edition Featuring Google AdWords
- Salesforce Personal Edition (free for one individual user)

In addition, we offer a 30-day free trial of our Professional Edition and a 7-day free trial of our Group Edition Featuring Google AdWords with no further obligation. Please see our website for feature differences between the various editions.

1. Privacy & Security; Disclosure

Salesforce.com's privacy and security policies may be viewed at http://www.salesforce.com or http://www.salesforce.com.ie/ (EMEA). Salesforce.com reserves the right to modify its privacy and security policies in its reasonable discretion from time to time. Individual users (other than Salesforce Personal Edition users), when they initially log in, will be asked whether or not they wish to receive marketing and other non-critical Service-related communications from salesforce.com from time to time. They may opt out of receiving such communications at that time or at any subsequent time by changing their preference under Personal Setup. Salesforce Personal Edition users will not have the option of opting out unless they terminate their Salesforce Personal Edition account with salesforce.com. Note that because the Service is a hosted, online application, salesforce.com occasionally may need to notify all users of the Service (whether or not they have opted out as described above) of important announcements regarding the operation of the Service. If you become a paying customer of the Service, you agree that salesforce.com can disclose the fact that you are a paying customer and the edition of the Service that you are using.

2. License Grant & Restrictions

Salesforce.com hereby grants you a non-exclusive, non-transferable, worldwide right to use the Service, solely for your own internal business purposes, subject to the terms and conditions of this Agreement. All rights not expressly granted to you are reserved by salesforce.com and its licensors.

You may not access the Service if you are a direct competitor of salesforce.com, except with salesforce.com's prior written consent. In addition, you may not access the Service for purposes of monitoring its availability, performance or functionality, or for any other benchmarking or competitive purposes.

You shall not (i) license, sublicense, sell, resell, transfer, assign, distribute or otherwise commercially exploit or make available to any third party the Service or the Content in any way; (ii) modify or make derivative works based upon the Service or the Content; (iii) create Internet "links" to the Service or "frame" or "mirror" any Content on any other server or wireless or Internet-based device; or (iv) reverse engineer or access the Service in order to (a) build a competitive product or service, (b) build a product using similar ideas, features, functions or graphics of the Service, or (c) copy any ideas, features, functions or graphics of the Service. User licenses cannot be shared or used by more than one Individual User but may be reassigned from time to time to new Users who are replacing former Users who have terminated their employment or otherwise changed job status or function and no longer use the Service.

You may use the Service only for your internal business purposes and shall not: (i) send spam or otherwise duplicative or unsolicited messages in violation of applicable laws; (ii) send or store infringing, obscene, threatening, libelous, or otherwise unlawful or tortious material, including material harmful to children or violative of third party privacy rights; (iii) send or store material containing software viruses, worms, Trojan horses or other harmful computer code, files, scripts, agents or programs; (iv) interfere with or disrupt the integrity or performance of the Service or the data contained therein; or (v) attempt to gain unauthorized access to the Service or its related systems or networks.

Certain editions of the Service offer integration capabilities via an application programming interface, or API. The number of API calls you can make per account is limited as follows (excluding calls resulting from use of salesforce.com client applications, such as Offline Edition, and salesforce.com-certified AppExchange applications):

- Enterprise Edition (and Professional Edition with API access add-on): 1,000 calls/day/User (aggregated over all Users under the account), up to an aggregate maximum of 1,000,000 calls/day/account.

3. Your Responsibilities

You are responsible for all activity occurring under your User accounts and shall abide by all applicable local, state, national and foreign laws, treaties and regulations in connection with your use of the Service, including those related to data privacy, international communications and the transmission of technical or personal data. You shall: (i) notify salesforce.com immediately of any unauthorized use of any password or account or any other known or suspected breach of security; (ii) report to salesforce.com immediately and use reasonable efforts to stop immediately any copying or distribution of Content that is known or suspected by you or your Users; and (iii) not impersonate another salesforce.com user or provide false identity information to gain access to or use the Service.

