

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

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

For the Fiscal Year Ended: December 31, 2015

OR

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

Commission File Number: 001-35367

**JIVE SOFTWARE, INC.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

42-1515522  
(I.R.S. Employer  
Identification No.)

325 Lytton Avenue, Suite 200, Palo Alto, California  
(Address of principal executive offices)

94301  
(Zip Code)

Registrant's telephone number, including area code: 650-319-1920

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	The NASDAQ Global Select Market

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of June 30, 2015, the aggregate market value of shares of common stock held by non-affiliates of the registrant was \$255.8 million computed by reference to the last sales price as reported by the NASDAQ Global Select Market, as of the last business day of the Registrant's most recently completed second fiscal quarter (June 30, 2015). Shares of common stock held by each executive officer, director, and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the Registrant's Common Stock as of February 22, 2016 was 76,528,316 shares.

**Documents Incorporated by Reference**

Portions of the registrant's definitive Proxy Statement for the 2016 Annual Stockholders' Meeting are incorporated by reference into Part III of the Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2015.

**JIVE SOFTWARE, INC.  
2015 FORM 10-K ANNUAL REPORT  
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## PART I

### ITEM 1. BUSINESS

#### Forward-Looking Statements

This Annual Report on Form 10-K, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements may be identified by the use of forward-looking words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect” or the negative or plural of these words or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- the effects of increased competition in our market;
- our ability to successfully enter new markets and manage our international expansion;
- our ability to timely and effectively scale and adapt our existing technology and network infrastructure;
- our ability to timely and effectively acquire or develop new products that meet the needs and expectations of our market;
- our ability to increase adoption of our platform by our customers’ internal and external users;
- our ability to grow our external community business;
- our ability to protect our users’ information and adequately address security and privacy concerns;
- our ability to maintain an adequate rate of growth;
- our future expenses;
- our ability to effectively manage our growth;
- our ability to maintain, protect and enhance our brand and intellectual property;
- the attraction and retention of qualified employees and key personnel; and
- other risk factors included under “Risk Factors” in this Annual Report on Form 10-K.

These forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Please refer to Item 1A. Risk Factors in this Annual Report on Form 10-K for a discussion of reasons why our actual results may differ materially from our forward-looking statements. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations change.

#### Overview

We incorporated in Delaware in February 2001, and our mission is to empower people and organizations to connect, communicate and collaborate in order to improve the way work gets done. We believe that our products drive top line revenue growth and cost savings by unleashing creativity, driving innovation and improving productivity through increased involvement and collaboration within the enterprise, and through engagement with customers and partners. We believe that, just as consumer applications have changed the way we live, business applications must evolve with technology to support the more modern ways we live and work today.

We provide products that we believe improve business results by enabling a more productive and effective workforce through enhanced communications and collaboration both inside and outside the enterprise. Organizations deploy our products to improve the level of engagement, the quality of interaction and the overall relationship they have with their employees, customers and partners. Our products are primarily offered on a subscription basis, deployable in a private or public cloud and can be used for internal or external communities. We generate revenues from product subscription license fees as well as from professional service fees for strategic consulting, configuration, implementation and training.

Our software has been recognized as a leading platform by industry analysts. Gartner has again recognized us for the seventh consecutive year as a market leader in their report, the “*Magic Quadrant for Social Software in the Workplace*,” released in the third quarter of 2015.

Our traditional enterprise software product offerings, based on the Jive platform (the “Jive Platform”), are provided to customers as cloud-based or on-premise solutions.

We sell our products primarily through a direct sales force, both domestically and internationally. As of December 31, 2015, we had 993 customers.

## 2015 Highlights and Recent Developments

In 2015, we launched three workstyle-focused applications built around employees' mobile work habits:

- **Jive Daily.** A modern, mobile employee communications and strategic alignment solution.
- **Jive Chime.** A frictionless, real-time messaging solution for co-workers available on mobile devices and desktops.
- **Jive Circle.** An enhanced, dynamic company directory to identify and connect with colleagues on the go.

The Jive workstyle mobile applications are built on a unified architecture and are capable of use by users either independently or together as a suite of products.

Another key milestone in 2015 was the introduction of our “interactive intranet,” which supports the modern digital workforce with responsive and flexible solutions. Interactive intranet brings together our Jive Internal (Jive-n) platform with our purpose built workstyle applications through a single, cloud-based solution. This comprehensive solution accelerates time-to-deployment with out-of-the-box templates for HR, sales and corporate communications functions, and delivers enhanced Google and Microsoft product integrations.

In February 2016, we introduced our Jive WorkHub offerings representing packaged solutions focused on distinct verticals and lines of business. Our initial focus for the Jive WorkHub is the healthcare vertical and employee engagement and customer engagement. These out-of-the-box packages provide an easy way for customers to quickly adopt solutions built to meet their specific needs.

## Jive Platform Offerings

As we have described above, we deliver products that allow companies to connect, communicate and collaborate more effectively with employees, customers and partners. Our products provide the innovation, creativity and ease of use found in consumer applications combined with the security, flexibility and scalability necessary for enterprise deployment. The Jive Platform product offerings are delivered in two key configurations, Jive-n for employee networks and Jive External (Jive-x) as a platform for public communities. These products can be expanded by adding optional modules, as well as connectors into existing enterprise systems and applications. Our Jive Platform products can also be extended to integrate cloud and customer-built applications through published application programming interfaces (“APIs”).

## Business Benefits

- *Improve corporate communication and strategic alignment.* Our products help our customers to improve and accelerate company communication and alignment. They increase the flow of ideas, recommend the most relevant content and deliver a comprehensive set of analytics that measure business impact.
- *Improve employee productivity.* Our centralized collaboration products and proprietary recommendation engine leverages relationships, expertise and areas of interest to efficiently connect employees with one another, simplify the process of finding people and information and substantially reduce duplicate tasks. Employees can also collaborate more effectively through sharing and commenting using our platform and leveraging our integrations with legacy business applications.
- *Enhance revenue opportunities.* Our products help our customers to create and manage external communities, which can increase brand awareness, attract new customers, inspire new product ideas and deliver referrals to sales teams. Internal communities can also make our customers' sales representatives more efficient by quickly connecting them with relevant information and expertise within the enterprise.
- *Lower operational costs.* Our products help our customers reduce operating costs via communication efficiencies and improved knowledge management. Externally, our solution enables our customers to provide more effective and efficient support communities while significantly reducing customer support infrastructure expenses, including call centers. Internally, our solution can replace or supplement aging intranets to reduce information discovery time for end-users, reduce ramp time for new hires and increase employee efficiency.
- *Increase customer retention.* We enable enterprises to strengthen connections to their customers by establishing communities to support their end-users and enable their end-users to interact with each other. This support and interaction allows our customers to more quickly and effectively process end-user queries and feedback.

## **Core Platform Capabilities and Features**

The Jive Platform includes the following capabilities and features:

- *Comprehensive communication environment.* Our platform enables corporate news, blogging, micro-blogging, discussions, content creation and direct messaging and aggregates these familiar methods of social communications into both streams and a social inbox to allow users to find relevant information quickly and easily.
- *Content and collaboration.* Our platform includes wikis, document sharing, an easy-to-use rich text editor and full-fidelity rendering of Microsoft Office documents and PDFs with inline commenting, allowing users to collaborate in real-time. Our platform enhances collaboration by allowing users to control access to content at the individual, group or document level.
- *Engaging social features.* Our platform provides a streamlined and intuitive user interface and enables commenting, sharing Web bookmarks, “liking”, reviews and rating capabilities designed to capture the attention of a user and drive interaction and adoption.
- *Social networking capability.* Our platform enables rich social profiles, visual enterprise directories, connections and expertise identification. Users can easily find, follow and access both people and data through structured spaces, including public and private social groups and projects. This provides users with up to the minute access to relevant and critical information.
- *Reputation and recognition.* Our platform provides a variety of mechanisms for users to be recognized for their contributions to the community and to proactively build their reputations, including community status leaderboards, user achievement badges, user rewards, and trending people and content.
- *Search.* Our platform includes advanced search capabilities to locate relevant people, content and groups using information captured in the enterprise social graph, such as users’ unique skills or profile information.
- *External groups.* Our platform enables an enterprise to expand its operating ecosystem, bringing discussions and questions in external communities back into the enterprise and allows internal users to create an external group for secure, private and ad-hoc collaboration with non-employees.
- *Security.* Our platform allows customers to control access to specific content and groups. In addition, it is designed to take advantage of and integrate with existing security and authentication systems.
- *Connections to enterprise systems.* Our platform can integrate with numerous enterprise systems, such as customer relationship management, enterprise resource planning, software configuration management or product lifecycle management systems, via our APIs.
- *Readily deployable and configurable.* Our platform was developed to facilitate easy deployment with familiar interfaces. We offer our customers the ability to configure our solutions to deliver the specific functionality and user experience they want for their end-users along with the ability to modify the look and feel of our solutions to conform to their branding or other requirements.

## **Recommendations**

The Jive recommendation engine is an innovative user interface that makes it easy to track, consume, manage and filter critical business information, communications and actions. A key component is a highly tuned enterprise activity stream that enables users to rapidly access, discover and interact with conversations, content and decisions. Our noise filtering capability addresses the challenges of information overload, helping users focus on mission critical and timely information. Additionally, the recommendation engine draws on real-time intelligence derived from the enterprise social graph to predict and recommend content, people and groups to users, based upon employee roles, positions and previous communications.

## **Integration and Extension**

The Jive Platform is a communication and collaboration hub, bringing together information and conversations from many different systems. In addition to the many integrations included with the Jive Platform, Jive provides extensive capabilities for integrating our platform with other systems. Jive provides rich developer APIs and tools that enable bi-directional exchange of content, conversation, streams and data between Jive and other systems. Many third-party developers have created commercial integrations that are available in the Jive Add Ons directory. Further, the APIs and developer tools are available for in-house IT teams to integrate and extend our platform based on company-specific requirements.

## **Jive Anywhere**

Jive Anywhere enables users to import any content into the Jive Platform that can be viewed on a web browser. This feature automatically connects conversation, content and context within a user’s Jive network with any website or web application. Jive

Anywhere helps users avoid complicated point-to-point integrations between their collaborative platform and other enterprise systems and websites by making it easy to discuss and share content with one click.

### **Product Modules**

Jive offers additional functionality in modules built to integrate with the Jive Platform products.

*Enterprise Integrations.* Jive provides several pre-built integrations with common content management applications, communication systems and systems of record, including the following:

- *Microsoft Outlook.* Enables users to interact with our platform from the familiar interface of Microsoft Outlook. Users can see activity streams and social profiles, comment on documents and blog posts and create status updates and discussions, from within Microsoft Outlook. Users can also turn email threads into discussions and post email attachments directly to our platform. Users can use the search feature to include people, emails, appointments and attachments from Microsoft Outlook, as well as documents and discussions from the Jive Platform.
- *Microsoft Office.* Users can collaborate on Microsoft Office documents, including simultaneously co-authoring across different Microsoft Office versions, publishing content directly to our platform and participating in document discussions from directly within Microsoft Word, PowerPoint or Excel.
- *Jive StreamOnce.* Jive StreamOnce automatically feeds information into Jive from a wide range of sources such as email, activity streams, social media and content apps, consolidating streams in one place. Users can see and respond to these streams directly from the Jive Platform.
- *Content management systems.* Content management systems, such as Microsoft SharePoint, can be integrated into our platform so that content can be shared across our platform and these systems. Users can search our platform and content management systems simultaneously and can access our social capabilities from within these systems.
- *Enterprise IM.* Enterprise instant messaging systems, such as Microsoft Lync, can be integrated into our platform.
- *Jabber and Webex.* Through Jive's partnership with Cisco, users can obtain product integrations between Jive and Cisco's Jabber and WebEx communication products.

*Advanced Gamification.* We include game mechanics as a standard feature. Our Advanced Gamification Module expands on these core features to deliver a more personalized, highly targeted experience. Advanced Gamification makes it easier to create custom missions and competitions to kickstart user participation and drive user behavior, such as encouraging sales reps to complete training or customer service agents to answer customer questions in a timely fashion.

*External Groups.* Users can collaborate with their entire extended team, including those outside the firewall. Security and permissions controls let users specify who sees what, without exposing confidential information to people outside the company or outside the relationship.

*Ideation.* Our Ideation module involves employees, customers and partners in the process of capturing, refining and prioritizing innovative ideas. Once an idea is submitted, users can vote it up or down, and discuss ways to improve the idea. Those managing the ideation process can categorize ideas to keep participants up-to-date of progress.

*Jive Resonata.* For our Jive-x Platform, Jive Resonata analyzes the activity in a Jive-x customer community and reveals the sentiments, behaviors and motivations that drive participation and satisfaction. It identifies a community's champions and detractors, tracks trends and spots emerging problems.

*Records Retention.* Records Retention helps customers meet legal and compliance requirements in regulated industries. With Records Retention, customers can integrate the Jive product with their own retention and e-discovery systems.

*Video.* The Jive Platform includes the ability to embed videos in different content types and to create a secure video storage, management and streaming service as part of an internal or external community.

### **Professional Services and Customer Support**

Our professional services team provides a range of offerings including strategy consulting, project management, technical expertise, and education and training. Our team can lead the design, implementation and launch of the Jive Platform and seeks to ensure that our solution meets the design and implementation parameters established by our customers with clear, measurable business benefits. We also provide post-launch support and on-going assistance to encourage and facilitate adoption within the enterprise.

We offer training services to our customers and partners. We offer both traditional classroom-style, instructor-led training either in-person or over the web and online educational classes. We also provide a variety of training videos and quick start guides that are available online. Our education offerings are targeted at training partners, users, community managers and system administrators.

Our global customer support organization provides both proactive and customer-initiated support. Assistance is available by email, telephone and through our online Jive Community built on our social business platform. Customers can track the status and relevant information relating to their queries in real-time and have access to a wide range of information sharing utilities that facilitate access to both internal and external community feedback.

Our support team is staffed with experienced support specialists and engineers who have experience with the software systems with which our products integrate. We engage in regular training and certification processes as new products and technologies are introduced.

Our basic deployment includes “Silver Level” support. Our customers may contract for increased levels of support (“Gold Level” or “Platinum Level”), which provide for higher required service levels for reduced response times, as well as additional support services.

## **Technology and Operations**

Our product portfolio brings the Jive experience to a broad set of platforms and applications and is designed to bring powerful communication capabilities and valuable context to users, regardless of where or how they are working. Our platform can be accessed from mobile phones, tablets and desktop computers; as a browser, Microsoft Office or SharePoint plugin; and through a rich set of REST, JavaScript and Objective C APIs. System integrators, third-party vendors and customers leverage our APIs to extend, customize and integrate with our platform.

Our core application is written primarily in Java and is designed to run on both public and private cloud deployments. It runs on the Linux operating system and is compatible with Microsoft SQL Server, MySQL, Oracle and PostgreSQL. In our public cloud, we are developing and porting an increasing portion of our features to multi-tenant architectures. Through connectivity to our cloud, private cloud deployments can also access such functionality, which includes activity streams and mobile. The Jive Platform integrates with existing enterprise systems and can be extended with new functionality through the utilization of a broad set of APIs. These APIs facilitate the building of custom integrations to our platform.

In both our hosted and on-premise offerings, our customers can customize our platform to meet their enterprise requirements for branding and security, through customer-specific domain names, SSL encryption and other mechanisms.

We host our cloud and hosted offerings for hundreds of our customers and millions of end-users. We work with large data center vendors to provide the international foundation of our social business platform. Our enterprise-class hardware platforms provide high levels of performance, flexibility and security. We currently utilize multiple data center facilities located in North America and Europe. Each facility utilizes multiple network providers, as well as services to help ensure security, reliability, redundancy and performance. We maintain and operate additional facilities in geographically diverse locations for offsite backup storage and disaster recovery.

In 2013, we completed our migration from SunGard operating environments to co-located facilities managed by our internal architecture and operations team. In connection with this migration, we have also developed technology that enables us to automate the process of deploying and upgrading customer environments. We continue to make significant investments in our hosting infrastructure to improve efficiency, performance and security and to increase our ability to scale our hosting environment. Our architecture and security teams are based in our Palo Alto, California headquarters and in Portland, Oregon, with our network operations center and deployment teams based in Portland, Oregon and the United Kingdom.

## **Sales and Marketing**

We sell our platform primarily through our global direct sales organization. Our direct sales team is comprised of inside sales and field sales personnel who are organized by prospect company size and geographic regions, including the Americas, Europe and Asia Pacific. We also work with channel partners, including resellers, implementation partners, leading global outsourcing vendors and system integrators domestically and internationally. As of December 31, 2015, we had 226 employees in sales and marketing and we had more than 70 Jive Alliance Partners, which create referrals and resell our platform worldwide.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs. Our marketing programs target company executives both inside and outside of information technology organizations, senior business leaders and other technology professionals. Our principal marketing programs include:

- use of our website to provide product and company information, as well as learning opportunities for potential customers;
- regional field marketing events for customers and prospects;
- sales development professionals who prospect for new leads and respond to incoming leads to convert them into new sales opportunities;
- participation in, and sponsorship of, user conferences, trade shows and industry events;
- customer programs, including user meetings and our online customer community;
- online marketing activities, including direct email, online web advertising, blogs and webinars;
- public relations and social networking initiatives;
- cooperative marketing efforts with partners, including joint press announcements, joint trade show activities, channel marketing campaigns and joint seminars; and
- sponsorships and participation in marketing programs in the broader Jive ecosystem.

In addition, we host a periodic user conference, where current and potential customers participate in a variety of programs designed to help drive business results through the use of our platform. This conference features a variety of prominent keynote and customer speakers, panelists and presentations focused on businesses of all sizes, across a wide range of industries and lines of business. Attendees also gain insight into our recent product releases and enhancements and participate in interactive sessions that give them the opportunity to express opinions on new features and functionality.

### **Customers**

We generally sell our platform and related services through our global sales organization directly to businesses, government agencies and other enterprises. As of December 31, 2015, we had 993 Jive Platform customers in diverse industries, including consulting services, education, financial services, healthcare, life sciences, manufacturing, retail, telecommunications and technology. No individual customer represented more than 10% of our total revenues in 2015, 2014 or 2013.