4. Account Information and Data

Salesforce.com does not own any data, information or material that you submit to the Service in the course of using the Service ("Customer Data"). You, not salesforce.com, shall have sole responsibility for the accuracy, quality, integrity, legality, reliability, appropriateness, and intellectual property ownership or right to use of all Customer Data, and salesforce.com shall not be responsible or liable for the deletion, correction, destruction, damage, loss or failure to store any Customer Data. In the event this Agreement is terminated (other than by reason of your breach), salesforce.com will make available to you a file of the Customer Data within 30 days of termination if you so request at the time of termination. Salesforce.com reserves the right to withhold, remove and/or discard Customer Data without notice for any breach, including, without limitation, your non-payment. Upon termination for cause, your right to access or use Customer Data immediately ceases, and salesforce.com shall have no obligation to maintain or forward any Customer Data.

5. Intellectual Property

Salesforce.com alone (and its licensors, where applicable) shall own all right, title and interest, including all related Intellectual Property Rights, in and to the Salesforce.com Technology, the Content and the Service and any suggestions, ideas, enhancement requests, feedback, recommendations or other information provided by you or any other party relating to the Service. This Agreement is not a sale and does not convey to you any rights of ownership in or related to the Service, the Salesforce.com Technology or the Intellectual Property Rights owned by salesforce.com. The salesforce.com name, the salesforce.com logo, and the product names associated with the Service are trademarks of salesforce.com or third parties, and no right or license is granted to use them.

6. Third Party Interactions

During use of the Service, you may enter into correspondence with, purchase goods and/or services from, or participate in promotions of advertisers or sponsors showing their goods and/or services through the Service. Any such activity, and any terms, conditions, warranties or representations associated with such activity, is solely between you and the applicable third party. Salesforce.ecom and its licensors shall have no liability, obligation or responsibility for any such correspondence, purchase or promotion between you and any such third party. Salesforce.com does not endorse any sites on the Internet that are linked through the Service. Salesforce.com provides these links to you only as a matter of convenience, and in no event shall salesforce.com or its licensors be responsible for any content, products, or other materials on or available from such sites. Salesforce.com provides the Service to you pursuant to the terms and conditions of this Agreement. You recognize, however, that certain third-party providers of ancillary software, hardware or services may require your agreement to additional or different license or other terms prior to your use of or access to such software, hardware or services.

Service features that interoperate with the Google AdWords program depend on the continuing availability of the Google AdWods application programming interface ("API") and the program for use with the Services. If Google Inc. ceases to make the Google AdWords API or program available on reasonable terms for the Services, Salesforce.com may cease providing such Service features without entitling you to any refund, credit, or other compensation.

7. Changes and Payment of Fees

You shall pay all fees or charges to your account in accordance with the fees, charges, and billing terms in effect at the time a fee or charge is due and payable. The initial charges will be equal to the current number of total User licenses requested times the User license fee currently in effect. Payments must be made annually in advance unless otherwise mutually agreed upon in an Order Form or through the Online Order Center. All payment obligations are noncancelable and all amounts paid are nonrefundable. You are responsible for paying all User licenses ordered for the entire License Term, whether or not such User licenses are actively used. You must provide salesforce.com with valid credit card or approved purchase order information as a condition to signing up for the Service. An authorized License Administrator may add licenses by executing an additional written Order Form or using the Online Order Center. Added licenses will be subject to the following: (i) added licenses will be coterminous with the preexisting License Term (either Initial Term or renewal term); (ii) the license fee for the added licenses will be the then current, generally applicable license fee; and (iii) licenses added in the middle of a billing month will be charged in full for that billing month. Salesforce.com reserves the right to modify its fees and charges and to introduce new charges at any time, upon at least 30 days prior notice to you, which notice may be provided by e-mail. All pricing terms are confidential, and you agree not to disclose them to any third party.

8. Excess Data Storage Fees

The maximum disk storage space provided to you at no additional charge is (i) 5 MB per User license for Salesforce Personal Edition, (ii) 1 GB per 5-User license package for Group Edition Featuring Google AdWords, or (iii) the greater of 1 GB or an aggregate of 20 MB per User license, for Professional and Enterprise Edition. If the amount of disk storage required exceeds these limits, you will be charged the then-current storage fees. Salesforce.com will use reasonable efforts to notify you when the average storage used per license reaches approximately 90% of the maximum; however, any failure by salesforce.com to so notify you shall not affect your responsibility for such additional storage charges. Salesforce.com reserves the right to establish or modify its general practices and limits relating to storage of Customer Data.