The following table sets forth a representative list of a selection of our largest customers by industry category:

<b><u>Financial Services</u></b>	<b><u>Healthcare</u></b>	<b><u>Retail</u></b>
The Bank of New York Mellon	Aetna	Adeo Services
Credit Suisse	Humana	GAP
Fidelity	Spectrum Health	lululemon athletica
Liberty Mutual	Trinity Health Group	NBC Universal Media
Silicon Valley Bank	United Health Group	Starwood Hotels and Resorts
<b><u>Technology</u></b>	<b><u>Telecommunications</u></b>	
Adobe	Alcatel-Lucent	
Cisco	Motorola Solutions	
EMC Corporation	Sprint	
Hitachi Data Systems	T-Mobile	
McAfee	Verizon	

### **Research and Development**

We base a meaningful amount of our product development on the needs of our customers. We work closely with our user community to continually improve and enhance our platform through organic development and the acquisition of new products and features. We emphasize collaboration with customers throughout all areas of our organization in the development process. Our online Jive Community is made available to our customers to allow them to suggest, collaborate on and vote on new features and functionality. This input is utilized in many of our development plans and provides valuable customer insight that we use to establish the priorities of our engineering team. We also incorporate feedback from our employees, all of whom use our products and test alpha versions before each major release.

We also focus our research and development efforts on rapidly delivering new products and upgrades of our existing products to our customers. We leverage open source technology wherever appropriate and contribute many of the improvements we make back to the open source community. We maintain healthy code and adhere to sound engineering practices to ensure a fast pace of development. We have teams dedicated to developing and testing innovative new products and users' experiences, advancing our core architecture and improving the speed and completeness of our automated continuous integration pipeline.

As of December 31, 2015, we had 195 employees in research and development.

## **Competition**

The overall market for social business platform solutions is rapidly evolving and highly competitive, and subject to changing technology, shifting customer needs and frequent introductions of new products and services. We currently compete with large, well-established multi-solution enterprise software vendors, such as Microsoft, IBM and salesforce.com,inc., enterprise software application providers which are adding social features to their existing applications and platforms and smaller specialized software vendors. Additionally, in 2015 Facebook launched Facebook@Work providing an enterprise version of its social network service. Our primary competition for internal communities currently comes from established enterprise software companies that have greater name recognition, larger customer bases, much longer operating histories and significantly greater financial, technical, sales, marketing and other resources than we have and are able to provide comprehensive business solutions that are broader in scope than the solution we offer. Additionally, we compete with smaller companies who may be able to adapt better to changing conditions in the market. Our primary competition for our Jive-x external community solution comes from smaller, privately held software vendors.

We expect that the competitive landscape will change as the market for social business platforms consolidates and matures.

We believe the principal competitive factors in our market include the following:

- total cost of ownership;
- breadth and depth of product functionality;
- brand awareness and reputation;
- ease of deployment and use of solutions;
- level of customization, configurability, security, scalability and reliability of solutions;
- ability to innovate and respond to customer needs rapidly;
- perceived return on investment through the use of social technologies;
- size of customer base and level of user adoption; and
- ability to integrate with legacy enterprise infrastructures and third-party applications.

We believe that we compete favorably on the basis of these factors. Notwithstanding the fact that some of our competitors offer the basic versions of their products for free or as low-cost additions to other software suites, we have demonstrated that customers are willing to pay for the business value that our platform delivers. Our ability to remain competitive will depend, to a great extent, upon our ongoing performance in the areas of product development and customer support.

## **Intellectual Property**

We protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees, contractors and consultants, and confidentiality agreements with third parties. We also rely on a combination of trade secret, copyright, trademark, trade dress and domain name reservations to protect our intellectual property. We have continued to seek patent protections for our technology and processes. We pursue the registration of our domain names and trademarks and service marks in the United States and in certain locations outside the United States. As of December 31, 2015, we had 11 patent applications pending and seven patents registered.

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 our products and solutions are distributed. Also, protecting our intellectual property rights is costly and time-consuming and the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any impairment of our intellectual property rights could harm our business or our ability to compete and harm our operating results.

## **Employees**

As of December 31, 2015, we had 721 regular full-time employees, including 44 in hosting, 81 in support, 79 in professional services, 195 in research and development, 226 in sales and marketing and 96 in general and administrative roles. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages and we consider our relations with our employees to be good.

## **Segments**

We sell a single platform, have 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, we have determined that we operate in a single reporting segment, software sales and services.

## **Geographic Information**

See Note 14 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

## **Seasonality**

See Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for information regarding seasonality.

## **Backlog**

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Key Metrics" for information regarding our backlog.

## **Available Information**

We file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended ("Exchange Act"). We also make available, free of charge on our website at [www.jivesoftware.com](http://www.jivesoftware.com), 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 as soon as reasonably practicable after they are filed electronically with the SEC. You can inspect and copy our reports, proxy statements and other information filed with the SEC at the offices of the SEC's Public Reference Room located at 100 F Street, NE, Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of Public Reference Rooms. The SEC also maintains an Internet website at <http://www.sec.gov/> where you can obtain most of our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at (646) 277-1251.

## **ITEM 1A. RISK FACTORS**

*Our operations and financial results are subject to various risks and uncertainties including those described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially adversely affected. In that case, the market price of our common stock could decline.*

### **Risks Related to our Business and Industry**

*We have a history of cumulative losses and we do not expect to be profitable for the foreseeable future.*

We have incurred losses in each of the last seven years, including a net loss of \$34.9 million in 2015, \$56.2 million in 2014 and \$75.4 million in 2013. At December 31, 2015, we had an accumulated deficit of \$318.5 million. As we continue to invest in infrastructure, development of our solutions and international expansion and changes to our sales and marketing efforts, our operating expenses may continue to increase. Additionally, to accommodate future growth, we have transitioned our customer data centers from third-party service providers to co-located facilities managed by our internal hosting operations team and the costs and expenses associated with this transition may exceed the rate at which we realize any associated incremental billings or revenues. As a result, our losses in future periods may be significantly greater than the losses we would incur if we developed our business more slowly. In addition, the transition and changes to our sales and marketing efforts may not result in increases in our

revenues or billings or provide the gross margin improvements we anticipated, which may result in us undertaking cost savings initiatives or identifying opportunities to achieve greater efficiencies in how we conduct our business. Such cost savings initiatives we make may not have the intended result and could have a negative impact on our organization, billings, revenue, renewal rates and operating results.

Although we have experienced revenue growth in prior periods, you should not consider any previous revenue growth or growth rates as indicative of our future performance. We do not expect to be profitable on a GAAP basis in the foreseeable future and we cannot assure you that we will achieve profitability on a GAAP basis in the future or that, if we do become profitable, we will sustain profitability.

***Our quarterly results are likely to fluctuate due to a number of factors, and the value of our stock could decline substantially.***

Our quarterly operating results are likely to fluctuate. For example, our fourth quarter has historically been our strongest quarter for new billings and renewals. This pattern may be amplified over time if the number of customers with renewal dates occurring in the fourth quarter continues to increase. Fluctuations in our quarterly financial results may be caused by a number of factors, many of which are out of our control. These factors include, but are not limited to, the following:

- the renewal rates for our products;
- upsell rates for our solutions and services;
- changes in deferred revenue balances due to changes in the average duration of subscriptions, rate of renewals, timing of renewal billings, composition of billings for professional services, amount of multi-year prepayments, amount of non-renewable perpetual license billings and the rate of new business growth;
- changes in the composition of current period billings;
- changes in the mix of the average term length and payment terms;
- changes in the mix of our revenue derived from internal and external communities;
- order sizes in any given quarter;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- changes in our pricing policies, whether initiated by us or as a response to competitive or other factors;
- the cost and timing associated with, and management effort for, the introduction of new products and product features;
- the rate of expansion and productivity of our sales force;
- the length of the sales cycle for our products;
- changes in our go-to-market strategy;
- the success of our channel partners and strategic partners in reselling our products;
- the success of our international expansion strategy;
- new solution introductions by our competitors;
- our success in selling our platform to large enterprises;
- our success in selling into the IT department of our customers;
- general economic conditions that may adversely affect either our customers' ability or willingness to purchase additional subscriptions or a larger deployment, or hinder or delay a prospective customer's purchasing decision, or reduce the value of new subscriptions, or affect renewal rates or the timing of renewals;
- timing of additional investments in the development of our platform or deployment of our services;
- disruptions in our hosting services or our inability to meet service level agreements and any resulting refunds to customers;
- security breaches and potential financial penalties to customers and government entities;
- concerns over government-sponsored electronic surveillance activities;
- purchases of new equipment and bandwidth in connection with our data center expansion;
- regulatory compliance costs;
- potential delay in revenue recognition for product acceptance rights;
- the timing of customer payments and payment defaults by customers;
- the impact on services margins as a result of the use of third-party contractors to fulfill demand;
- the impact on services margins as a result of periods of less than full utilization of our full-time services employees;
- costs associated with acquisitions of companies and technologies;
- potential goodwill, other long-lived asset or capitalized software development cost impairment;
- the impact of capitalized research and development costs on current and future periods;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- adjustments arising from future foreign, state and local sales and income tax examinations;
- the impact of new accounting pronouncements; and

- the timing and size of stock awards to employees.

Based on the factors described above, we believe that our quarterly operating results may vary significantly in the future and that period-to-period comparisons of our operating results may not be indicative of future results.

In addition, due to our evolving business model, the rapid pace of technological change, the unpredictability of the emerging market in which we participate, and potential fluctuations in future general economic and financial market conditions, we may not be able to accurately forecast our rate of growth. We plan our expense levels and investments on estimates of future billings, revenues and anticipated rate of growth. We may not be able to adjust our spending quickly enough if the addition of new customers, the upsell rate for existing customers, or the price for which we are able to sell our platform is below our expectations. As a result, we expect that our billings, revenues, operating results and cash flows may fluctuate significantly and comparisons of our billings, revenues, operating results and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

Furthermore, we may fail to meet or exceed the expectations of securities analysts and investors, and the market price for our common stock could decline. If one or more of the securities analysts who cover us change their recommendation regarding our stock adversely, the market price for our common stock could decline. Additionally, our stock price may be based on expectations, estimates or forecasts of our future performance that may be unrealistic or may not be achieved. Further, our stock price may be affected by financial media, including press reports and blogs.

***Because we generally recognize revenues from subscriptions for our products ratably over the term of the agreement, near term changes in sales may not be reflected immediately in our operating results.***

We generally recognize revenues from customers ratably over the term of their agreements, which generally range from 12 to 36 months. As a result, most of the revenues we report in each quarter are derived from the recognition of deferred revenue relating to subscription agreements entered into during previous quarters or years. Consequently, a decline in new or renewed subscriptions in any one quarter is not likely to be reflected immediately in our revenues results for that quarter. Such declines, however, would negatively affect our revenues in future periods and the effect of significant downturns in sales and market acceptance of our solutions, and potential changes in our rate of renewals, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our total revenues through additional sales in any period, as revenues from new customers must be recognized over the applicable subscription term. In some instances, our customers choose to pre-pay the entire term of their multi-year subscriptions up front. As a result, billings can fluctuate significantly from quarter to quarter.

***Our future growth is, in large part, dependent upon the widespread adoption of collaboration software by enterprises and it is difficult to forecast the rate at which this will happen.***

Collaboration software for enterprises remains at an early stage of technological and market development and the extent to which enterprise collaboration software will become widely adopted remains uncertain. It continues to remain difficult to predict customer adoption rates, customer demand for our platform, the future growth rate and size of this market and the entry of competitive solutions. Any expansion of the enterprise collaboration software market depends on a number of factors, including the cost, performance and perceived value and benefits associated with enterprise collaboration software. If enterprise collaboration software does not achieve widespread adoption, or if there is a reduction in demand for enterprise collaboration software caused by a lack of customer acceptance, technological challenges, weakening economic conditions, competing technologies and products, decreases in corporate spending or otherwise, it could result in lower billings, reduced renewal rates and decreased revenues and our business could be adversely affected. Additionally, mergers or consolidations among our customers could reduce the number of our customers and could adversely affect our revenues and billings. In particular, if our customers are acquired by entities that are not our customers, are customers of our competitors, or that use fewer of our solutions, or that have more favorable contract terms and choose to discontinue, reduce or change the terms of their use of our platform, our business and operating results could be materially and adversely affected.

***The market for enterprise collaboration software is intensely competitive, and if we do not compete effectively, our business will be harmed.***

The market for enterprise collaboration software is highly competitive and rapidly evolving with new competitors entering the market. We expect the competitive landscape to continue to intensify in the future as a result of regularly evolving customer needs and frequent introductions of new products and services. We currently compete with large well-established multi-solution enterprise software vendors, stand-alone enterprise software application providers, and smaller software application vendors. Our primary competition for internal communities currently comes from large well-established enterprise software vendors such as Microsoft

Corporation, IBM Corporation and salesforce.com, inc., each of which is significantly larger than we are, have greater name recognition, larger customer bases, much longer operating histories, significantly greater financial, technical, sales, marketing and other resources, and is able to provide comprehensive business solutions that are broader in scope than the solutions we offer. These well-established vendors may have preexisting relationships with our existing and potential customers and to the extent our solutions are not viewed as being superior in features, function and integration or priced competitively to existing solutions, we might have difficulty displacing them. We also compete with stand-alone enterprise software applications that have begun adding social features to their existing offerings. Some of these companies have large installed bases of active customers that may prefer to implement enterprise collaboration software solutions that are provided by an existing provider of customer management software, and these companies may be able to offer discounts and other pricing incentives that make their solutions more attractive. For our external community business, we also compete with standalone privately held software providers, whose primary products are focused on providing external communities to their customers. For our team-based real time messaging business, we compete with many smaller startup software providers, whose primary products are focused on providing real time messaging products to their customers. In addition, large social and professional networking providers with greater name recognition, financial resources and other resources may add enterprise collaboration applications to their existing applications. For example, in early 2015 Facebook announced plans to launch Facebook at Work to provide an enterprise version of its social network service. In addition, our competitors have in the past, and may in the future, enter into strategic alliances with each other, resulting in increased competition. To the extent that our competitors are successful in combining these social networking capabilities with their existing products and to the extent social and professional networking providers are able to adapt their solutions to the enterprise collaboration market, we could experience increased competition, which could adversely affect our billings, renewal rates, revenues and margins.

Some of our competitors offer their solutions at a lower price or at no incremental cost, which has resulted in pricing pressures and increased competition. If we are unable to price our solutions appropriately, our operating results could be negatively impacted. In addition, lower margins, pricing pressures and increased competition generally could result in reduced sales and billings, losses or the failure of our platform to achieve or maintain more widespread market acceptance, any of which could harm our business. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. Certain current competitors have been, and current or potential competitors may be, acquired by third parties with greater available resources and as a result of such acquisitions, might be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their solutions, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their offerings more quickly than we do. If we are unable to compete effectively for a share of our market, our business, operating results and financial condition could be materially and adversely affected.

***We have made changes to the structure, scale and makeup of the sales organization and their focus which may harm our future operating results.***

We have recently made changes in sales leadership, increased our emphasis on the mid-market through the expansion of our inside sales organization, diversified our focus beyond large enterprise transactions, placed greater emphasis on selling our cloud-based solutions and developed targeted use cases to industry lines-of-business and verticals. There is no guarantee that these changes will increase our revenue and it could adversely affect billings, renewal rates and revenues and our business and operating results could be negatively impacted.

***We cannot accurately predict new subscription, subscription renewal or upsell rates and the impact these rates may have on our future revenues and operating results.***

In order for us to improve our operating results and continue to grow our business, it is important that we continually attract new customers and that existing customers renew their subscriptions with us when their existing contract term expires. Our existing customers have no contractual obligation to renew their subscriptions after the initial subscription period and we cannot accurately predict renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including, but not limited to, their satisfaction with our products and our customer support, the level of usage of our platform within their enterprise, the frequency and severity of outages, our product uptime or latency, the pricing of our, or competing, software or professional services, the effects of global economic conditions, and reductions in spending levels or changes in our customers' strategies regarding enterprise collaboration tools. If our customers renew their subscriptions, they may renew for fewer users or page views, for shorter contract lengths or on other terms that are less economically beneficial to us. For the year, our renewal rates, excluding upsell, have declined to below 90% for transactions over \$50,000, and we expect them to continue to fluctuate in future periods. If customers enter into shorter initial subscription periods, the risk of customers not renewing their subscriptions with us would increase and our billings and revenues may be adversely impacted. We cannot assure you that our customers will renew their subscriptions, and if our customers do not renew their agreements or renew on less favorable terms, our revenues may grow more slowly than expected or decline and our billings may be adversely impacted.

To the extent we are successful in increasing our customer base, we could incur increased losses because costs associated with generating customer agreements and performing services are generally incurred up front, while revenue is recognized ratably over the term of the agreement. This risk is particularly applicable for those customers who choose to deploy our products in the public cloud. If new customers sign agreements with short initial subscription periods and do not renew their subscriptions, our operating results could be negatively impacted due to the upfront expenses associated with our sales and implementation efforts. Alternatively, to the extent we are unsuccessful in increasing our customer base, we could also incur increased losses as costs associated with marketing programs and new products intended to attract new customers would not be offset by future incremental revenues and cash flow.

In order for us to improve our operating results, it is important that our customers make additional significant purchases of our functionality and offerings, including additional communities, modules, users or page views or professional services. If our customers do not purchase additional functionality or offerings, our revenues may grow more slowly than expected. Additionally, increasing incremental sales to our current customer base requires increasingly sophisticated and costly sales efforts that are targeted at senior management. We also invest various resources targeted at expanding the utilization rates of our products. There can be no assurance that our efforts would result in increased sales to existing customers, or upsells, and additional revenues. If our efforts to upsell to our customers are not successful, our business will suffer.

Additionally, our quarterly sales cycles are frequently more heavily weighted toward the end of the quarter with an increased volume of sales in the last few weeks of the quarter. If this trend becomes more exaggerated, it could negatively impact the timing of recognized revenues, cash collections and delivery of professional services in subsequent periods. Furthermore, the concentration of contract negotiations in the last few weeks of the quarter could require us to hire additional sales, legal and finance employees.

***We depend on key personnel, members of our board of directors, and our senior management team to run and oversee our business, and the loss of one or more key employees or the inability of replacements to quickly and successfully perform in their roles could harm our business and prevent us from implementing our business plan in a timely manner.***

Our success depends largely upon the continued services of our executive officers, which includes key leadership in the areas of research and development, marketing, sales, product, services and the general and administrative functions. The loss of the services of our senior management or any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel could significantly delay or prevent the achievement of our development and strategic objectives, and may adversely affect our business, financial condition and operating results. Our productivity and the quality of our products may be adversely affected if we do not integrate and train our new employees quickly and effectively.

In the last year we have announced the departure of three of our board members and the addition of two new board members. In addition, some of the members of our current management team have only been working together for a short period of time. Furthermore, from time to time, there may be additional changes in our executive management team resulting from the hiring or departure of executives. In the future, there may be additional changes to our board of directors or management team which could divert management's attention and disrupt our business.

We are also substantially dependent on the continued service of our existing development personnel because of the complexity of our platform and other solutions. Our personnel do not have employment arrangements that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. We do not maintain key person life insurance policies on any of our employees. The loss of one or more of our key employees or groups could seriously harm our business.