9. Billing and Renewal

Salesforce.com charges and collects in advance for use of the Service. Salesforce.com will automatically renew and bill your credit card or issue an invoice to you each year on the subsequent anniversary or as otherwise mutually agreed upon. The renewal charge will be equal to the then-current number of total User licenses times the license fee in effect during the prior term, unless salesforce.com has given you at least 30 days prior written notice of a fee increase, which shall be effective upon renewal and thereafter. Fees for other services will be charged on an as-quoted basis. Salesforce.com's fees are exclusive of all taxes, levies, or duties imposed by taxing authorities, and you shall be responsible for payment of all such taxes, levies, or duties, excluding only United States (federal or state) taxes based solely on salesforce.com's income.

You agree to provide salesforce.com with complete and accurate billing and contact information. This information includes your legal company name, street address, e-mail address, and name and telephone number of an authorized billing contact and License Administrator. You agree to update this information within 30 days of any change to it. If the contact information you have provided is false or fraudulent, salesforce.com reserves the right to terminate y access to the Service in addition to any other legal remedies.

Unless salesforce.com in its discretion determines otherwise: (i) entities with headquarters and a majority of users resident in the United States will be billed in U.S. dollars and subject to U.S. payment terms and pricing schemes ("U.S. Customers"); (ii) entities with headquarters and a majority of users resident in Japan will be billed in Japanese yen and subject to Japanese payment terms and pricing schemes ("Japanese Customers"); and (iii) all other entities will be billed in U.S. dollars, Euros or local currency and be subject to either U.S. or non-U.S. payment terms and pricing schemes at the discretion of salesforce.com ("Non-U.S./Japan Customers").

If you believe your bill is incorrect, you must contact us in writing within 60 days of the invoice date of the invoice containing the amount in question to be eligible to receive an adjustment or credit.

10. Non-Payment and Suspension

In addition to any other rights granted to salesforce.com herein, salesforce.com reserves the right to suspend or terminate this Agreement and your access to the Service if your account becomes delinquent (falls into arrears). Delinquent invoices (accounts in arrears) are subject to interest of 1.0% per month on any outstanding balance, or the maximum permitted by law, whichever is less, plus all expenses of collection. You will continue to be charged for User licenses during any period of suspension. If you or salesforce.com initiates termination of this Agreement, you will be obligated to pay the balance due on your account computed in accordance with the Charges and Payment of Fees section above. You agree that salesforce.com may charge such unpaid fees to your credit card or otherwise bill you for such unpaid fees.

Salesforce.com reserves the right to impose a reconnection fee in the event you are suspended and thereafter request access to the Service. You agree and acknowledge that salesforce.com has no obligation to retain Customer Data and that such Customer Data may be irretrievably deleted if your account is 30 days or more delinquent.

11. Termination upon Expiration/Reduction In Number of Licenses

This Agreement commences on the Effective Date. For Salesforce Personal Edition licenses, the term is indefinite and may be terminated at any time in salesforce.com's sole discretion. For all other editions, the Initial Term will be as you elect during the online subscription process or as otherwise mutually agreed upon in an Order Form. Upon the expiration of the Initial Term, this Agreement will automatically renew for successive renewal terms equal in duration to the Initial Term (or one year, if the Initial Term is greater than one year) at salesforce.com's then current fees. Either party may terminate this Agreement or reduce the number of licenses, effective only upon the expiration of the then current License Term, by notifying the other party in writing at least five (5) business days prior to the date of the invoice for the following term. In the case of free trials, notifications provided through the Service indicating the remaining number of days in the free trial shall constitute notice of termination. In the event this Agreement is terminated (other than by reason of your breach), salesforce.com will make available to you a file of the Customer Data within 30 days of termination fi you so request at the time of termination. You agree and acknowledge that salesforce.com has no obligation to retain the Customer Data, and may delete such Customer Data, more than 30 days after termination.

12. Termination for Cause

Any breach of your payment obligations or unauthorized use of the Salesforce.com Technology or Service will be deemed a material breach of this Agreement. Salesforce.com, in its sole discretion, may terminate your password, account or use of the Service if you breach or otherwise fail to comply with this Agreement. In addition, salesforce.com may terminate a free account at any time in its sole discretion. You agree and acknowledge that salesforce.com has no obligation to retain the Customer Data, and may delete such Customer Data, if you have materially breached this Agreement, including but not limited to failure to pay outstanding fees, and such breach has not been cured within 30 days of notice of such breach.

13. Representations & Warranties

Each party represents and warrants that it has the legal power and authority to enter into this Agreement. Salesforce.com represents and warrants that it will provide the Service in a manner consistent with general industry standards reasonably applicable to the provision thereof and that the Service will perform substantially in accordance with the online salesforce.com help documentation under normal use and circumstances. You represent and warrant that you have not falsely identified yourself nor provided any false information to gain access to the Service and that your billing information is correct.

14. Mutual Indemnification

You shall indemnify and hold salesforce.com, its licensors and each such party's parent organizations, subsidiaries, affiliates, officers, directors, employees, attorneys and agents harmless from and against any and all claims, costs, damages, losses, liabilities and expenses (including attorneys' fees and costs) arising out of or in connection with: (i) a claim alleging that use of the Customer Data infringes the rights of, or has caused harm to, a third party; (ii) a claim, which if true, would constitute a violation by you of your representations and warranties; or (iii) a claim arising from the breach by you or your Users of this Agreement, provided in any such case that salesforce.com (a) gives written notice of the claim promptly to you; (b) gives you sole control of the defense and settlement of the claim (provided that you may not settle or defend any claim unless you unconditionally release salesforce.com of all liability and such settlement does not affect salesforce.com's business or Service); (c) provides to you all available information and assistance; and (d) has not compromised or settled such claim.

Salesforce.com shall indemnify and hold you and your parent organizations, subsidiaries, affiliates, directors, employees, attorneys and agents harmless from and against any and all claims, costs, damages, losses, liabilities and expenses (including attorneys' fees and costs) arising out of or in connection with: (i) a claim alleging that the Service directly infringes a copyright, a U.S. patent issued as of the Effective Date, or a trademark of a third party; (ii) a claim, which if true, would constitute a violation by salesforce.com of its representations and warranties; or (iii) a claim arising from breach of this Agreement by salesforce.com; provided that you (a) promptly give notice of the claim to salesforce.com; (b) give salesforce.com sole control of the defense and settlement of the claim (provided that salesforce.com may not settle or defend any claim unless it unconditionally releases you of all liability); (c) provide to salesforce.com all available information and assistance; and (d) have not compromised or settled such claim. Salesforce.com shall have no indemnification obligation, and you shall indemnify salesforce.com pursuant to this Agreement, for claims arising from any infringement arising from the combination of the Service with any of your products, service, hardware or business process(s).

15. Disclaimer of Warranties

SALESFORCE.COM AND ITS LICENSORS MAKE NO REPRESENTATION, WARRANTY, OR GUARANTEE AS TO THE RELIABILITY, TIMELINESS, QUALITY, SUITABILITY, TRUTH, AVAILABILITY, ACCURACY OR COMPLETENESS OF THE SERVICE OR ANY CONTENT. SALESFORCE.COM AND ITS LICENSORS DO NOT REPRESENT OR WARRANT THAT (A) THE USE OF THE SERVICE WILL BE SECURE, TIMELY, UNINTERRUPTED OR ERROR-FREE OR OPERATE IN COMBINATION WITH ANY OTHER HARDWARE, SOFTWARE, SYSTEM OR DATA, (B) THE SERVICE WILL MEET YOUR REQUIREMENTS OR EXPECTATIONS, (C) ANY STORED DATA WILL BE ACCURATE OR RELIABLE, (D) THE QUALITY OF ANY PRODUCTS, SERVICES, INFORMATION, OR OTHER MATERIAL PURCHASED OR OBTAINED BY YOU THROUGH THE SERVICE WILL MEET YOUR REQUIREMENTS OR EXPECTATIONS, (E) ERRORS OR DEFECTS WILL BE CORRECTED, OR (F) THE SERVICE OR THE SERVER(S) THAT MAKE THE SERVICE AVAILABLE ARE FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS. THE SERVICE AND ALL CONTENT IS PROVIDED TO YOU STRICTLY ON AN "AS-IS" BASIS. ALL CONDITIONS, REPRESENTATIONS AND WARRANTS, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT OF THIRD PARTY RIGHTS, ARE HEREBY DISCLAIMED TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW BY SALESFORCE.COM AND ITS LICENSORS.