***Because competition for our target employees is intense, we may not be able to attract and retain the highly skilled employees we need to support our operations and growing customer base.***

Our future success will depend on our continued ability to identify, hire, develop, motivate and retain talent. In the software industry in general, and in the San Francisco Bay Area specifically, there is substantial and continuous competition for software engineers with high levels of experience in designing, developing and managing software, as well as competition for sales executives and operations personnel. We may not be successful in attracting and retaining qualified personnel. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. In addition, job candidates and existing employees often consider the value of the stock awards they receive in connection with their employment. If the value of our stock does not increase or declines, it may adversely affect our ability to retain highly skilled employees. In addition, since we expense all stock-based compensation, we may periodically change our stock compensation practices, which may include reducing the number of employees eligible for options or reducing the size of equity awards granted per employee. If the anticipated value of such stock-based incentive awards does not materialize, if our stock-based compensation otherwise ceases to be viewed as a valuable benefit, or if our total compensation package is not viewed

as being competitive, our ability to attract, retain, and motivate executives and key employees could be weakened. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

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

We sell our products primarily through our direct sales organization, which is comprised of inside sales and field sales personnel located in a variety of geographic regions, including the United States, Canada, the Asia Pacific region, South America and Europe. Sales outside of the United States represented approximately 27%, 24% and 23% of our total revenues in the fiscal years ended December 31, 2015, 2014 and 2013, respectively. As we continue to expand sales of our products to customers located outside the United States, our business will be increasingly susceptible to risks associated with international operations. However, we have a limited operating history outside the United States, and our ability to manage our business and conduct our operations internationally, particularly in new geographies, requires considerable management attention and resources and is subject to particular challenges of supporting a business in an environment of diverse cultures, languages, customs, tax laws, legal systems, alternate dispute systems and regulatory systems. The risks and challenges associated with international expansion include:

- continued localization of our platform, sales collateral and legal agreements, including translation into foreign languages and associated expenses;
- laws and business practices favoring local competitors;
- compliance with multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- compliance with anti-bribery laws, including compliance with the Foreign Corrupt Practices Act and the UK Anti-Bribery Act;
- international customers' potential reluctance to do business with U.S. companies who host content and data as a result of concerns around alleged data monitoring activities by the United States National Security Administration (the "NSA");
- regional data privacy laws that apply to the processing of personal information, particularly those focused on the transmission of our customers' data across international borders;
- ability to provide local hosting, consulting and support services;
- different pricing environments, including invoicing and collecting in foreign currencies and associated foreign currency exposure;
- difficulties in staffing and managing foreign operations and the increased travel, infrastructure, accounting, tax and legal compliance costs associated with international operations;
- different or lesser protection of our intellectual property rights;
- difficulties in enforcing contracts and collecting accounts receivable, longer payment cycles and other collection difficulties;
- regional economic and political conditions;
- disruption as a result of the obligation of certain of our personnel in Israel to perform military service; and
- security concerns such as civil or military unrest and terrorist activities.

Additionally, a substantial majority of our international customers currently pay us in U.S. dollars and, as a result, fluctuations in the value of the U.S. dollar and foreign currencies may make our platform more expensive for international customers, which could harm our business. In the future, an increasing number of our customers may pay us in foreign currencies. Any fluctuation in the exchange rate of these foreign currencies or pressure on the creditworthiness of sovereign nations, particularly in Europe, may negatively impact our business. If we are unable to successfully manage the challenges of international operations and expansion, our growth could be limited, and our business and operating results could be adversely affected.

***Our sales cycle can be long and unpredictable, particularly with respect to large enterprises, and we may have to delay revenue recognition for some of the more complex transactions, which could harm our business and operating results.***

The timing of our sales is difficult to predict. Our sales efforts involve educating our customers, frequently at an executive level, about the use, potential return on investment, technical capabilities, security and other benefits of our products. Customers often undertake a prolonged product-evaluation process which frequently involves not only our solutions but also those of our competitors. As we continue to target our sales efforts at large enterprise customers, we will face greater costs, long sales cycles and less predictability in completing some of our sales. In this market segment, the customer's decision to subscribe to our platform may be an enterprise-wide decision and, if so, may require us to provide even greater levels of education regarding the use and benefits of our products and obtain support from multiple departments within larger enterprises, as well as obtain support from the IT departments. In addition, prospective enterprise customers may require customized features and functions unique to their business

process and may require acceptance testing related to those unique features. As a result of these factors, these sales opportunities may require us to devote greater sales support, operational support, technical support and professional services resources to individual customers, increasing costs and time required to complete sales and diverting our own sales and professional services resources to a smaller number of larger transactions, while potentially requiring us to delay revenue recognition on some of these transactions until the acceptance requirements have been met.

***Our internally managed data hosting facilities expose us to additional risks which could result in operational inefficiencies, increase our costs and ultimately have a negative impact on our business.***

Our internally managed hosting facilities are vulnerable to damage or interruption from natural disasters, fires, power loss, telecommunications failures and similar events. They are also subject to employee negligence, break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. The occurrence of any of these disasters, or other unanticipated problems, could result in lengthy interruptions in our service, which would materially impact our customers' use of our offerings and may result in financial penalties for which we will be directly and solely responsible.

In addition, we are subject to other risks and challenges inherent in managing the infrastructure that hosts our customer communities, including any failure to properly plan for our infrastructure capacity requirements and our inability to obtain and maintain the technologies and personnel necessary to cause the hosting services to operate efficiently and in accordance with our contractual commitments, including those pertaining to uptime and security.

To the extent that we are required to add data center capacity to accommodate customer demands for additional bandwidth or storage to enable their communities, we may need to significantly increase the bandwidth, storage, power or other elements of our hosting operations, and the costs associated with adjustments to our data center architecture could also negatively affect our margins and operating results.

***Interruptions or delays in our service as a result of a variety of factors could impair the delivery of our service and harm our business.***

The availability of our platform could be interrupted by a number of factors, including disaster events at our hosting facilities, our customers' inability to access the Internet, the failure of our network or software systems due to human or other error, security breaches or inability of the infrastructure to handle spikes in customer usage. We may be required to issue credits or refunds or indemnify or otherwise be liable to customers or third parties for damages that may occur resulting from certain of these events. In December 2013, we experienced a hosting outage, which impacted several of our U.S. customers for up to 11.5 hours, as well as shorter outages in March 2014 and April 2015. Additionally, in November 2015, we experienced a hosting outage which resulted in varying periods of downtime during an approximately nine hour time period affecting several of our U.S. customers. As a result of these outages, we provided service credits to certain customers. Service credits provided to date have not been material, both individually and in the aggregate. If we experience similar outages in the future, we may experience customer dissatisfaction, the termination of customer contracts, potential contract liability and potential loss of confidence, which could harm our reputation and impact future revenues from these customers.

***A rapid expansion of our business could cause our network or systems to fail.***

In the future, we may need to expand our hosting operations at a more rapid pace than we have in the past, spend substantial amounts to purchase or lease data centers and equipment, upgrade our technology and infrastructure to handle increased customer demand and introduce new solutions. For example, if we secure a large customer or a group of customers which require significant amounts of bandwidth, storage or computing power to enable their communities, we may need to increase bandwidth, storage, server deployments, electrical power or other elements of our hosting operations and our existing systems may not be able to scale in a manner satisfactory to our existing or prospective customers.

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

Our hosting operations involve the storage and transmission of customer data. In certain circumstances, we use third-party providers to assist in these operations for certain lines of our business. Security breaches or unauthorized access to customer data that we, or our third-party hosting providers, host could result in the misuse or loss of this information, litigation, indemnity obligations, regulatory fines and penalties and other liabilities.

Many of our customer and partner contracts provide that we assume full responsibility and will indemnify our customers for data privacy or security breaches or unauthorized access of customer data. If such a breach occurs, we could face contractual damages, damages and fees arising from our indemnification obligations, penalties for violation of applicable laws or regulations, possible lawsuits by affected individuals and significant remediation costs and efforts to prevent future occurrences. In addition, whether there is an actual or a perceived breach of our security, the market perception of the effectiveness of our security measures could be harmed significantly and we could lose current or potential customers. These risks increase as the adoption of our cloud-based products by enterprise customers increase.

While we and our third-party vendors have security measures in place, these systems and networks are subject to ongoing threats and, therefore, these security measures may be breached as a result of third-party action, including cyber attacks or other intentional misconduct by computer hackers, employee error, failure to implement appropriate processes and procedures, malfeasance or otherwise. The frequency, severity, sophistication and public awareness of these cyber attacks or other intentional misconduct by computer hackers increased in recent years. If any such security breaches were to occur, it could result in one or more third parties obtaining unauthorized access to our customers' data or our data, including personally identifiable information, information covered by HIPAA, intellectual property and other confidential business information. Third parties may also attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers' data or our data, including intellectual property and other confidential business information.

Our hosting, support and professional services personnel sometimes must access customer communities to fulfill our contractual obligations to provide these services to our customers. This access may result in exposure to confidential customer data and personally-identifiable information that is stored within our platform. If our personnel or our software systems were to permit unauthorized loss or access to this data by a third party, our reputation could be damaged and we could incur significant liability.

As described above, some of our lines of business rely on certain third-party service providers to host and deliver services and data, and any interruptions or delays in these hosted services, any security or privacy breaches, or any failures in data collection could expose us to liability and harm our business and reputation. A security incident at any third-party hosting facility may compromise the confidentiality, integrity or availability of customer data.

Additionally, while our platform is not intended for the transmission or storage of credit card data, sensitive health, personal account or financial information and we contractually prohibit our customers from doing so, neither we nor our suppliers monitor or review the content that our customers upload and store within their communities. Therefore, we have no direct control over the substance or use of the content within our hosted communities. If customers use our platform for the transmission or storage of sensitive health, credit card, personal account or financial information and our security measures are breached our reputation could be damaged, our business may suffer and we could incur significant liability as many domestic and international laws place a higher burden of care on organizations that transmit and process this type of information.

Because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques, to implement adequate preventative or mitigation measures or to detect any such security breaches in a timely manner. If an actual or perceived breach of our, or our third-party vendors, security occurs, it could negatively impact our ability to attract new customers and increase engagement by existing customers, cause existing customers to elect to not renew their subscriptions, subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our reputation and our operating results.

In addition, through the APIs we make available to our customers and technology partners and through our add-on modules we deliver our customers may obtain third-party applications which access the data stored within their community. Because we do not control the transmissions between our customers and these third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the complete integrity or security of such transmissions or processing. Any security breach could result in a loss of confidence in the security of our service, damage our reputation, disrupt our business, lead to legal and financial liability and negatively impact our future sales.

***Because our platform could be used to collect and store personal information of our customers' employees or customers, privacy concerns could result in additional cost and liability to us or inhibit sales of our platform.***

Personal privacy has become a significant issue in the United States and in many other countries where we offer our solutions. The regulatory framework for privacy issues worldwide is currently evolving and is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use, disclosure, control and deletion of personal information. In the United States, these include, without limitation, rules and regulations promulgated under the authority of the Federal Trade Commission, HIPAA and state breach notification laws. Internationally, virtually every jurisdiction in which we operate has established its own data security

and privacy legal framework with which we and our customers must comply. These obligations include, for example, the Data Protection Directive established in the European Union (“EU”), European Directive 2002/58/EC (commonly known as the “EU Cookie Law”), laws and regulations of EU member states, such as the German Federal Data Protection Act, and the Personal Data Protection Ordinance promulgated in Hong Kong. Many of these obligations are frequently modified or updated and require ongoing supervision. For example, with regard to transfers of personal data, as such term is used in the EU Data Protection Directive and applicable EU member state legislation, from our employees and European customers to the United States, we historically have relied upon adherence to the U.S. Department of Commerce’s Safe Harbor Privacy Principles and compliance with the U.S.-EU and U.S.-Swiss Safe Harbor Frameworks agreed to by the U.S. Department of Commerce and the European Union and Switzerland. The U.S.-EU Safe Harbor Framework, which, together with the U.S.-Swiss Safe Harbor Framework, established means for legitimizing the transfer of personal data by U.S. companies from the European Economic Area (the “EEA”), to the United States, was invalidated in October 2015 by a decision of the European Court of Justice (the “ECJ Ruling”). As a result of the ECJ Ruling, the Swiss data protection regulator has questioned the status of the U.S.-Swiss Safe Harbor Framework. In light of these events, we anticipate engaging in measures designed to legitimize our transfers of personal data from the EEA to the United States, and may find it necessary or desirable to make other changes to our personal data handling. U.S. and EU authorities reached a political agreement on February 2, 2016 regarding a new potential means for legitimizing personal data transfers from the EEA to the United States, the EU-U.S. Privacy Shield, but it is unclear whether the EU-U.S. Privacy Shield will be formally implemented and whether the EU-U.S. Privacy Shield will serve as an appropriate means for us to legitimize personal data transfers from the EEA to the United States. We may be unsuccessful in establishing legitimate means for our transfer of personal data from the EEA or otherwise responding to the ECJ Ruling, and we may experience reluctance or refusal by current or prospective European customers to use our solutions. Our response to the ECJ Ruling may cause us to assume additional liabilities or incur additional expenses for implementing compliance requirements, and the ECJ Ruling and our response could adversely affect our billings. Additionally, we and our customers may face a risk of enforcement actions by data protection authorities in the EEA until the time, if any, that personal data transfers to us and by us from the EEA are legitimized under applicable EU data protection law.

In addition to government regulation, privacy advocacy and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. Because the interpretation and application of privacy and data protection laws, regulations and standards are uncertain, it is possible that these laws, regulations and standards may be interpreted and applied in a manner that is inconsistent with our data management practices or the technological features of our solutions. If so, in addition to the possibility of fines, investigations, lawsuits and other claims and proceedings, it may be necessary or desirable for us to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business. We may be unable to make such changes or modifications in a commercially reasonable manner or at all. Any inability to adequately address privacy concerns, even if unfounded, or any actual or perceived failure to comply with applicable privacy or data protection laws, regulations, standards and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and harm our business.

Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, standards and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our platform. Privacy concerns, whether valid or not valid, may inhibit market adoption of our platform particularly in certain industries and foreign countries.

For instance, the recent publicity in the United States and abroad regarding the alleged surveillance activities of the NSA may cause our current and prospective customers to require additional information regarding our data disclosure policies which may elongate our sales cycles, require us to make additional contractual commitments, assume additional liabilities and adversely affect our billings.

***If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or adequately address competitive challenges.***

We have experienced significant growth in recent periods. For example, we have grown from 527 employees at December 31, 2012 to 721 at December 31, 2015 and we have acquired six companies since January 2011. This growth has placed, and any future growth may place, a significant strain on our management and operational infrastructure, including our hosting operations and enterprise resource planning system. Our success will depend, in part, on our ability to manage these changes effectively. We will need to continue to improve our operational, financial and management controls and our reporting systems and procedures, which may include the implementation of a new enterprise resource planning system in the future. Failure to effectively manage growth could result in declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties. Any failure to effectively manage growth could adversely impact our business and reputation.

***Changes in laws and/or regulations related to the Internet or related to privacy and data security concerns or changes in the Internet infrastructure itself may cause our business to suffer.***

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting data privacy and the transmission of certain types of content using the Internet. For example, the State of California has adopted legislation requiring operators of commercial websites and mobile applications that collect personal information from California residents to conspicuously post and comply with privacy policies that satisfy certain requirements. Several other U.S. states have adopted legislation requiring companies to protect the security of personal information that they collect from consumers over the Internet, and more states may adopt similar legislation in the future. Additionally, the Federal Trade Commission has used its authority under Section 5 of the Federal Trade Commission Act to bring actions against companies for failing to maintain adequate security for personal information collected from consumers over the Internet and for failing to comply with privacy-related representations made to Internet users. The U.S. Congress has at various times proposed federal legislation intended to protect the privacy of Internet users and the security of personal information collected from Internet users that would impose additional compliance burdens upon companies collecting personal information from Internet users, and the U.S. Congress may adopt such legislation in the future. The EU also has adopted various directives regulating data privacy and security and the transmission of content using the Internet involving residents of the EU, including those directives known as the Data Protection Directive, the E-Privacy Directive, and the Privacy and Electronic Communications Directive, and may adopt similar directives in the future. The European Commission is currently considering a data protection regulation that may include operational requirements for companies that receive personal data that are different than those currently in place in the EU, and that may also include significant penalties for non-compliance. Additionally, various EU member states have passed legislation addressing data privacy and security, such as the German Federal Data Protection Act. Several other countries, including Canada and several Latin American and Asian countries, have constitutional protections for, or have adopted legislation protecting, individuals' personal information. Additionally, some federal, state, or foreign governmental bodies have established laws which seek to censor the transmission of certain types of content over the Internet or require that individuals be provided with the ability to permanently delete all electronic personal information, such as the German Multimedia Law of 1997.

Given the variety of global privacy and data protection regimes, as well as their uncertain interpretation and application, it is possible we may find ourselves subject to inconsistent obligations. For instance, the USA Patriot Act is considered by some to be in conflict with certain directives of the EU. Situations such as these require that we make prospective determinations regarding compliance with conflicting regulations. Increased enforcement of existing laws and regulations, as well as any laws, regulations or changes that may be adopted or implemented in the future, could limit the growth of the use of public cloud applications or communications generally, result in a decline in the use of the Internet and the viability of Internet-based applications such as our public cloud solutions, require implementation of additional technological safeguards and reduce the demand for our enterprise collaboration software platform. Additionally, due to the complexity and diversity of these laws, our customers often include contractual obligations which can impose significant risk of termination and financial penalties if we fail to comply.

***If we are not able to develop and introduce enhancements and new features that achieve market acceptance or that keep pace with technological developments, our business could be harmed.***

We operate in a dynamic environment characterized by rapidly changing technologies and industry and legal standards. The introduction of new enterprise collaboration software products by our competitors or new market entrants, the market acceptance of solutions or products based on new or alternative technologies, or the emergence of new industry standards could affect our ability to compete or potentially render our platform obsolete. Our ability to compete successfully, attract new customers and increase revenues from existing customers depends in large part on our ability to enhance and improve our existing enterprise collaboration software platform and to continually introduce or acquire new features that are in demand by the market we serve. The success of any enhancement or new solution depends on several factors, including timely completion and integration, adequate quality testing, introduction and market acceptance. Any new platform or feature that we develop or acquire may not be introduced in a timely or cost-effective manner, may contain defects or may not achieve the broad market acceptance necessary to generate significant revenues. If we are unable to anticipate or timely and successfully develop or acquire new offerings or features or enhance our existing platform to meet customer requirements, our business and operating results will be adversely affected. Additionally, for technologies that are acquired, we may not be able to successfully integrate or monetize the acquired technology at a rate that is consistent with the market's expectations.