16. Internet Delays

SALESFORCE.COM'S SERVICES MAY BE SUBJECT TO LIMITATIONS, DELAYS, AND OTHER PROBLEMS INHERENT IN THE USE OF THE INTERNET AND ELECTRONIC COMMUNICATIONS. SALESFORCE.COM IS NOT RESPONSIBLE FOR ANY DELAYS, DELIVERY FAILURES, OR OTHER DAMAGE RESULTING FROM SUCH PROBLEMS.

---

17. Limitation of Liability

IN NO EVENT SHALL EITHER PARTY'S AGGREGATE LIABILITY EXCEED THE AMOUNTS ACTUALLY PAID BY AND/OR DUE FROM YOU IN THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO SUCH CLAIM. IN NO EVENT SHALL EITHER PARTY AND/OR ITS LICENSORS BE LIABLE TO ANYONE FOR ANY INDIRECT, PUNITIVE, SPECIAL, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES OF ANY TYPE OR KIND (INCLUDING LOSS OF DATA, REVENUE, PROFITS, USE OR OTHER ECONOMIC ADVANTAGE) ARISING OUT OF, OR IN ANY WAY CONNECTED WITH THIS SERVICE, INCLUDING BUT NOT LIMITED TO THE USE OR INABILITY TO USE THE SERVICE, OR FOR ANY CONTENT OBTAINED FROM OR THROUGH THE SERVICE, ANY INTERRUPTION, INACCURACY, ERROR OR OMISSION, REGARDLESS OF CAUSE IN THE CONTENT, EVEN IF THE PARTY FROM WHICH DAMAGES ARE BEING SOUGHT OR SUCH PARTY'S LICENSORS HAVE BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

18. Additional Rights

Certain states and/or jurisdictions do not allow the exclusion of implied warranties or limitation of liability for incidental, consequential or certain other types of damages, so the exclusions set forth above may not apply to you.

19. Local Laws and Export Control

This site provides services and uses software and technology that may be subject to United States export controls administered by the U.S. Department of Commerce, the United States Department of Treasury Office of Foreign Assets Control, and other U.S. agencies and the export control regulations of Switzerland and the European Union. The user of this site ("User") acknowledges and agrees that the site shall not be used, and none of the underlying information, software, or technology may be transferred or otherwise exported or re-exported to countries as to which the United States, Switzerland and/or the European Union maintains an embargo (collectively, "Embargoed Countries"), or to or by a national or resident thereof, or any person or entity on the U.S. Department of Treasury's List of Specially Designated Nationals or the U.S. Department of Commerce's Table of Denial Orders (collectively, "Designated Nationals"). The list of Embargoed Countries and Designated Nationals are subject to change without notice. By using the Service, you represent and warrant that you are not located in, under the control of, or a national or resident of an Embargoed Country or Designated National. You agree to comply strictly with all U.S. Swiss and European Union export laws and assume sole responsibility for obtaining licenses to export or re-export as may be required.

The site may use encryption technology that is subject to licensing requirements under the U.S. Export Administration Regulations, 15 C.F.R. Parts 730-774 and Council Regulation (EC) No. 1334/2000

Salesforce.com and its licensors make no representation that the Service is appropriate or available for use in other locations. If you use the Service from outside the United States of America, Switzerland and/or the European Union, you are solely responsible for compliance with all applicable laws, including without limitation export and import regulations of other countries. Any diversion of the Content contrary to United States, Swiss or European Union (including European Union Member States) law is prohibited. None of the Content, nor any information acquired through the use of the Service, is or will be used for nuclear activities, chemical or biological weapons, or missile projects, unless specifically authorized by the United States government or appropriate European body for such purposes.

20. Notice

Salesforce.com may give notice by means of a general notice on the Service, electronic mail to your e-mail address on record in salesforce.com's account information, or by written communication sent by first class mail or pre-paid post to your address on record in salesforce.com's account information. Such notice shall be deemed to have been given upon the expiration of 48 hours after mailing or posting (if sent by first class mail or pre-paid post) or 12 hours after sending (if sent by email). You may give notice to salesforce.com (such notice shall be deemed given when received by salesforce.com) at any time by any of the following: letter sent by confirmed facsimile to salesforce.com at the following fax numbers (whichever is appropriate): (415) 901-7040 (for U.S. Customers) or +353 1 2723501 (for Non-U.S./Japan Customers); letter delivered by nationally recognized overnight delivery service or first class postage prepaid mail to salesforce.com at the following addresses (whichever is appropriate): Salesforce.com, Inc., The Landmark @ One Market, Suite 300, San Francisco, CA 94105; or salesforce.com Sàrl, Ch. De la Dent d'Oche, CH1024 Ecublens, Switzerland. In either case, addressed to the attention of: Chief Financial Officer.