***Our platform must integrate with a variety of operating systems, software applications and hardware that are developed by others and, if we are unable to devote the necessary resources to ensure that our solutions interoperate with such software and hardware, we may fail to increase, or we may lose, market share and we may experience a weakening demand for our platform.***

Our enterprise collaboration software platform must integrate with a variety of network, hardware and software platforms and cloud-based product suites, including Microsoft Office, and we need to continuously modify and enhance our platform to adapt to changes in Internet-related hardware, software, communication, browser and database technologies. Any failure of our solutions to operate effectively with future network platforms and technologies could reduce the demand for our platform, result in customer dissatisfaction and harm our business. If we are unable to respond in a timely manner to these changes in a cost-effective manner, our solutions may become less marketable and less competitive or obsolete and our operating results may be negatively impacted. In addition, an increasing number of individuals within the enterprise are utilizing devices other than personal computers, such as mobile phones and other handheld devices, to access the Internet and corporate resources and conduct business. If we cannot effectively make our platform available on these mobile devices, we may experience difficulty attracting and retaining customers.

***We derive a substantial portion of our revenues from a single software platform.***

We have historically derived a substantial portion of our total revenues from sales of a single software platform, the Jive Platform, and related modules. As such, any factor adversely affecting sales of this platform, including product release cycles, market acceptance, product competition, performance and reliability, reputation, price competition, and economic and market conditions, could harm our business and operating results.

***Our business could be adversely affected if our customers are not satisfied with our implementation, customization or other professional services we provide.***

Our business depends on our ability to satisfy our customers and meet our customers' business needs. If a customer is not satisfied with the type of solutions and professional services we or our partners deliver, we could incur additional costs to remedy the situation, the profitability of that work might be impaired, and the customer's dissatisfaction with our services could damage our ability to obtain additional services from that customer or our ability to renew that customer's subscription in subsequent periods. If we are not able to accurately estimate the cost of services requested by the customer, it might result in providing services on a discounted basis or free of charge until customer satisfaction is achieved. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers. Further, we have customer payment obligations not yet due that are attributable to software we have already delivered. These customer obligations are typically not cancelable, but will not yield the expected revenues and cash flow if the customer defaults and fails to pay amounts owed, which could have a negative impact on our financial condition and operating results.

Additionally, large enterprises may request or require customized features and functions unique to their particular business processes. If prospective large customers require customized features or functions that we do not offer, then the market for our platform will be more limited and our business could suffer. If a large enterprise contract requires customized features and functions, we cannot recognize any revenue related to the contract until the customized features and functions have been delivered to the customer. In addition, supporting large enterprise customers could require us to devote significant development services and support personnel and strain our personnel resources and infrastructure. If we are unable to address the needs of these customers in a timely fashion or further develop and enhance our platform, these customers may not renew their subscriptions, seek to terminate their relationship, renew on less favorable terms or fail to purchase additional features. If any of these were to occur, our revenues and billings may decline and we may not realize significantly improved operating results.

***We might experience significant errors or security flaws in our platform.***

Despite testing prior to their release, software products frequently contain undetected errors, defects or security vulnerabilities, especially when initially introduced or when new versions are released. Errors in our products could affect the ability of our products to interoperate with other hardware or software products, impact functionality and delay the development or release of new solutions or new versions of solutions and adversely affect market acceptance of our products. The detection and correction of any bugs or security flaws can be time consuming and costly. Some errors in our platform and related solutions may only be discovered after installation and use by customers. Any errors, defects or security vulnerabilities discovered after commercial release or contained in custom implementations could result in loss of revenues or delay in revenue recognition, loss of customers or increased service and warranty cost, any of which could adversely affect our business, financial condition and results of operations. Our products have contained and may contain undetected errors, defects or security vulnerabilities that could result in data unavailability, data security breaches, data loss or corruption or other harm to our customers. Undiscovered vulnerabilities in our products could expose them to hackers or other unscrupulous third parties who develop and deploy viruses, worms, and other malicious software programs that could attack our solutions, result in unauthorized access to customer data, or fraudulently induce individuals to provide their log-in credentials. Actual or perceived security vulnerabilities in our products could result in contractual or regulatory liability, harm our reputation and lead some customers to cancel subscriptions, reduce or delay future purchases or use competitive solutions.

***Failure to adequately expand and retain our direct sales force will impede our growth.***

We will need to continue to expand and optimize our sales and marketing infrastructure in order to grow our customer base and our business. We plan to continue to invest in our direct sales force, both domestically and internationally. Identifying and recruiting qualified personnel and training them requires significant time, expense and attention. It can take nine to 12 months or longer before our new sales representatives are fully trained and productive. Our business may be harmed if our efforts to expand and train our direct sales force do not generate a corresponding significant increase in billings and revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our billings and revenues or grow our business.

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

Our future growth may depend on our ability to enter into successful strategic relationships with third parties. For example, we are investing resources in building our indirect sales channel by establishing relationships with third parties to facilitate incremental sales and to implement and customize our platform. In addition, we are also establishing relationships with other third parties to develop integrations with compatible technology and content. These relationships may not result in additional customers or enable us to generate significant billings or revenues. Identifying partners as well as negotiating and documenting relationships with them requires significant time and resources. Our agreements for these relationships are typically non-exclusive and do not prohibit the other party from working with our competitors or from offering competing services. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenues and billings could be impaired and our operating results would suffer. In particular, leveraging third-party reseller and referral partner relationships is currently our main strategy to build our presence in the Latin America and Asia Pacific regions. If these relationships are not successful it could impede our growth in revenues and billings.

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

Our products contain software modules licensed to us by third-party authors under “open source” licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain provisions that require attribution or that we make available source code for modifications or derivative works we create based upon the type of open source software used. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public at no cost. This would allow our competitors to create similar products with lower development effort and time and ultimately could result in an adverse impact upon our intellectual property rights and ability to commercialize our products.

Although we monitor our use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. Moreover, we cannot assure you that our processes for controlling our use of open source software in our products will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our products on terms that are not economically feasible, to re-engineer our products, to discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, operating results and financial condition.

***We, or our customers, may be sued by third parties for alleged infringement or misuse of their intellectual property.***

The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual property and proprietary rights. Recently, a number of large software, technology and social networking companies have become active in initiating litigation against competitors and other third parties for misuse of these rights. Additionally, within the United States in particular, non-practicing entities have significantly increased their activities of pursuing patent litigation against technology companies and their customers. As a result, technology and software companies are increasingly required to defend against litigation claims that are based on allegations of infringement or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims or rights against their use. As a result, our success depends upon our not infringing upon or misappropriating the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own confidential information or certain intellectual property. In addition, as we continue to expand globally, we may need to increase our headcount and, in doing so, we may hire individuals from competing industries and companies. While we have implemented procedures designed to ensure that we do not receive confidential

information from third parties in such situations third parties may believe that their former employees may misuse confidential information obtained during their previous employment which may lead to an increased risk of litigation related to claims of misuse or unauthorized use of such competitors' proprietary information.

From time to time, third parties have claimed, and may claim, that we infringe upon or have misappropriated their intellectual property rights, and we may be found to be infringing upon or misappropriating such rights. In the future, we, or our customers, may be the subject of claims that our platform, underlying technology or our actions in connection therewith infringe, misappropriate or violate the intellectual property rights of others. As a result of disclosure of information in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our solutions, or require that we comply with other unfavorable terms. Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results. As most of our customer and partner agreements obligate us to provide indemnification in connection with any such litigation and to obtain licenses, modify our platform, or refund fees, we have in the past been, and may in the future be, requested to indemnify our customers and business partners which could expose us to significant legal and financial liability. We expect that the occurrence of infringement claims is likely to grow as the market for enterprise collaboration software grows. Accordingly, our exposure to damages resulting from infringement claims could be increased and this could further exhaust our financial and management resources.

The outcome of any litigation, regardless of its merits, is inherently uncertain. Any intellectual property claim or lawsuit could be time-consuming and expensive to resolve, divert management attention from executing our business plan and require us to change our technology, change our business practices and/or pay monetary damages or enter into short- or long-term royalty or licensing agreements. In addition, in certain circumstances, such as those in which the opposing parties are large and well-funded companies, we may face a more expensive and protracted path to resolution of such claims or lawsuits.

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

Our success and ability to compete depend in part upon our intellectual property. We primarily rely on a combination of copyright, trade secret and trademark laws, as well as confidentiality procedures and contractual restrictions with our employees, customers, partners and others to establish and protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate or we may be unable to secure intellectual property protection for all of our solutions. In particular, we have only recently begun to implement a strategy to seek patent protection for our technology.

Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property. The enforcement of our intellectual property rights also depends on our legal actions against these infringers being successful, but we cannot be sure these actions will be successful, even when our rights have been infringed. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology, and our business and operating results might be harmed. In addition, defending our intellectual property rights might entail significant expense and the diversion of management resources. Any of our intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties.

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

Additionally, in the United States, the central provisions of the Leahy-Smith America Invents Act (AIA) became effective on March 16, 2013. Among other things, this law has switched U.S. patent rights from prior "first-to-invent" system to the present "first inventor-to-file" system. This may result in inventors and companies having to file patent applications more frequently to preserve rights in their inventions. This may favor larger competitors that have the resources to file more patent applications.

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

***Adverse economic conditions or reduced information technology spending may adversely impact our business and operating results.***

Our business depends on the overall demand for information technology. In addition, the purchase of our products is often discretionary and may involve a significant commitment of capital and other resources. Weak global economic conditions, or a reduction in information technology spending even if economic conditions improve, could adversely impact our business, financial condition and operating results. As global economic conditions continue to be volatile or economic uncertainty remains, trends in information technology spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. Unfavorable economic conditions could adversely affect, our customers' ability or willingness to purchase our enterprise collaboration software platform, and could delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions, or affect renewal rates, all of which could adversely affect our operating results. Our sensitivity to economic cycles and any related fluctuation in demand may have a material adverse effect on our business, financial condition and operating results.

***Catastrophic events may disrupt our business.***

Our corporate headquarters are located in Palo Alto, California, a high portion of our technology and services personnel are located in our Portland, Oregon office. The West Coast, and California in particular, are active earthquake zones. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems and our website for our development, marketing, operational, support, hosted services and sales activities. In the event of a major earthquake or catastrophic event such as fire, power loss, telecommunications failure, cyber attack, war or terrorist attack, we may be unable to continue our corporate operations and may endure system interruptions, reputational harm, loss of intellectual property, contractual and financial liabilities, delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could harm our future operating results.

Although we back up customer data stored on our systems at least daily to a geographically distinct location, the data is not mirrored in real-time to this site. Thus, in the event of a physical disaster, or certain other failures of our computing infrastructure, customer data from very recent transactions may be permanently lost. Further, our full production infrastructure is not mirrored to a geographically distinct location and thus in the event of a disaster, production capacity may be impacted for an extended amount of time while the infrastructure is procured and rebuilt and data is restored.

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

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

***The forecasts of market growth included in this document may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, we cannot assure you our business will grow at similar rates, if at all.***

Growth forecasts are subject to significant uncertainty and are based on assumptions and estimates which may not prove to be accurate. Forecasts relating to the expected growth in the enterprise collaboration software market and other markets may prove to be inaccurate. Even if these markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

***There are limitations on the effectiveness of controls and the failure of our control systems may materially and adversely impact us.***

We do not expect that disclosure controls or internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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. Failure of our control systems to prevent error or fraud could materially and adversely impact us.

***The intended operational and tax benefits of our corporate structure and intercompany arrangements depend on the application of the tax laws of various jurisdictions and how we operate our business, and may be challenged by tax authorities.***

Our corporate structure and intercompany agreements with our foreign subsidiaries are intended to optimize our operating structure and our worldwide effective tax rate, including the manner in which we develop and use our intellectual property, manage our cash flow, and the pricing of our intercompany transactions. Our foreign subsidiaries operate under cost plus transfer pricing agreements with us. These agreements provide for sales, support and development activities for our benefit. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing technology or our transfer pricing arrangements, or determine that the manner in which we operate our business does not achieve the intended tax objectives, which could increase our international tax exposure and harm our operating results. For example, from May 2012 through June 30, 2013, we were under a United States federal tax examination for the tax years ending December 31, 2010 and 2011. Such examinations ended on June 13, 2013 and did not have a material financial impact. Further, from August 2014 through December 2014, we were under examination in Israel for the years ending December 31, 2010, 2011 and 2012. The examination officially concluded as of December 26, 2014 and did not have a material financial impact.

***Our business could be negatively affected as a result of actions of activist shareholders.***

If a proxy contest with respect to election of our directors is initiated in the future by any activist stockholder, or if other activist stockholder activities occur, our business could be adversely affected because:

- responding to a proxy contest and other actions by activist stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees;
- perceived uncertainties as to our future direction caused by activist activities may result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and
- if individuals are elected to our board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plans.

***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.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing requirements of the Nasdaq Global Market on which our common stock trades and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly now that we are no longer an "emerging growth company" as defined in the recently enacted Jumpstart Our Business Startups Act of 2012, or the JOBS Act. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results and 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 already 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.

Because we are no longer an "emerging growth company" as defined in the JOBS Act, we are subject to the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, enhanced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. While we were able to determine in our management's report for fiscal 2015 that our internal control over financial reporting is effective, as well as provide an unqualified attestation report from our independent registered public accounting firm to that effect, we have and will

continue to consume management resources and incur significant expenses for Section 404 compliance on an ongoing basis. In the event that our chief executive officer, chief financial officer, or independent registered public accounting firm determines in the future that our internal control over financial reporting is not effective as defined under Section 404, we could be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits or other adverse actions requiring us to incur defense costs, pay fines, settlements or judgments and causing investor perceptions to be adversely affected and potentially resulting in a decline in the market price of our stock.

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, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that the combination of being a public company and the existence of these new rules and regulations will make it more difficult for us to attract and retain qualified executive officers as well as qualified members of our board of directors, particularly to serve on our Audit Committee and Compensation Committee.

***We may acquire or invest in other companies or technologies in the future, which could divert management's attention, result in additional dilution to our stockholders, increase expenses, disrupt our operations and harm our operating results.***

We have in the past, and may in the future, acquire or invest in other businesses, products or technologies that we believe could complement or expand our platform, enhance our technical capabilities or otherwise offer growth opportunities. We cannot assure you that we will realize the anticipated benefits of our past acquisitions or any future acquisition. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses related to identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

There are inherent risks in integrating and managing acquisitions. If we acquire additional businesses, we may not be able to assimilate or integrate the acquired personnel, operations and technologies successfully or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs, which would be recognized as a current period expense;
- inability to generate sufficient revenues to offset acquisition or investment costs;
- the inability to maintain relationships with customers and partners of the acquired business;
- the difficulty of incorporating acquired technology and rights into our platform and of maintaining quality standards consistent with our brand;
- difficulty in incorporating new people;
- delays in customer purchases due to uncertainty related to any acquisition;
- the need to implement additional controls, procedures and policies;
- in the case of foreign acquisitions, the challenges associated with currency and regulatory risks;
- challenges caused by distance, language and cultural differences;
- harm to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business;
- the inability to recognize acquired revenues in accordance with our revenue recognition policies, and the loss of acquired deferred revenue; and
- use of substantial portions of our available cash or the incurrence of debt to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to goodwill and other intangible assets, which must be assessed for impairment at least annually. Also, contingent considerations related to acquisitions will be remeasured to fair value at each reporting period, with any changes in the value recorded as income or expense. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on the impairment assessment process, which could harm our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer.

***If we are unable to maintain effective internal control over financial reporting in the future, investors may lose confidence in our company and, as a result, the value of our common stock may be adversely affected.***

We are subject to Section 404 of the Sarbanes-Oxley Act, which requires us to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. We have consumed and will continue to consume management resources and incur expenses for this compliance on an ongoing basis. Additionally, if we identify one or more material weaknesses in our internal control over financial reporting, we may be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to attest to the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would have a material adverse effect on the price of our common stock.

#### **Risk Related to Ownership of our Common Stock**

***The market price of our common stock is likely to be volatile and could subject us to litigation.***

The trading prices of the securities of technology companies have been highly volatile. Accordingly, the market price of our common stock has been, and is likely to continue to be, subject to wide fluctuations. Factors affecting the market price of our common stock include:

- variations in our billings, renewal rates, operating results, cash flow, loss per share and how these results compare to analyst expectations;
- the net increase in the number of customers acquired, either independently or as compared with published expectations of analysts that cover us;
- forward looking guidance on billings, revenues, cash flows and loss per share;
- announcements of technological innovations, new products or services, strategic alliances or significant agreements by us or by our competitors;
- disruptions in our public cloud service;
- changes in the executive management team;
- the economy as a whole, market conditions in our industry, and the industries of our customers; and
- any other factors discussed herein.

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

***Our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

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- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors, our president, our secretary, or a majority vote of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws, which may inhibit the ability of an acquiror to affect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our board of directors, by majority vote, to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquiror to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 2. PROPERTIES

<u>Office Facilities</u>	<u>Number of Square Feet</u>	<u>Lease Expiration Date</u>
Palo Alto, California headquarters	18,500	March 2020
Portland, Oregon	52,000	September 2018
San Francisco, California	7,000	October 2022
Boulder, Colorado	8,500	March 2016
United Kingdom	8,000	May 2018
Israel	18,000	February 2021
<u>Data Centers</u>		
Arizona	*	December 2016
New Jersey	*	September 2016
Netherlands	*	October 2016
United Kingdom	*	March 2017

\* Immaterial

In addition to the above, we currently occupy a number of smaller sales and service offices around the world. We believe that our current facilities are suitable and adequate to meet our current needs, and that suitable additional or substitute space will be available as needed to accommodate expansion of our operations. See Note 13 to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Payment Obligations" for information regarding our lease obligations.

#### ITEM 3. LEGAL PROCEEDINGS

We currently have no material outstanding litigation.

Many of our subscription agreements require us to indemnify our customers for third-party intellectual property infringement claims, which could increase the cost to us of an adverse ruling on such a claim. Any adverse determination related to intellectual property claims or litigation could prevent us from offering our service to others, could be material to our net income or cash flows or both or could otherwise adversely affect our operating results.

#### ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

### PART II

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

##### Stock Price and Dividends

Our common stock, \$0.0001 par value, trades on the NASDAQ Global Select Market, where its prices are quoted under the symbol "JIVE." As of February 22, 2016 there were 57 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

The following table sets forth the reported high and low closing sales prices of our common stock for each of the eight quarters in the two-year period ended December 31, 2015 as regularly quoted on the NASDAQ Global Select Market:

<u>2015</u>	<u>High</u>	<u>Low</u>
Quarter 1	\$ 6.11	\$ 4.91
Quarter 2	5.85	5.17
Quarter 3	5.45	3.81
Quarter 4	5.11	4.00
<u>2014</u>		
Quarter 1	\$ 11.28	\$ 7.20
Quarter 2	8.65	7.03
Quarter 3	8.64	5.82
Quarter 4	6.93	5.33

We have never declared or paid, and do not anticipate declaring or paying in the foreseeable future, 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, subject to applicable laws 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. In addition, our revolving loan and term loan facility with Silicon Valley Bank restricts our ability to pay dividends by requiring the written consent of Silicon Valley Bank to pay cash dividends to our stockholders.

##### Securities Authorized for Issuance

See Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for information regarding securities authorized for issuance.

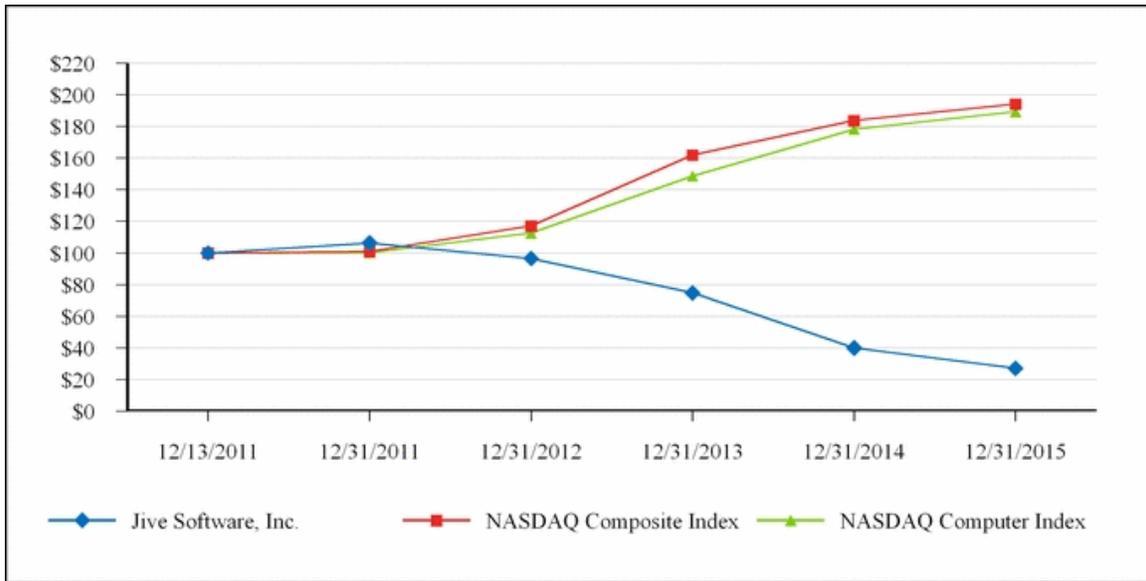
##### Unregistered Sales of Equity Securities

None.

##### Stock Performance Graph

This chart compares the cumulative total return on our common stock with that of the NASDAQ Composite index and the NASDAQ Computer and Data Processing index. The chart assumes \$100 was invested on December 13, 2011, in our common stock, the NASDAQ Composite index and the NASDAQ Computer index. The peer group indices utilize the same methods of presentation

and assumptions for the total return calculation as does Jive and the NASDAQ Composite index. All companies in the peer group index are weighted in accordance with their market capitalizations.



Company/Index	Base Period 12/13/11	Indexed Returns Year Ended December 31,				
		2011	2012	2013	2014	2015
Jive Software, Inc.	\$ 100.00	\$ 106.31	\$ 96.54	\$ 74.75	\$ 40.07	\$ 27.11
NASDAQ Composite Index	100.00	101.00	117.06	161.93	183.62	194.14
NASDAQ Computer Index	100.00	100.12	112.61	148.59	178.13	189.25

**ITEM 6. SELECTED FINANCIAL DATA**

The following selected consolidated financial data should be read in conjunction with our audited consolidated financial statements and related notes thereto and with Management’s Discussion and Analysis of Financial Condition and Results of Operation, which are included elsewhere in this Form 10-K. The consolidated statement of operations data for fiscal 2015, 2014 and 2013, and the selected consolidated balance sheet data as of December 31, 2015 and 2014 are derived from, and are qualified by reference to, the audited consolidated financial statements which are included in this Form 10-K. The consolidated statement of operations data for fiscal 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013, 2012 and 2011 are derived from audited consolidated financial statements which are not included in this Form 10-K.

<b>(In thousands, except per share amounts)</b>	<b>For the Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Consolidated Statements of Operations Data</b>					
Revenues:					
Product	\$ 180,172	\$ 162,185	\$ 131,507	\$ 100,040	\$ 65,265
Professional services	15,621	16,508	14,256	13,626	12,020
Total revenues	195,793	178,693	145,763	113,666	77,285
Cost of revenues:					
Product	49,816	43,494	37,419	30,240	21,689
Professional services	22,378	23,179	17,873	14,625	12,596
Total cost of revenues	72,194	66,673	55,292	44,865	34,285
Gross profit	123,599	112,020	90,471	68,801	43,000
Operating expenses:					
Research and development	52,818	52,275	55,742	39,190	31,095
Sales and marketing	78,684	90,141	86,083	60,235	44,794
General and administrative	26,708	24,633	24,613	16,444	12,795
Total operating expenses	158,210	167,049	166,438	115,869	88,684
Loss from operations <sup>(1)</sup>	(34,611)	(55,029)	(75,967)	(47,068)	(45,684)
Total other income (expense), net <sup>(2)</sup>	1,009	14	(414)	(339)	(8,883)
Loss before income taxes	(33,602)	(55,015)	(76,381)	(47,407)	(54,567)
Provision for (benefit from) income taxes <sup>(3)</sup>	1,251	1,138	(1,010)	28	(3,763)
Net loss	\$ (34,853)	\$ (56,153)	\$ (75,371)	\$ (47,435)	\$ (50,804)
Basic and diluted net loss per common share	\$ (0.46)	\$ (0.79)	\$ (1.12)	\$ (0.76)	\$ (1.95)
Shares used in per share calculations	75,217	70,751	67,381	62,614	26,071

(1) Stock-based compensation was included in our Consolidated Statements of Operations data as follows (in thousands):

	<b>Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Cost of revenues	\$ 3,029	\$ 4,276	\$ 3,450	\$ 2,035	\$ 544
Research and development	7,078	10,642	14,133	6,250	2,644
Sales and marketing	3,775	10,852	10,614	4,970	3,918
General and administrative	6,423	7,138	6,557	4,954	3,316
Total stock-based compensation	\$ 20,305	\$ 32,908	\$ 34,754	\$ 18,209	\$ 10,422

- (2) Total other income (expense), net in 2015 includes \$1.1 million we received from a stockholder in settlement of a claim under Section 16(b) of the Exchange Act. Additionally, a non-cash expense recorded in total other income (expense), net included \$7.2 million in 2011 related to the change in fair value of our preferred stock warrant liability. The preferred stock warrants were exercised during the third quarter of 2011 and, accordingly, we have not incurred charges related to this warrant in periods subsequent to 2011.
- (3) Provision for (benefit from) income taxes in 2013, 2012 and 2011 includes tax benefits of \$1.4 million, \$0.3 million and \$3.9 million, respectively, related to the release of valuation allowance on our deferred tax assets in connection with our acquisitions of StreamOnce, Meetings.io, Producteev and OffiSync. See Note 10 of Notes to Consolidated Financial Statements.

Consolidated Balance Sheet Data	December 31,				
	2015	2014	2013	2012	2011
Cash and cash equivalents	\$ 9,870	\$ 20,594	\$ 38,415	\$ 48,955	\$ 180,649
Working capital	20,775	44,389	39,287	93,376	135,557
Total assets	235,145	262,857	275,935	282,280	258,342
Long-term obligations excluding deferred revenue	3,882	4,888	7,605	8,938	10,532
Total stockholders' equity	62,141	76,597	96,234	129,858	150,719

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

*You should read the following discussion and analysis of our financial condition and results of operations together with the consolidated financial statements and related notes that are included elsewhere in this Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this Form 10-K.*

### Overview

We provide products that we believe improve business results by enabling a more productive and effective workforce through enhanced communications and collaboration both inside and outside the enterprise. Organizations deploy our products to improve the level of engagement, the quality of interaction and the overall relationship they have with their employees, customers and partners. Our products are primarily sold on a subscription basis, deployable in a private or public cloud and used for internal or external communities. We generate revenues from product subscription license fees as well as from professional service fees for strategic consulting, configuration, implementation and training.

We sell our comprehensive Jive Platform across two principal communities: *internally* for employees within the enterprise and *externally* for customers and partners outside the enterprise. Internally focused communities comprised 76.2% of revenues derived from the Jive Platform in 2015 compared to 73.6% in 2014. As the market opportunity for enterprise collaboration software within the enterprise continues to grow, we expect revenues generated from internally focused communities to continue to be a higher percentage of our total revenues than revenues generated from externally focused communities. However, we continue to believe there is a meaningful growth opportunity in the external community market as well, and are continuing to invest in our external community technology with the goal of growing market-share.

Our products are provided as cloud services with certain products also being available on-premise. In 2012, we made our first release of a non-customizable version of our cloud based platform, referred to as Jive Cloud, which is generally on a quarterly release cycle for new features and functionality. In 2015, product revenues from all public cloud deployments represented 67.3% of total product revenues compared to 67.7% in 2014. With the release of Jive Cloud and the increase in overall adoption by enterprises of cloud-based technologies, we anticipate that, over the long-term, public cloud deployments of our platform will comprise an increasing portion of our business.

Historically, we have generated the majority of our revenues from sales to customers within the United States. Revenues from customers in the United States accounted for 73.5% of total revenues in 2015 compared to 76.0% in 2014. We are continuing to focus on strengthening our direct sales presence and network of channel partners internationally, and we anticipate the percentage of our revenues generated outside of the United States will increase in the future.

In 2015, we launched workstyle-focused applications built around employees' mobile work habits. The Jive workstyle mobile applications are built on a unified architecture and will be capable of use by users either independently or together as a suite of products.

Another key milestone in 2015 was the introduction of our "interactive intranet," which supports the modern digital workforce with responsive and flexible solutions. Interactive intranet brings together our Jive Internal (Jive-n) platform with our purpose built workstyle applications through a single, cloud-based solution. This comprehensive solution accelerates time-to-deployment with out-of-the-box templates for HR, sales and corporate communications functions, and delivers enhanced Google and Microsoft product integrations.

In February 2016, we introduced our Jive WorkHub offerings representing packaged solutions focused on distinct verticals and lines of business. Our initial focus for the Jive WorkHub is the healthcare vertical and employee engagement and customer engagement. These out-of-the-box packages provide an easy way for customers to quickly adopt solutions built to meet their specific needs.

### Seasonality

Our fourth quarter has historically been our strongest quarter for new billings and renewals. This pattern may be amplified over time if the number of our customers with renewal dates occurring in the fourth quarter continues to increase. Furthermore, our quarterly sales cycles are frequently weighted toward the end of the quarter, with an increased volume of sales in the last few weeks of each quarter. The year-over-year compounding effect of this seasonality in billing patterns, overall new business and renewal activity has historically resulted in the value of invoices that we generate in the fourth quarter to increase in proportion to our billings in the other three quarters of our fiscal year. As a result, our first quarter has become our largest quarter for collections and operating cash flow. We expect this trend to continue in future years.

### Non-GAAP Key Metrics

In addition to accounting principles generally accepted in the United States (“GAAP”) metrics, such as total revenues and gross margin, we also regularly review short-term billings and total billings, both non-GAAP measures, as well as the number of Jive Platform customers to evaluate our business, measure our performance, identify trends affecting our business, allocate capital and make strategic decisions.

The following tables set forth a reconciliation of total revenues to short-term billings and total billings, respectively (dollars in thousands):

#### Short-Term Billings

	Year Ended December 31,		Dollar Change	% Change
	2015	2014		
Total revenues	\$ 195,793	\$ 178,693		
Deferred revenue, current, end of period	131,850	128,592		
Less: deferred revenue, current, beginning of period	(128,592)	(112,432)		
Short-term billings	\$ 199,051	\$ 194,853	\$ 4,198	2.2%

	Year Ended December 31,		Dollar Change	% Change
	2014	2013		
Total revenues	\$ 178,693	\$ 145,763		
Deferred revenue, current, end of period	128,592	112,432		
Less: deferred revenue, current, beginning of period	(112,432)	(87,698)		
Short-term billings	\$ 194,853	\$ 170,497	\$ 24,356	14.3%

**Total Billings**

	Year Ended December 31,		Dollar Change	% Change
	2015	2014		
Total revenues	\$ 195,793	\$ 178,693		
Deferred revenue, end of period	148,242	160,539		
Less: deferred revenue, beginning of period	(160,539)	(147,337)		
Total billings	\$ 183,496	\$ 191,895	\$ (8,399)	(4.4)%

	Year Ended December 31,		Dollar Change	% Change
	2014	2013		
Total revenues	\$ 178,693	\$ 145,763		
Deferred revenue, end of period	160,539	147,337		
Less: deferred revenue, beginning of period	(147,337)	(117,047)		
Total billings	\$ 191,895	\$ 176,053	\$ 15,842	9.0 %

We monitor short-term billings and total billings, non-GAAP measures, in addition to other financial measures presented in accordance with GAAP to manage our business, make planning decisions, evaluate our performance and allocate resources. We believe that these non-GAAP measures offer valuable supplemental information regarding the performance of our business, and they will help investors better understand the sales volumes and performance of our business.

Our uses of short-term billings and total billings have limitations as analytical tools, and should not be considered in isolation or as a substitute for total revenues or an analysis of our results as reported under GAAP. Some of these limitations are:

- short-term billings and total billings are not substitutes for total revenues, as billings are recognized when invoiced, while revenue is primarily recognized ratably over the contract term. Short-term billings can include fees paid for license terms greater than 12 months in prior periods that were previously recorded on our Consolidated Balance Sheets as a component of non-current deferred revenue and were reclassified in the current period as deferred revenue, current and therefore does not always reflect billings that occurred in the period;
- total billings can include fees paid for license terms greater than 12 months and for subscription renewals prior to the expiration of the current subscription term and, therefore, do not always closely match with the timing of delivery of support, maintenance and hosting services and the costs associated with delivering those services;
- changes to the composition of current period short-term billings and total billings may impact the correlation of current period short-term billings and total billings to future period revenues;
- short-term billings and total billings would not exclude any agreements that contain customer acceptance provisions or other contractual contingencies that would require deferral of revenue required under GAAP; and
- other companies, including companies in our industry, may not use short-term billings or total billings, may calculate non-GAAP measures differently or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP measures as comparative measures.

We consider short-term billings and total billings to be significant performance measures and leading indicators of future recognized revenue based on our business model of billing for subscription licenses annually and recognizing revenue ratably over the subscription term. The billings we record in any particular period reflect sales to new customers plus subscription renewals and upsell to existing customers, and represent amounts invoiced for product license fees and professional services. We typically invoice our customers for subscription fees in annual increments upon initiation of the initial contract or subsequent renewal. In addition, we also enter into arrangements with customers to purchase subscriptions for a term greater than 12 months, most typically 36 months. For subscriptions greater than 12 months, the customer has the option of being invoiced annually or paying for the full term of the subscription at the time the contract is signed. If the customer elects to pay the full multi-year amount at the time the contract is signed, the total amount billed for the entire term will be reflected in total billings; but only the amount that will be recognized as revenue in the following 12 month period would be included in short-term billings until the portion of the total billings beyond 12 months is subsequently reclassified from non-current deferred revenue to deferred revenue, current in a future period. However, if the customer elects to be invoiced annually for a multi-year contract, only the amount billed for the 12-month period will be included in both short-term billings and total billings. The portion of subscription terms under contract and not yet invoiced is considered backlog and is not reflected on our Consolidated Balance Sheets as deferred revenue.

As of December 31, 2015 and 2014, we had backlog of approximately \$50.1 million and \$43.7 million, respectively. Of the \$50.1 million in backlog as of December 31, 2015, approximately 79% is expected to be billed within 2016 and approximately 31% is expected to be recognized as revenue within 2016.

Billings for consulting services can occur either on a time and materials or fixed fee basis. Billings for time and materials contracts typically occur on a bi-weekly basis as the services are delivered. Billings for fixed fee contracts are typically billed 100% at the beginning of the contract or 50% upon either signing or initiation of the project and 50% upon completion of the project.

The increases in short-term billings in the periods presented were primarily driven by the addition of new customers and increased upsell of our products to existing customers. The reduced growth in short-term billings in 2015 compared to 2014 was a result of increased competitive pressures, lower renewal rates, and changes made in our sales organization and their go-to-market efforts.

The decrease in total billings in 2015 compared to 2014 was primarily driven by a decrease in customers electing multi-year terms where the full amount was billed up front as well as increased competitive pressures, lower renewal rates, and changes made in our sales organization and their go-to-market efforts.

The increase in total billings in 2014 compared to 2013 was primarily due to increased upsell of our products to existing customers, the addition of new customers and increased billings generated from customers electing multi-year terms where the full amount was billed up front.

#### ***Jive Platform Customers***

We define the number of our platform customers at the end of any given measurement period by counting each customer under an active contract for our Jive Platform products that carries a balance in our deferred revenue account at the end of that period. While a single customer may have multiple internal and external communities to support distinct departments, operating segments or geographies, we only include that customer once for purposes of this metric. We believe the number of Jive Platform customers is a leading indicator of our future revenues, billings and upsell opportunities.

Our Jive Platform customer count was as follows:

	December 31,		Change	% Change
	2015	2014		
Jive Platform customer count	993	950	43	4.5%

	December 31,		Change	% Change
	2014	2013		
Jive Platform customer count	950	876	74	8.4%

Our product revenue growth was 11.1% and 23.3%, respectively, in 2015 compared to 2014 and in 2014 compared to 2013. Our product revenues have grown at a faster rate than our customer count as we have continued to realize significant upsell opportunities with our existing customers.

Our customer count growth decreased in 2015 compared to 2014 due to increased competitive pressures, lower renewal rates, and changes made in our sales organization and their go-to-market efforts.

#### **Components of Results of Operations**

##### ***Revenues***

We generate revenues primarily in the form of software subscription fees and professional services for strategic consulting, upgrade services, configuration, implementation and other services related to our software. We offer our products with subscription terms typically ranging from 12 to 36 months. In addition to license fees for our platform, our revenues include fees for sales of modules, premium support offerings, additional users and page views. While subscription-based licenses make up the substantial majority of our product revenues, in certain instances we license our software to customers on a perpetual basis, with ongoing support and maintenance services. Revenues generated through the sale of subscription licenses also include fees, embedded in the total license fee, for updates and maintenance. We recognize revenue from professional services ratably over the subscription term when they are bundled with a subscription license, because we do not have vendor-specific objective evidence (“VSOE”) of fair value for all of our undelivered elements, including support and professional services. When professional services are sold on a standalone basis, the contract revenue is recognized as the services are delivered. These amounts, when recognized, are classified as professional services revenues on our consolidated statements of operations based on the hourly rates at which they are billed.