21. Modification to Terms

Salesforce.com reserves the right to modify the terms and conditions of this Agreement or its policies relating to the Service at any time, effective upon posting of an updated version of this Agreement on the Service. You are responsible for regularly reviewing this Agreement. Continued use of the Service after any such changes shall constitute your consent to such changes.

22. Assignment; Change in Control

This Agreement may not be assigned by you without the prior written approval of salesforce.com but may be assigned without your consent by salesforce.com to (i) a parent or subsidiary, (ii) an acquirer of assets, or (iii) a successor by merger. Any purported assignment in violation of this section shall be void. Any actual or proposed change in control of you that results or would result in a direct competitor of salesforce.com directly or indirectly owning or controlling 50% or more of you shall entitle salesforce.com to terminate this Agreement for cause immediately upon written notice.

23. General

With respect to Customers in North, Central or South America (including the Caribbean), this Agreement shall be governed by California law and controlling United States federal law, without regard to the choice or conflicts of law provisions of any jurisdiction, and any disputes, actions, claims or causes of action arising out of or in connection with this Agreement or the Service shall be subject to the exclusive jurisdiction of the state and federal courts located in San Francisco, California. With respect to Customers located in Europe, the Middle East or Africa, this Agreement shall be governed by the laws of Switzerland, without regard to choice or conflicts of law provisions of any jurisdiction, and any disputes, actions, claims or causes of action arising out of or in connection with this Agreement or the Service shall be subject to the exclusive jurisdiction of the courts of Switzerland. With respect to Customers located in Asia, Australia, New Zealand and the Pacific islands (but not Customers located in Japan), this Agreement shall be governed by the laws of Singapore, without regard to the choice or conflicts of law provisions of any jurisdiction, and any disputes, actions, claims or causes of action arising out of or in connection with this Agreement or the Service shall be subject to the exclusive jurisdiction of the courts of Singapore. Unless otherwise provided by salesforce.com in its discretion, Customers in Japan shall be governed by the Japanese language version of this Agreement accessible through http://www.salesforce.com/jp/. No text or information set forth on any other purchase order, preprinted form or document (other than an Order Form, if applicable) shall add to or vary the terms and conditions of this Agreement. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, then such provision(s) shall be construed, as nearly as possible, to reflect the intentions of the invalid or unenforceable provision(s), with all other provisions remaining in full force and effect. No joint venture, partnership, employment, or agency relationship exists between you and salesforce.com as a result of this agreement or use of the Service. The failure of salesforce.com to enforce any right or provision in this Agreement shall not constitute a waiver of such right or provision unless acknowledged and agreed to by salesforce.com in writing. The Agreement, together with any applicable Order Form, comprises the entire agreement between you and salesforce.com and supersedes all prior or contemporaneous negotiations, discussions or agreements, whether written or oral, between the parties regarding the subject matter contained herein.