***Cost of Revenues***

Cost of product revenues includes all direct costs to produce and distribute our product offerings, including data center and support personnel, depreciation and maintenance related to equipment located at our hosting service providers and in our Jive managed data centers, salaries, amortization related to capitalized software development costs, rent expense for our data centers, web hosting services expense for cloud implementations, third-party royalty costs, benefits, amortization of acquired intangible assets and stock-based compensation. We recognize expense related to cost of revenues as they are incurred, while the associated product revenues are recognized ratably over the subscription term.

Cost of professional services revenues includes all direct costs to provide our professional services, which primarily include salaries, benefits and stock-based compensation for our professional services personnel, as well as third-party sub-contracting and outside services fees. We recognize expenses related to our professional services organization as they are incurred, while the majority of associated professional services revenues are recognized ratably over the subscription term.

Cost of revenues also includes allocated overhead costs for facilities and information technology. Allocated costs for facilities consist of rent and depreciation of equipment and leasehold improvements related to our facilities. Our allocated costs for information technology include costs for compensation of our information technology personnel and the cost associated with our information technology infrastructure. Our overhead costs are allocated to all departments based on headcount.

We expect that cost of revenues may increase in the future depending on the growth rate of our new customers and billings and our need to support the implementation, hosting and support of those new customers. We also expect that cost of revenues as a percentage of total revenues could fluctuate from period to period depending on growth of our services business and any associated costs relating to the delivery of services, the timing of sales of products that have royalties associated with them, the amount and timing of amortization of intangibles from acquisitions and capitalized software development costs and the timing of significant expenditures. Additionally, we expect professional services gross margin to continue to be negative throughout 2016 as we continue to focus our professional services organization on strategic consulting, user adoption and enablement.

***Research and Development***

Research and development costs include salaries, benefits and stock-based compensation for our engineers and developers, allocated facilities costs and payments to third parties for research and development of new software. We focus our research and development efforts on developing new versions of our platform with new and expanded features and enhancing the ease of use of our platform.

Through the third quarter of 2014, we capitalized costs to develop internal-use software during the application development stage. In the third quarter of 2014, management developed a substantive plan to repurpose the in-process development into our existing software platform and new software products. As a result of this decision, the associated capitalized internal-use software costs became governed by the accounting standards related to development costs for software to be sold. As such, subsequent to July 2014, we no longer capitalize costs related to internal-use software and we account for our current capitalized costs as development costs for software to be sold.

Software development costs incurred subsequent to establishing technological feasibility through the general release of the software products are capitalized. Technological feasibility is demonstrated by the completion of a detailed program design or, working model if no program design is completed. Historically, technological feasibility has occurred concurrently with the commercial release of our products and as a result we have not capitalized software development costs. We do not anticipate capitalizing material software development costs in future periods.

The software development costs are being amortized on a straight-line basis over their estimated useful life and recorded as a component of cost of product revenues. We begin amortizing the associated capitalized costs upon each product's or enhancement's release. Through December 31, 2015, we released products and enhancements related to \$5.1 million of the capitalized costs. We anticipate the remaining products and enhancements related to the capitalized costs to be commercially released through the first half of 2017.

We make ongoing evaluations of the recoverability of our capitalized software by comparing the amount of capitalized software development costs for each product to the estimated net realizable value. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, we write off the amount by which the unamortized software development costs exceed net realizable value. There was no impairment charge related to capitalized software development costs during the years ended December 31, 2015 or 2014.

Capitalized computer software development costs consisted of the following (in thousands):

	December 31,	
	2015	2014
Capitalized software development costs	\$ 8,981	\$ 8,981
Accumulated amortization	(2,077)	(65)
	<u>\$ 6,904</u>	<u>\$ 8,916</u>

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

Sales and marketing expenses primarily consist of salaries, incentive compensation and benefits, travel expense, marketing program fees, partner referral fees and stock-based compensation. Sales incentive compensation is recorded as earned as a component of sales and marketing expense. Sales incentive compensation is generally earned at the time a customer enters into a binding purchase agreement while associated revenue is recognized ratably over the subscription term. In addition, sales and marketing expenses include customer acquisition marketing, branding, advertising, customer events and public relations costs, as well as allocated facilities costs. We plan to continue investing in sales and marketing to expand our global operations, increase revenues from current customers, build brand awareness and expand our indirect sales channel.

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

General and administrative expenses primarily consist of salaries, benefits and stock-based compensation for our executive, finance, legal, information technology, human resources and other administrative employees. In addition, general and administrative expenses include legal and accounting services, outside consulting, facilities and other supporting overhead costs not allocated to other departments.

#### ***Other Income (Expense), Net***

Other income (expense), net consists primarily of interest expense on our outstanding debt and foreign exchange gains and losses, as well as income related to our investments. Included in other income for 2015 is a gain related to the disgorgement of profits from a stockholder to us in settlement of a claim under Section 16(b) of the Exchange Act.

#### ***Provision For (Benefit From) Income Taxes***

Provision for (benefit from) income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign tax jurisdictions. Since we have generated net losses, we have placed a valuation allowance against any potential future benefits for loss carryforwards and research and development and other tax credits.

#### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. These principles require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, cash flow and related disclosure of contingent assets and liabilities. Our estimates include those related to revenue recognition, stock-based compensation, recoverability of property and equipment and other long-lived assets, including goodwill, and accounting for income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

We believe that of our significant accounting policies, which are described in Note 2 of Notes to Consolidated Financial Statements included in this Form 10-K, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, we believe these are the most critical to fully understand and evaluate our financial condition and results of operations.

### **Revenue Recognition**

We generate revenues in the form of product fees and related professional service fees. Product fees include subscription fees, perpetual license fees, associated support and maintenance fees and hosting fees. Professional services primarily consist of fees for strategic consulting, configuration, training, consultation and implementation services, which are not essential to functionality. For statement of operations classification purposes, we allocate revenues to professional services based on the hourly rate billed for time and materials arrangements and based on the total fixed fee for fixed fee professional services. We recognize revenue when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the product or services have been delivered to the customer;
- the amount of fees to be paid by the customer is fixed or determinable; and
- the collection of the related fees is reasonably assured.

Signed agreements are used as evidence of an arrangement. If a contract signed by the customer does not exist, we have historically used a purchase order as evidence of an arrangement. In cases where both a signed contract and a purchase order exist, we consider the signed contract to be the final persuasive evidence of an arrangement. Software and corresponding license keys are delivered to customers electronically. Electronic delivery occurs when we provide the customer with access to the software. We assess whether a fee is fixed or determinable at the outset of the arrangement, primarily based on the payment terms associated with the transaction. We do not generally offer extended payment terms with typical terms of payment due between 30 and 60 days from delivery of product or services. For professional services that are billable under a time and materials based arrangement, these fees are neither fixed nor determinable until the work is performed and the fee becomes billable to the customer. We assess collectability of the customer receivable based on a number of factors such as collection history with the customer and creditworthiness of the customer. If we determine that collectability is not reasonably assured, revenue is deferred until collectability becomes reasonably assured, generally upon receipt of cash.

We offer subscriptions of our solutions to customers most frequently on a term basis with terms typically ranging from 12 to 36 months. While term-based licenses make up the majority of our total revenues, we have occasionally licensed our solutions to customers on a perpetual basis with on-going support and maintenance services. We recognize license revenue in accordance with software industry specific guidance. Revenues related to term license fees are recognized ratably over the contract term beginning on the date the customer has access to the software license key and continuing through the end of the contract term. For term-based licenses, we do not charge separately for standard support and maintenance, and, therefore, inherent in the license fees are fees for support and maintenance services for the duration of the license term. As fees for support and maintenance are always bundled with the license over the entire term of the contract, we do not have VSOE of fair value for support and maintenance. Revenues generated from perpetual license sales also include support and maintenance services for an initial stated term, both the perpetual license and support and maintenance are recognized ratably over the initial stated term. We do not have VSOE of fair value for support and maintenance on perpetual licenses as we have not had sufficient, consistently-priced standalone sales of support and maintenance, nor have we offered substantive renewal rates for support and maintenance. Additionally, customers who have purchased perpetual licenses to the base platform have historically also purchased term-based subscriptions to certain of our modules. We do not have VSOE of fair value for either the support and maintenance on the perpetual license or the module and, therefore, revenue is recognized ratably over the longer of the initial maintenance term for the perpetual license or the term for the subscription elements.

In situations where we have contractually committed to an individual customer specific technology, we defer all of the revenue for that customer until the technology is delivered and accepted. Once delivery occurs, we record a cumulative revenue catch-up and then recognize the remaining revenue over the remaining contract term.

License arrangements may also include professional services, such as strategic consulting, installation, upgrades and training services, which are typically delivered early in the contract term. This combination of products and services represents a multiple-element arrangement for revenue recognition purposes. We have determined that we do not have VSOE of fair value for each element of a multiple-element sales arrangement and, accordingly, we account for fees received under that multiple-element arrangement as a single unit of accounting and recognize the fees for the entire arrangement ratably, commencing on delivery of the software, over the longer of the term of the support and maintenance or the period over which professional services are delivered. Support and maintenance is always the last undelivered element in the arrangement and, therefore, we recognize the fixed portion of the fees ratably over the support and maintenance term. For contracts with multiple elements, we recognize the license, support and maintenance, and fixed fee professional service revenue ratably over the term of the arrangement beginning upon delivery of the software. We believe this method most closely reflects the economics of the transaction as we deliver access to the software and we begin providing support and maintenance services as of the date the software is delivered.

Professional services are offered on both our fixed fee and our time and materials hourly billing arrangements. For time and materials-based professional services that are part of a multiple-element arrangement where the fees for the professional services are not fixed or determinable upon delivery of the software, revenue is recognized ratably over the contract term as the related fees become fixed. These fees are not considered fixed at the outset of the arrangement and become fixed as the related work is performed and the fees are earned and billed. These services are typically provided early in the contract term with completion typically occurring in the first six months. As these fees become fixed, they are added to the total fee for the multiple-element arrangement and recognized ratably with all other arrangement fees over the entire contract term. When billed, a cumulative revenue catch-up is calculated as the revenue earned from the date the software was made available to the customer to the date services have been completed, with recognition continuing ratably to the end of the contract term. These amounts, when recognized in our Consolidated Statements of Operations, are classified as professional services revenues based on the hourly rates at which they are billed. If there are significant acceptance clauses associated with the license or services or uncertainty associated with our ability to perform the professional services, revenues are deferred until the acceptance is received or the uncertainty is resolved. We record amounts that have been invoiced, in accordance with the terms of the agreement, in accounts receivable and in deferred revenues or revenues, depending on whether the revenue recognition criteria have been met.

Hosting revenues are derived from providing our software solutions in a hosted environment where the customer does not take possession of the software on their premises. With the exception of Jive Cloud, customers have the option to elect to take possession of the software and install on their premises or sub-contract the hosting services through us. Such arrangements are considered software sales as the customer has the same rights to the software license regardless of their election to have us host on their behalf or install on their premises. As a result, the fees associated with license, support and hosted services are recognized as revenue ratably over the term of the arrangement. For Jive Cloud licensing arrangements, customers do not have the right to take possession of the software supporting the cloud-based application service at any time.

We occasionally sell professional services separately and recognize revenues resulting from those as professional services are performed. If there is a significant uncertainty about the project completion or receipt of payment for the consulting services, revenues are deferred until the uncertainty is resolved. If acceptance provisions exist within a professional services arrangement, revenues will be deferred until the services are accepted, the acceptance period has expired or cash is received from the customer.

Our policy is to record revenues net of any applicable sales, use or excise taxes.

#### ***Goodwill***

Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and intangible assets of acquired entities. We perform a goodwill impairment test annually during the fourth quarter of our fiscal year and more frequently if an event or circumstance indicates that an impairment may have occurred. Such events or circumstances may include significant adverse changes in the general business climate, among other things. We may first make a qualitative assessment to determine whether it is more likely than not that goodwill is impaired before applying the two-step goodwill impairment test. We elected to forgo the qualitative assessment, and proceed to the first step of the test for goodwill impairment. Step one of the impairment test is performed by determining the reporting unit's fair value based on estimated discounted future cash flows and considering the estimated fair market value of our common stock. We have determined that we have one reporting unit, which represents the activities of the entire company. If the reporting unit's carrying value is less than its fair value, then the fair value is allocated to the reporting unit's assets and liabilities (including any unrecognized intangible assets) as if the fair value was the purchase price to acquire us. The excess of the fair value over the amounts assigned to our assets and liabilities is the implied fair value of the goodwill. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

Goodwill was \$29.8 million as of December 31, 2015 and 2014 relates to our acquisitions of Clara and StreamOnce in 2013, Producteev and Meetings.io in 2012, OffiSync in 2011 and Filtrbox in 2010. Our impairment tests performed in the fourth quarter of 2015, 2014 and 2013 did not indicate any impairment of goodwill as the fair value of our business substantially exceeded its carrying value in all periods presented.

***Valuation of Capitalized Software Development Costs***

We make ongoing evaluations of the recoverability of our capitalized software development costs by comparing the amount capitalized to its estimated net realizable value. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, we write off the amount by which the unamortized software development costs exceed net realizable value. Any resulting impairment loss could have a material adverse impact on our financial position and results of operations. There was no impairment charge related to capitalized software during the years ended December 31, 2015, 2014 and 2013. We amortize capitalized software development costs ratably based on the projected revenues associated with the related software or on a straight-line basis over two years, whichever method results in a higher level of amortization. Amortization of capitalized software development costs is included in the cost of product revenues in the consolidated statements of operations.

***Deferred Tax Asset Valuation Allowance***

We record deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Deferred tax assets are reduced by a valuation allowance when it is estimated to become more likely than not that a portion of the deferred tax assets will not be realized. Accordingly, we currently maintain a full valuation allowance against our net deferred tax assets, with the exception of deferred tax liabilities related to the amortization of goodwill for tax purposes. The valuation allowance totaled \$121.7 million and \$107.5 million, respectively, as of December 31, 2015 and 2014.

***Uncertainty in Income Taxes***

We recognize the effect of income tax positions only if those positions are “more likely than not” of being sustained. Interest and penalties accrued on unrecognized tax benefits are recorded as tax expense within our consolidated financial statements. At December 31, 2015, we had total net unrecognized tax benefits of \$0.5 million. Only \$0.4 million of the unrecognized tax benefits would have an impact on the effective tax rate if recognized. The interest and penalties accrued on unrecognized tax benefits were insignificant.

***Stock-Based Compensation***

We measure and recognize compensation expense for all share-based payment awards granted to our employees and directors, including stock options, restricted stock and purchases under our employee stock purchase plan, based on the estimated fair value of the award on the grant date. We use the Black-Scholes-Merton valuation model to estimate the fair value of stock option awards. The fair value is recognized as expense, net of estimated forfeitures, over the requisite service period, which is generally four years.

Stock-based compensation expense is recognized for performance-based restricted stock awards based on the probability of achieving the performance criteria. We estimate the number of performance-based restricted stock awards ultimately expected to vest and recognize over the requisite service period, which is generally the vesting period of the respective award.

The determination of the grant date fair value of options using an option-pricing model is affected by our common stock fair value, as well as assumptions regarding a number of other complex and subjective variables, including our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates and expected dividends.

If any of the assumptions used in the Black-Scholes-Merton model changes significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously.

We account for stock options issued to non-employees based on the estimated fair value of the awards using the Black-Scholes-Merton option pricing model. The measurement of stock-based compensation is subject to quarterly adjustments as the underlying equity instruments vest and the resulting change in fair value is recognized in our consolidated statement of operations during the period the related services are rendered.

**Results of Operations**

<b>(In thousands, except per share amounts)</b>	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Consolidated Statements of Operations Data<sup>(1)</sup></b>			
Revenues:			
Product	\$ 180,172	\$ 162,185	\$ 131,507
Professional services	15,621	16,508	14,256
Total revenues	195,793	178,693	145,763
Cost of revenues:			
Product	49,816	43,494	37,419
Professional services	22,378	23,179	17,873
Total cost of revenues	72,194	66,673	55,292
Gross profit:			
Product	130,356	118,691	94,088
Professional services	(6,757)	(6,671)	(3,617)
Total gross profit	123,599	112,020	90,471
Operating expenses:			
Research and development	52,818	52,275	55,742
Sales and marketing	78,684	90,141	86,083
General and administrative	26,708	24,633	24,613
Total operating expenses	158,210	167,049	166,438
Loss from operations	(34,611)	(55,029)	(75,967)
Total other income (expense), net <sup>(2)</sup>	1,009	14	(414)
Loss before income taxes	(33,602)	(55,015)	(76,381)
Provision for (benefit from) income taxes <sup>(3)</sup>	1,251	1,138	(1,010)
Net loss	\$ (34,853)	\$ (56,153)	\$ (75,371)
Basic and diluted net loss per common share	\$ (0.46)	\$ (0.79)	\$ (1.12)
Shares used in per share calculations	75,217	70,751	67,381

(1) Stock-based compensation was included in our Consolidated Statements of Operations data as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Cost of revenues	\$ 3,029	\$ 4,276	\$ 3,450
Research and development	7,078	10,642	14,133
Sales and marketing	3,775	10,852	10,614
General and administrative	6,423	7,138	6,557
Total stock-based compensation	\$ 20,305	\$ 32,908	\$ 34,754

(2) Total other income (expense), net in 2015 includes \$1.1 million we received from a stockholder in settlement of a claim under Section 16(b) of the Exchange Act.

(3) Provision for (benefit from) income taxes in 2013 includes tax benefits of \$1.4 million related to the release of valuation allowance on our deferred tax assets in connection with our acquisitions of StreamOnce, Meetings.io, Producteev and OffiSync. See Note 10 of Notes to Consolidated Financial Statements.

**Revenues**

(Dollars in thousands)	Year Ended December 31,		Dollar Change	% Change
	2015	2014		
Product	\$ 180,172	\$ 162,185	\$ 17,987	11.1 %
Professional services	15,621	16,508	(887)	(5.4)%
Total revenues	\$ 195,793	\$ 178,693	\$ 17,100	9.6 %

(Dollars in thousands)	Year Ended December 31,		Dollar Change	% Change
	2014	2013		
Product	\$ 162,185	\$ 131,507	\$ 30,678	23.3 %
Professional services	16,508	14,256	2,252	15.8 %
Total revenues	\$ 178,693	\$ 145,763	\$ 32,930	22.6 %

**Product Revenues**

The increases in product revenues in 2015 compared to 2014 and in 2014 compared to 2013 were primarily the result of a 3% and a 6% increase, respectively, in the average annual subscription value and increases in the aggregate number of customers on the Jive Platform, which increased by 43 and 74 customers, net, in 2015 and 2014, respectively. The increases in the average annual subscription value were primarily driven by upsell to existing customers. The average new customer initial contract size remained consistent in 2015 compared to 2014 and in 2014 compared to 2013.

Certain information regarding our revenues was as follows:

	Year Ended December 31,		
	2015	2014	2013
Dollar value of total revenues generated in the U.S.	\$143.8 million	\$135.9 million	\$112.7 million
Percentage of total revenues generated in the U.S.	73.5%	76.0%	77.3%
Product revenues from public cloud deployments as a percentage of total product revenues	67.3%	67.7%	64.1%
Product revenues from private cloud deployments as a percentage of total product revenues	32.7%	32.3%	35.9%
Percentage of Jive Social Business Platform revenues that represented internally focused communities	76.2%	73.6%	71.1%
Percentage of Jive Social Business Platform revenues that represented externally focused communities	23.8%	26.4%	28.9%

Renewal rates, excluding upsell, were below 90% for transactions over \$50,000 in 2015 and were above 90% in 2014 and 2013.

**Professional Services Revenues**

The decrease in professional services revenues in 2015 compared to 2014 was primarily due to a decrease in standalone services sold during 2015. Professional services revenues as a percentage of product revenues decreased slightly in 2015 compared to 2014. We expect this percentage to experience minor fluctuations as we focus our professional services organization on migrating existing customers to the Jive Cloud, which requires less customization work to implement.

The increase in professional services revenues in 2014 compared to 2013 was primarily due to the increase in the number of customers on the Jive Platform, as well as the increase in professional services revenues related to version upgrade services and strategic consulting for existing customers. Professional services revenues as a percentage of product revenues remained relatively consistent in 2014 compared to 2013, decreasing less than one percentage point.

We offer professional services as both standalone and bundled services. When sold as standalone services, the contract revenue is recognized as the services are delivered. For our bundled services, the amounts are recognized ratably over the subscription term of which they are bundled with. Standalone professional services revenues decreased \$0.9 million in 2015 compared to 2014 and increased \$1.0 million in 2014 compared to 2013.

**Cost of Revenues and Gross Margins**

**Cost of Revenues: Product**

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2015	2014		
Cost of revenues: product	\$ 49,816	\$ 43,494	\$ 6,322	14.5%
Product gross margin	72.4%	73.2%		

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2014	2013		
Cost of revenues: product	\$ 43,494	\$ 37,419	\$ 6,075	16.2%
Product gross margin	73.2%	71.5%		

The increases in cost of revenues for products in 2015 compared to 2014 and in 2014 compared to 2013 were primarily due to the increases in product revenues and included the following:

- a \$2.2 million increase in third-party hosting services in 2015 compared to 2014;
- a \$1.9 million increase in capitalized software amortization in 2015 compared to 2014;
- a \$1.5 million and a \$0.4 million increase, respectively, in subscription services;
- a \$1.4 million and a \$2.8 million increase, respectively, in salaries and benefits;
- a \$0.8 million and a \$1.8 million increase, respectively, in third-party royalties;
- a \$0.7 million increase in overhead costs allocated to cost of revenues for products based on relative headcount in 2015 compared to 2014;
- a \$0.4 million increase in stock-based compensation in 2014 compared to 2013; and
- a \$0.4 million and a \$0.7 million increase, respectively, in rent expense.

The increase in costs of revenues for products in 2015 compared to 2014 was partially offset by a \$1.7 million decrease in depreciation expense, a \$0.8 million decrease in stock-based compensation and a \$0.1 million decrease in other miscellaneous costs.

**Cost of Revenues: Professional Services**

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2015	2014		
Cost of revenues: professional services	\$ 22,378	\$ 23,179	\$ (801)	(3.5)%
Professional services gross margin	(43.3)%	(40.4)%		

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2014	2013		
Cost of revenues: professional services	\$ 23,179	\$ 17,873	\$ 5,306	29.7 %
Professional services gross margin	(40.4)%	(25.4)%		

The decrease in cost of revenues for professional services in 2015 compared to 2014 was primarily due to:

- a \$1.0 million decrease in consulting fees;
- a \$0.5 million decrease in stock-based compensation; and
- a \$0.2 million decrease in other miscellaneous costs.

The decrease in cost of revenues for professional services in 2015 compared to 2014 was partially offset by a \$0.6 million increase in salaries and benefits and a \$0.3 million increase in overhead costs allocated to cost of revenues for professional services based on relative headcount.

The increase in cost of revenues for professional services in 2014 compared to 2013 was primarily due to:

- a \$2.8 million increase in salaries and benefits;
- a \$1.7 million increase in consulting fees;

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- a \$0.4 million increase in stock-based compensation; and
- a \$0.4 million increase in other miscellaneous costs.

The decrease in professional services gross margin in 2015 compared to 2014 was primarily due to a decrease in standalone professional services revenue.

The decrease in professional services gross margin in 2014 compared to 2013 was primarily due to a decrease in billable utilization as we continued to shift the focus of our professional services organization to strategic consulting, user adoption and enablement, and customer migrations to Jive Cloud. The improved standard functionality of our offerings has resulted in the need for fewer technical customizations. In addition, an increase in consulting fees has negatively impacted gross margin, as our net realizable margins are lower when utilizing third-parties to manage our services backlog.

**Research and Development**

<u>(Dollars in thousands)</u>	<u>Year Ended December 31,</u>		<u>Dollar</u> <u>Change</u>	<u>% Change</u>
	<u>2015</u>	<u>2014</u>		
Research and development	\$ 52,818	\$ 52,275	\$ 543	1.0 %
Percentage of total revenues	27.0%	29.3%		

<u>(Dollars in thousands)</u>	<u>Year Ended December 31,</u>		<u>Dollar</u> <u>Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>		
Research and development	\$ 52,275	\$ 55,742	\$ (3,467)	(6.2)%
Percentage of total revenues	29.3%	38.2%		

The increase in research and development expenses in 2015 compared to 2014 was primarily due to:

- a \$1.5 million increase in salaries and benefits;
- a \$1.2 million increase in overhead costs allocated to research and development based on relative headcount;
- a \$0.7 million increase in consulting fees;
- a \$0.5 million increase in third-party hosting services; and
- a \$0.2 million increase in other miscellaneous costs.

The increase in research and development expenses noted above in 2015 compared to 2014 was partially offset by a \$3.6 million decrease in stock-based compensation.

The decrease in research and development expenses in 2014 compared to 2013 was primarily due to:

- a \$3.5 million decrease in stock-based compensation;
- a \$0.7 million decrease in third-party consulting fees;
- a \$0.4 million decrease in overhead allocations based on relative headcount;
- a \$0.2 million decrease in subscription services; and
- a \$0.4 million decrease in other miscellaneous costs.

The decrease in research and development expenses in 2014 compared to 2013 was partially offset by a \$1.7 million increase in salaries and benefits. In addition, excluded from 2014 and 2013 was \$5.9 million and \$3.1 million, respectively, of capitalized software development costs that would have otherwise been salaries and benefits expenses.

In the third quarter of 2014, our management developed a substantive plan to repurpose the in-process capitalized software development into our existing software platform and new software products. As a result of this decision, the associated capitalized internal-use software costs became governed by the accounting standards related to capitalized software development costs in the third quarter of 2014. Subsequent to July 2014, we no longer capitalized these costs.

**Sales and Marketing**

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2015	2014		
Sales and marketing	\$ 78,684	\$ 90,141	\$ (11,457)	(12.7)%
Percentage of total revenues	40.2%	50.4%		

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2014	2013		
Sales and marketing	\$ 90,141	\$ 86,083	\$ 4,058	4.7 %
Percentage of total revenues	50.4%	59.1%		

The decrease in sales and marketing expenses in 2015 compared to 2014 was primarily due to:

- a \$7.1 million decrease in stock-based compensation;
- a \$4.2 million decrease in general marketing expense by not holding our user conference, JiveWorld, in 2015;
- a \$2.1 million decrease in salaries and benefits;
- a \$1.3 million decrease in third party commissions; and
- a \$0.4 million decrease in other miscellaneous costs.

The decrease in sales and marketing expenses in 2015 compared to 2014 was partially offset by:

- a \$2.4 million increase in consulting fees;
- a \$0.7 million increase in overhead costs allocated to sales and marketing based on relative headcount; and
- a \$0.5 million increase in subscription services.

The increase in sales and marketing expenses in 2014 compared to 2013 was primarily due to:

- a \$3.1 million increase in salaries and benefits;
- a \$0.7 million increase in general marketing expense;
- a \$0.4 million increase in other miscellaneous costs;
- a \$0.3 million increase in third-party consulting fees; and
- a \$0.2 million increase in stock-based compensation.

The increase in sales and marketing expense in 2014 compared to 2013 was partially offset by a \$0.6 million decrease in subscription services.

**General and Administrative**

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2015	2014		
General and administrative	\$ 26,708	\$ 24,633	\$ 2,075	8.4%
Percentage of total revenues	13.6%	13.8%		

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2014	2013		
General and administrative	\$ 24,633	\$ 24,613	\$ 20	0.1%
Percentage of total revenues	13.8%	16.9%		

The increase in general and administrative expenses in 2015 compared to 2014 was primarily due to:

- a \$2.3 million increase in salaries and benefits;
- a \$1.1 million increase in third-party recruiting fees;
- a \$0.8 million increase in consulting fees;
- a \$0.6 million increase in other miscellaneous costs;

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- a \$0.4 million increase in subscription services;
- a \$0.2 million increase in legal fees;
- a \$0.2 million increase in property taxes; and
- a \$0.2 million increase in depreciation expense.

This increase in general and administrative expenses in 2015 compared to 2014 increases was partially offset by \$3.0 million decrease in overhead costs allocated to general and administrative expenses based on relative headcount and a \$0.7 million decrease in stock-based compensation.

The increase in general and administrative expenses in 2014 compared to 2013 was primarily due to:

- a \$1.1 million increase in salaries and benefits;
- a \$0.8 million increase in rent expense and property taxes; and
- a \$0.6 million increase in stock-based compensation.

The increase in general and administrative expenses in 2014 compared to 2013 was partially offset by:

- a \$0.9 million decrease in legal fees;
- a \$0.8 million decrease in third-party recruiting fees;
- a \$0.4 million decrease in IT supplies; and
- a \$0.2 million decrease in other miscellaneous costs.

**Other Income (Expense), net**

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2015	2014		
Other income, net	\$ 1,009	14	995	NM
Percentage of total revenues	0.5%	—%		

<u>(Dollars in thousands)</u>	Year Ended December 31,		Dollar Change	% Change
	2014	2013		
Other income (expense), net	\$ 14	\$ (414)	\$ 428	(103.4)%
Percentage of total revenues	—%	0.3%		

The improvement in other income, net in 2015 compared to 2014 was primarily due to a \$1.1 million disgorgement of profit from a stockholder to us in connection with the settlement of a claim under Section 16(b) of the Exchange Act, partially offset by a decrease in interest income from marketable securities.

The improvement in other income (expense), net in 2014 compared to 2013 was primarily due to an increase in foreign currency gains, partially offset by a decrease in interest income from marketable securities.

**Provision For (Benefit From) Income Taxes**

<u>(Dollars in thousands)</u>	Year Ended December 31,		
	2015	2014	2013
Provision for (benefit from) income taxes	\$ 1,251	\$ 1,138	\$ (1,010)
Percentage of loss before income taxes	3.7%	2.1%	1.3%

In 2015, 2014 and 2013, we recorded income taxes that were principally attributable to state and foreign taxes. The 2014 provision for income taxes also includes a \$0.5 million charge related to our Israeli tax examination.

In 2013, in connection with an acquisition, a deferred tax liability of \$1.4 million was established for the book and tax basis difference related to specifically identified non-goodwill intangibles. The net liability from the acquisition created an additional source of income to utilize our deferred tax assets and, therefore, a like amount of the valuation allowance was released and was recorded as a benefit from income taxes in the Consolidated Statements of Operations.

We believe that the recognition of the deferred tax assets arising from future tax benefits as a result of our losses before provision

for income taxes is not more likely than not to be realized. We therefore continued to record valuation allowances against our deferred tax assets and, accordingly, benefits generated related to losses were offset by increases in the valuation allowance.

## Liquidity and Capital Resources

<u>(Dollars in thousands)</u>	Year Ended December 31,		
	2015	2014	2013
Cash flows provided by (used in) operating activities	\$ 295	\$ (9,657)	\$ (2,978)
Cash used in investing activities	(10,064)	(7,802)	(10,975)
Cash provided by (used in) financing activities	(1,006)	(484)	3,473
Decrease in cash and cash equivalents	\$ (10,775)	\$ (17,943)	\$ (10,480)

We have financed our operations primarily through issuances of preferred stock, borrowings under our credit facility, cash generated from customer sales and the proceeds from our initial public offering (“IPO”), which closed on December 16, 2011.

Our principal source of liquidity at December 31, 2015 consisted of \$9.9 million of cash and cash equivalents, \$96.4 million of short-term marketable securities and \$6.4 million of non-current marketable securities. As of December 31, 2015, \$3.2 million of our cash was held in foreign bank accounts. Our principal needs for liquidity include funding of our operating losses, working capital requirements, capital expenditures, debt service and acquisitions. We believe that our available resources are sufficient to fund our liquidity requirements for at least the next 12 months from December 31, 2015.

Free cash flow, which we define as cash flows provided by operating activities minus cash flows used for the purchase of property and equipment, was negative \$6.2 million in 2015.

### *Cash Flows from Operating Activities*

Cash flows provided by operating activities were \$0.3 million in 2015 compared to cash flows used in operating activities of \$9.7 million in 2014. The increase in cash flows generated from operating activities primarily resulted from a decrease in accounts receivable and a lower net loss, which were partially offset by a decrease in deferred revenue. Changes to our operating cash flows are historically impacted by the growth in our calculated total billings and our ability to maintain or improve the timeframe to collect the cash from outstanding accounts receivable, or days billings outstanding, offset by funding our growth and working capital needs.

The \$0.3 million of cash provided by operating activities in 2015 resulted from our net loss of \$34.9 million, more than offset by net non-cash charges of \$35.2 million. Net cash provided by operating activities during 2015 increased \$10.0 million over 2014 primarily due to higher collections than in the prior year and a decrease in net loss. Additionally, the timing of payments against accounts payable contributed to the increase.

### *Cash Flows from Investing Activities*

Our primary investing activities have consisted of purchases of investments and purchases of property and equipment, primarily related to the build out of our data centers and leased facilities. We utilized \$10.1 million in net investing activities in 2015, which included \$6.5 million used for purchases of property and equipment and \$3.6 million used for purchases of marketable securities, net of maturities and sales.

### *Cash Flows from Financing Activities*

Our financing activities have consisted primarily of repayments under our revolving credit facilities and the net proceeds from the issuance of our common stock from employee option exercises and equity awards. Cash used in financing activities of \$1.0 million in 2015 resulted from \$2.4 million in principal payments on our term debt and \$1.1 million in taxes paid related to the net settlement of equity awards, partially offset by a \$1.1 million disgorgement of profit by a stockholder to us and \$1.3 million in cash receipts related to stock option exercises.

## Debt Arrangements

### *Term Loan*

We have a secured revolving loan facility and term loan facility of up to \$30.0 million. Revolving loans may be converted into term loans under the facility, with all outstanding term loans reducing the availability under the revolving loan facility. Interest is accrued, at our option, at (i) an adjusted LIBOR rate, plus a margin of 2.0% or 2.25%, or (ii) the prime rate, plus a margin of 0.25% or 0.50%, in each case with such margin determined based on our adjusted quick ratio.

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Repayment began July 1, 2012, and is payable in 16 quarterly installments. Each of the installment payments is \$0.6 million, plus accrued interest. At December 31, 2015, we had \$0.7 million of outstanding letters of credit and no revolving loans outstanding, \$3.6 million of term loans outstanding at an interest rate of 2.48% and we were in compliance with all financial and restrictive covenants.

### Contractual Payment Obligations

A summary of our contractual commitments and obligations as of December 31, 2015 is as follows (in thousands):

<u>Contractual Obligation</u>	<u>Payments Due By Period</u>				
	<u>Total</u>	<u>2016</u>	<u>2017 and 2018</u>	<u>2019 and 2020</u>	<u>2021 and beyond</u>
Term loan	\$ 3,600	\$ 2,400	\$ 1,200	\$ —	\$ —
Estimated interest on term loan	90	60	30	—	—
Letter of Credit	709	709	—	—	—
Contractual commitments	3,714	3,507	207	—	—
Operating leases	20,965	7,447	9,128	3,021	1,369
Total	<u>\$ 29,078</u>	<u>\$ 14,123</u>	<u>\$ 10,565</u>	<u>\$ 3,021</u>	<u>\$ 1,369</u>

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum services to be used; fixed, and minimum or variable price provisions. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Obligations under operating leases primarily relates to our office spaces, and, to a lesser extent, leases for third-party facilities that house our data centers.

The contractual obligations reported above exclude our liability of \$0.5 million for unrecognized tax benefits, which are more fully discussed in Note 10, "Income Taxes," of Item 8, "Financial Statements and Supplementary Data."

### Off-Balance Sheet Arrangements

Except as disclosed under the Contractual Payment Obligations section above, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Inflation

We do not believe that inflation had a material effect on our business, financial condition or results of operations in 2015, 2014 or 2013.

### Recent Accounting Guidance

See Note 18 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, primarily changes in interest rates and currency exchange rates.

#### *Interest Rate Risk*

Our exposure to market risk for changes in interest rates primarily relates to our investments, our revolving credit facility and our variable-rate, long-term debt.

The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This objective is accomplished by making diversified investments, consisting only of investment grade securities.

As of December 31, 2015, we held cash and cash equivalents and marketable securities of \$112.7 million. Based on the nature of our marketable securities, a decline in interest rates over time would reduce our interest income, but would not have a material

impact on our results of operations, financial position or cash flows, as we have classified our securities as available-for-sale and, therefore, may choose to sell or hold them as changes in the market occur. In addition, due to the nature of our highly liquid cash equivalents, a change in interest rates would not materially affect the fair value of our cash equivalents.

Our revolving credit facility and senior term loan bear interest at a variable rate tied to the prime or LIBOR rate, at our option. Based on amounts outstanding at December 31, 2015, a 10% increase in the prime or LIBOR rate would not materially increase our interest expense.