24. Definitions

As used in this Agreement and in any Order Forms now or hereafter associated herewith: “Agreement” means these online terms of use, any Order Forms, whether written or submitted online via the Online Order Center, and any materials available on the salesforce.com website specifically incorporated by reference herein, as such materials, including the terms of this Agreement may be updated by salesforce.com from time to time in its sole discretion; “Content” means the audio and visual information, documents, software, products and services contained or made available to you in the course of using the Service; “Customer Data” means any data, information or material provided or submitted by you to the Service in the course of using the Service; “Effective Date” means the earlier of the date this Agreement is accepted by selecting the “I Accept” option presented on the screen after this Agreement is displayed or the date you begin using the Service; “Initial Term” means the contract term, beginning on the contract start date and ending on the contract end date, specified on the applicable Order Form; “Intellectual Property Rights” means unpatented inventions, patent applications, patents, design rights, copyrights, trademarks, service marks, trade names, domain name rights, mask work rights, know-how and other trade secret rights, and all other intellectual property rights, derivatives thereof, and forms of protection of a similar nature anywhere in the world; "License Administrator(s)" means those Users designated by you who are authorized to purchase licenses online using the Online Order Center or by executing written Order Forms and to create User accounts and otherwise administer your use of the Service; "License Term(s)" means the period(s) during which a specified number of Users are licensed to use the Service pursuant to the Order Form(s); "Order Form(s)" means the form evidencing the Initial subscription for the Service and any subsequent order forms submitted online or In written form, specifying, among other things, the number of licenses and other services contracted for, the applicable fees, the billing period, and other charges as agreed to between the parties, each such Order Form to be Incorporated Into and to become a part of this Agreement (in the event of any conflict between the terms of this Agreement and the terms of any such Order Form, the terms of this Agreement shall prevail); "Online Order Center" means salesforce.com's online application that allows the License Administrator designated by you to, among other things, add additional Users to the Service; "salesforce.com" means collectively salesforce.com, Inc., a Delaware corporation, having its principal place of business at The Landmark @ One Market, Suite 300, San Francisco, California 94105 and salesforce.com Sàrl, a limited liability company, having its registered office at Ch. De la Dent d’Oche, CH1024 Ecublens, Switzerland; "Salesforce.com Technology” means all of salesforce.com's proprietary technology (including software, hardware, products, processes, algorithms, user interfaces, know-how, techniques, designs and other tangible or intangible technical material or Information) made available to you by salesforce.com in providing the Service; "Service(s)" means the specific edition of salesforce.com's online customer relationship management, billing, data analysis, or other corporate ERP services identified during the ordering process, developed, operated, and maintained by salesforce.com, accessible via http://www.salesforce.com or another designated web site or IP address, or ancillary online or offline products and services provided to you by salesforce.com, to which you are being granted access under this Agreement, including the Saleforce.com Technology and the Content; "User(s)" means your employees, representatives, consultants, contractors or agents who are authorized to use the Service and have been supplied user identifications and passwords by you (or by salesforce.com at your request).

Questions or Additional Information:

If you have questions regarding this Agreement or wish to obtain additional information, please send an e-mail to info@salesforce.com or info@emea.salesforce.com (EMEA).

Exhibit 21.1

SUBSIDIARIES

Qype GmbH (Germany)

Qype Ltd. (England and Wales)

Qype SARL (France)

Qype Spain S.L. (Spain)

SeatMe, LLC (Delaware)

Yelp Australia Pty Ltd (Australia)

Yelp Canada Inc. (Canada)

Yelp Deutschland GmbH (Germany)

Yelp España S.L. (Spain)

Yelp France SAS (France)

Yelp Ireland Holding Company Limited (Ireland)

Yelp Ireland Limited (Ireland)

Yelp Italia S.r.l. (Italy)

Yelp Singapore PTE Ltd. (Singapore)

Yelp UK Ltd (England and Wales)

Yelp Japan, G.K. (Japan)

Yelp Brazil Serviços de Marketing Ltda. (Brazil)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-191967 on Form S-3 and Registration Statement Nos. 333-180221, 333-187545 and 333-192016 on Form S-8 of our report dated February 28, 2014, relating to the consolidated financial statements of Yelp Inc. and subsidiaries, and the effectiveness of Yelp Inc.'s internal control over financial reporting, appearing in the this Annual Report on Form 10-K of Yelp Inc. for the year ended December 31, 2013.

/S/ DELOITTE & TOUCHE LLP

San Jose, California
February 28, 2014

Exhibit 31.1

CERTIFICATIONS

I, Jeremy Stoppelman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Yelp Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ Jeremy Stoppelman

Jeremy Stoppelman
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Rob Krolik, certify that:

1. I have reviewed this Annual Report on Form 10-K of Yelp Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ Rob Krolik

Rob Krolik

Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Jeremy Stoppelman, Chief Executive Officer of Yelp Inc. (the "Company"), and Rob Krolik, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2013, to which this Certification is attached as Exhibit 32.1 (the "Annual Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 28th day of February, 2014.

/s/ Jeremy Stoppelman	/s/ Rob Krolik
Jeremy Stoppelman	Rob Krolik
Chief Executive Officer	*Chief Financial Officer*

This certification accompanies the Annual Report on Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Yelp Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.