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

Information required by Item 8 begins on the following page.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Jive Software, Inc.:

We have audited the accompanying consolidated balance sheets of Jive Software, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jive Software, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Jive Software, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Portland, Oregon  
February 29, 2016

**JIVE SOFTWARE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share amount)

	December 31,	
	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,870	\$ 20,594
Short-term marketable securities	96,410	93,001
Accounts receivable, net	54,090	66,729
Prepaid expenses and other current assets	13,135	13,490
Total current assets	173,505	193,814
Marketable securities, noncurrent	6,429	7,542
Property and equipment, net	12,747	12,986
Goodwill	29,753	29,753
Intangible assets, net	4,546	9,448
Other assets	8,165	9,314
Total assets	\$ 235,145	\$ 262,857
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,684	\$ 3,565
Accrued payroll and related liabilities	6,954	6,622
Other accrued liabilities	7,842	8,246
Deferred revenue, current	131,850	128,592
Term debt, current	2,400	2,400
Total current liabilities	152,730	149,425
Deferred revenue, less current portion	16,392	31,947
Term debt, less current portion	1,200	3,600
Other long-term liabilities	2,682	1,288
Total liabilities	173,004	186,260
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Common stock, \$0.0001 par value. Authorized 290,000 shares; issued - 82,820 shares at December 31, 2015 and 80,342 at December 31, 2014; outstanding - 76,395 at December 31, 2015 and 73,917 at December 31, 2014	7	7
Less treasury stock at cost	(3,352)	(3,352)
Additional paid-in capital	384,164	363,587
Accumulated deficit	(318,537)	(283,684)
Accumulated other comprehensive income (loss)	(141)	39
Total stockholders' equity	62,141	76,597
Total liabilities and stockholders' equity	\$ 235,145	\$ 262,857

See accompanying Notes to Consolidated Financial Statements.

**JIVE SOFTWARE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(In thousands, except per share amounts)**

	Year Ended December 31,		
	2015	2014	2013
Revenues:			
Product	\$ 180,172	\$ 162,185	\$ 131,507
Professional services	15,621	16,508	14,256
Total revenues	<u>195,793</u>	<u>178,693</u>	<u>145,763</u>
Cost of revenues:			
Product	49,816	43,494	37,419
Professional services	22,378	23,179	17,873
Total cost of revenues	<u>72,194</u>	<u>66,673</u>	<u>55,292</u>
Gross profit	123,599	112,020	90,471
Operating expenses:			
Research and development	52,818	52,275	55,742
Sales and marketing	78,684	90,141	86,083
General and administrative	26,708	24,633	24,613
Total operating expenses	<u>158,210</u>	<u>167,049</u>	<u>166,438</u>
Loss from operations	(34,611)	(55,029)	(75,967)
Other income (expense), net:			
Interest income	277	205	249
Interest expense	(171)	(269)	(314)
Other, net	903	78	(349)
Total other income (expense), net	<u>1,009</u>	<u>14</u>	<u>(414)</u>
Loss before provision for (benefit from) income taxes	(33,602)	(55,015)	(76,381)
Provision for (benefit from) income taxes	1,251	1,138	(1,010)
Net loss	<u>\$ (34,853)</u>	<u>\$ (56,153)</u>	<u>\$ (75,371)</u>
Basic and diluted net loss per share	<u>\$ (0.46)</u>	<u>\$ (0.79)</u>	<u>\$ (1.12)</u>
Shares used in basic and diluted per share calculations	<u>75,217</u>	<u>70,751</u>	<u>67,381</u>

See accompanying Notes to Consolidated Financial Statements.

**JIVE SOFTWARE, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(In thousands)**

	Year Ended December 31,		
	2015	2014	2013
Net loss	\$ (34,853)	\$ (56,153)	\$ (75,371)
Other comprehensive income (loss):			
Foreign currency translation	(100)	(205)	290
Unrealized loss on marketable securities	(80)	(32)	(45)
Other comprehensive income (loss)	(180)	(237)	245
Comprehensive loss	<u>\$ (35,033)</u>	<u>\$ (56,390)</u>	<u>\$ (75,126)</u>

See accompanying Notes to Consolidated Financial Statements.

**JIVE SOFTWARE, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**Years ended December 31, 2013, 2014 and 2015**  
**(In thousands)**

	Common stock		Treasury stock	Additional paid-in capital	Accumulated Deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount					
<b>Balance at December 31, 2012</b>	65,399	\$ 7	\$ (3,352)	\$ 285,332	\$ (152,160)	\$ 31	\$ 129,858
Issuance of common stock for employee stock options exercised and vesting of restricted shares	3,783	—	—	5,873	—	—	5,873
Issuance of common stock for acquisitions	471	—	—	852	—	—	852
Stock-based compensation	—	—	—	34,777	—	—	34,777
Foreign currency translation, net of tax	—	—	—	—	—	290	290
Unrealized gain on marketable securities, net of tax	—	—	—	—	—	(45)	(45)
Net loss	—	—	—	—	(75,371)	—	(75,371)
<b>Balance at December 31, 2013</b>	69,653	7	(3,352)	326,834	(227,531)	276	96,234
Issuance of common stock for employee stock options exercised and vesting of restricted shares	4,264	—	—	2,492	—	—	2,492
Stock-based compensation	—	—	—	34,261	—	—	34,261
Foreign currency translation, net of tax	—	—	—	—	—	(205)	(205)
Unrealized gain on marketable securities, net of tax	—	—	—	—	—	(32)	(32)
Net loss	—	—	—	—	(56,153)	—	(56,153)
<b>Balance at December 31, 2014</b>	73,917	7	(3,352)	363,587	(283,684)	39	76,597
Issuance of common stock for employee stock options exercised and vesting of restricted shares	2,478	—	—	287	—	—	287
Stock-based compensation	—	—	—	20,290	—	—	20,290
Foreign currency translation, net of tax	—	—	—	—	—	(100)	(100)
Unrealized gain on marketable securities, net of tax	—	—	—	—	—	(80)	(80)
Net loss	—	—	—	—	(34,853)	—	(34,853)
<b>Balance at December 31, 2015</b>	76,395	\$ 7	\$ (3,352)	\$ 384,164	\$ (318,537)	\$ (141)	\$ 62,141

See accompanying Notes to Consolidated Financial Statements.

**JIVE SOFTWARE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31,		
	2015	2014	2013
<b>Cash flows from operating activities:</b>			
Net loss	\$ (34,853)	\$ (56,153)	\$ (75,371)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	15,605	15,458	15,774
Stock-based compensation	20,290	32,908	34,754
Change in deferred taxes	338	243	(1,231)
Non-recurring gain	(1,107)	—	—
Loss on sale of property and equipment	103	19	10
(Increase) decrease, net of acquisitions, in:			
Accounts receivable, net	12,639	(7,900)	(4,629)
Prepaid expenses and other assets	(307)	(4,084)	(1,437)
Increase (decrease), net of acquisitions, in:			
Accounts payable	535	(2,622)	(2,669)
Accrued payroll and related liabilities	300	(883)	101
Other accrued liabilities	(1,266)	139	1,057
Deferred revenue	(12,297)	13,202	30,290
Other long-term liabilities	315	16	373
<b>Net cash provided by (used in) operating activities</b>	<b>295</b>	<b>(9,657)</b>	<b>(2,978)</b>
<b>Cash flows from investing activities:</b>			
Payments for purchase of property and equipment	(6,450)	(9,313)	(13,934)
Purchases of marketable securities	(133,314)	(91,987)	(111,700)
Sales of marketable securities	25,383	36,174	40,772
Maturities of marketable securities	104,317	57,324	84,934
Acquisitions, net of cash acquired	—	—	(11,047)
<b>Net cash used in investing activities</b>	<b>(10,064)</b>	<b>(7,802)</b>	<b>(10,975)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from exercise of stock options	1,345	4,250	6,947
Taxes paid related to net share settlement of equity awards	(1,058)	(1,758)	(1,074)
Repayments of term loans	(2,400)	(2,400)	(2,400)
Earmout payment for prior acquisition	—	(576)	—
Non-recurring gain	1,107	—	—
<b>Net cash provided by (used in) financing activities</b>	<b>(1,006)</b>	<b>(484)</b>	<b>3,473</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,775)</b>	<b>(17,943)</b>	<b>(10,480)</b>
<b>Effect of exchange rate changes</b>	<b>51</b>	<b>122</b>	<b>(60)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>20,594</b>	<b>38,415</b>	<b>48,955</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 9,870</b>	<b>\$ 20,594</b>	<b>\$ 38,415</b>

See accompanying Notes to Consolidated Financial Statements.

**JIVE SOFTWARE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Nature of Business**

We provide products that we believe improve business results by enabling a more productive and effective workforce through enhanced communications and collaboration both inside and outside the enterprise. Organizations deploy our products to improve the level of engagement, the quality of interaction and the overall relationship they have with their employees, customers and partners. Our products are primarily offered on a subscription basis, deployable in a private or public cloud and used for internal or external communities. We generate revenues from product subscription license fees as well as from professional service fees for strategic consulting, configuration, implementation and training.

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

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”), requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities in the financial statements and the accompanying notes. Significant estimates include the estimates relating to revenue recognition, the useful lives of property and equipment, stock-based compensation, assumptions used in testing for impairment of goodwill, other long-lived assets, capitalized software development costs, and the recoverability of deferred income tax assets and liabilities. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Jive Software, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

***Segments***

An operating segment is defined as a component of an enterprise that meets the following criteria:

- engages in business activities from which it may earn revenues and incur expenses;
- operating results are regularly reviewed by the enterprise’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- discrete financial information is available.

We define the term “chief operating decision maker” to be our Chief Executive Officer. Our 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. We have 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, we have determined that we operate in a single reporting segment, software sales and service.

***Revenue Recognition***

We generate revenues in the form of product fees and related professional service fees. Product fees include subscription fees, perpetual license fees, associated support and maintenance fees and hosting fees. Professional services primarily consist of fees for strategic consulting, configuration, training, consultation and implementation services, which are not essential to the functionality of the software. For statement of operations classification purposes, we allocate revenues to professional services based on the hourly rate billed for time and materials arrangements and based on the total fixed fee for fixed fee professional services. We recognize revenue when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the product or services have been delivered to the customer;
- the amount of fees to be paid by the customer is fixed or determinable; and
- the collection of the related fees is reasonably assured.

Signed agreements are used as evidence of an arrangement. If a contract signed by the customer does not exist, we have historically used a purchase order as evidence of an arrangement. In cases where both a signed contract and a purchase order exist, we consider the signed contract to be the final persuasive evidence of an arrangement. Software and corresponding license keys are delivered to customers electronically. Electronic delivery occurs when we provide the customer with access to the software. We assess whether a fee is fixed or determinable at the outset of the arrangement, primarily based on the payment terms associated with the

transaction. We do not generally offer extended payment terms. Typical payment terms are due between 30 and 60 days from delivery of solutions or services. For professional services that are billable under a time and materials based arrangement, these fees are neither fixed nor determinable until the work is performed and the fee becomes billable to the customer. We assess collectability of the customer receivable based on a number of factors such as collection history with the customer and creditworthiness of the customer. If we determine that collectability is not reasonably assured, revenue is deferred until collectability becomes reasonably assured, generally upon receipt of cash.

We offer subscriptions of our platform to customers most frequently on a term basis with terms typically ranging from 12 to 36 months. While term-based licenses make up the majority of our total revenues, we occasionally license our solutions to customers on a perpetual basis with on-going support and maintenance services. We recognize license revenue in accordance with software industry specific guidance. Revenues related to term license fees are recognized ratably over the contract term beginning on the date the customer has access to the software license key and continuing through the end of the contract term. For term-based licenses, we do not charge separately for standard support and maintenance, and, therefore, inherent in the license fees are fees for support and maintenance services for the duration of the license term. As fees for support and maintenance are always bundled with the license over the entire term of the contract, we do not have vendor-specific objective evidence (“VSOE”) of fair value for support and maintenance. Revenues generated from perpetual license sales also include support and maintenance services for an initial stated term, both the perpetual license and support and maintenance are recognized ratably over the initial stated term. We do not have VSOE of fair value for support and maintenance on perpetual licenses as we have not had sufficient consistently priced standalone sales of support and maintenance, nor have we offered substantive renewal rates for support and maintenance. Additionally, customers who have purchased perpetual licenses to the base platform have historically also purchased term-based subscriptions to certain of our modules. We do not have VSOE of fair value for either the support and maintenance on the perpetual license or the modules and, therefore, revenue is recognized ratably over the longer of the initial maintenance term for the perpetual license or the term for the subscription elements.

License arrangements may also include professional services, such as strategic consulting installation, upgrades and training services, which are typically delivered early in the contract term. This combination of products and services represents a multiple-element arrangement for revenue recognition purposes. We have determined that we do not have VSOE of fair value for each element of a multiple-element sales arrangement and, accordingly, we account for fees received under that multiple-element arrangement as a single unit of accounting and recognize the fees for the entire arrangement ratably, commencing on delivery of the software, over the longer of the term of the support and maintenance or the period over which professional services are delivered. Support and maintenance is always the last undelivered element in the arrangement and, therefore, we recognize the fixed portion of the fees ratably over the support and maintenance term. For contracts with multiple elements, we recognize the license, support and maintenance, and fixed fee professional service revenue ratably over the term of the arrangement beginning upon delivery of the software. We believe this method most closely reflects the economics of the transaction as we deliver access to the software and we begin providing support and maintenance services as of the date the software is delivered.

Professional services are offered on both fixed fee and time and materials hourly billing arrangements. For time and materials-based professional services that are part of a multiple-element arrangement where the fees for the professional services are not fixed or determinable upon delivery of the software, revenue is recognized ratably over the contract term as the related fees become fixed. These fees are not considered fixed at the outset of the arrangement and become fixed as the related work is performed and the fees are earned and billed. These services are typically provided early in the contract term with completion typically occurring in the first six months. As these fees become fixed, they are added to the total fee for the multiple-element arrangement and recognized ratably with all other arrangement fees over the entire contract term. When billed, a cumulative revenue catch-up is calculated as the revenue earned from the date the software was made available to the customer to the date services have been completed, with recognition continuing ratably to the end of the contract term. These amounts, when recognized in our Consolidated Statements of Operations, are classified as professional services revenues based on the hourly rates at which they are billed. If there are significant acceptance clauses associated with the license or services or uncertainty associated with our ability to perform the professional services, revenues are deferred until the acceptance is received or the uncertainty is resolved. We record amounts that have been invoiced, in accordance with the terms of the agreement, in accounts receivable and in deferred revenues or revenues, depending on whether the revenue recognition criteria have been met.

Hosting revenues are derived from providing our software solutions in a hosted environment where the customer does not take possession of the software on their premises. With the exception of the Jive Cloud licensing model, customers have the option to elect to take possession of the software and install on their premises or sub-contract the hosting services through us. Such arrangements are considered software sales as the customer has the same rights to the software license regardless of their election to have us host on their behalf or install on their premises. As a result, the fees associated with license, support and hosted services are recognized as revenue ratably over the term of the arrangement. For Jive Cloud licensing arrangements, customers do not have the right to take possession of the software supporting the cloud-based application service at any time.

We occasionally sell professional services separately and recognize revenues resulting from those as professional services are performed. If there is a significant uncertainty about the project completion or receipt of payment for the consulting services, revenues are deferred until the uncertainty is resolved. If acceptance provisions exist within a professional services arrangement, revenues will be deferred until the services are accepted, the acceptance period has expired or cash is received from the customer.

#### ***Taxes Collected from Customers and Remitted to Governmental Authorities***

We account for tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction (i.e., sales, use, value added) on a net (excluded from revenue) basis.

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

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Our cash balances with financial institutions may exceed the deposit insurance limits. Included in cash and cash equivalents were cash equivalents of \$0.2 million and \$1.6 million at December 31, 2015 and 2014, respectively. Cash equivalents are stated at cost, which approximates market value.

#### ***Marketable Securities***

We classify our marketable securities as available-for-sale and, accordingly, record them at fair value based on quoted market prices. Unrealized holding gains and losses are excluded from earnings and are reported as a separate component of stockholders' equity until realized. See the Consolidated Statements of Comprehensive Loss.

We periodically evaluate whether declines in fair values of our marketable securities below their cost are "other-than-temporary." This evaluation consists of qualitative and quantitative factors regarding the severity and duration of the unrealized loss, as well as our ability and intent to hold the marketable securities until a forecasted recovery occurs. Dividend and interest income is recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

#### ***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are carried at their original invoice amounts less the allowance for doubtful accounts and do not bear interest. Our policy is to maintain an allowance for estimated losses resulting from the inability or refusal of our customers to make required payments. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. On a quarterly basis, we evaluate the collectability of our trade receivable balances based on a combination of factors. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. If the financial conditions of our customers were to materially change or there were other circumstances that resulted in their inability or unwillingness to pay, the estimates of recoverability of receivables could materially change.

Activity related to our allowance for doubtful accounts was as follows (in thousands):

<b>Balance, December 31, 2012</b>	\$	218
Charges to expense and deferred revenue		672
Write-offs		(150)
<b>Balance, December 31, 2013</b>		740
Charges to expense and deferred revenue		599
Write-offs		(780)
<b>Balance, December 31, 2014</b>		559
Charges to expense and deferred revenue		1,529
Write-offs		(918)
<b>Balance, December 31, 2015</b>	\$	1,170

#### ***Fair Value of Financial Assets and Liabilities***

The carrying value of cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued payroll and related liabilities and other accrued liabilities approximates their fair values due to the short-term nature of their maturities. The fair value of the long-term debt approximates its carrying value since the interest rate is variable and based on current market rates.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

- three years for computer equipment, hardware and software;
- seven years for furniture, fixtures and equipment; and
- the lesser of five years or the remaining term of the underlying lease for leasehold improvements.

Ordinary maintenance and repairs are expensed as incurred.

**Research and Development**

We expense research and development costs, including costs to develop software products to be marketed to external users, before technological feasibility of such products is reached. We believe our software development process is essentially completed concurrent with the establishment of technological feasibility; accordingly, development costs are expensed as incurred.

**Software Development Costs and Internal-Use Software Development Costs**

Through the third quarter of 2014, we capitalized costs to develop internal-use software during the application development stage. These costs related to application development activities. In the third quarter of 2014, management developed a substantive plan to repurpose the in-process development into our existing software platform and new software products. As a result of this decision, the associated capitalized internal-use software costs became governed by the accounting standards related to development costs for software to be sold in the third quarter of 2014. As such, subsequent to July 2014, we no longer capitalize costs related to internal-use software and we account for our current capitalized costs as development costs for software to be sold.

Software development costs incurred subsequent to establishing technological feasibility through the general release of the software products are capitalized. Technological feasibility is demonstrated by the completion of a detailed program design or working model, if no program design is completed. Historically, technological feasibility has occurred concurrently with the commercial release of our products and, as a result, we have not capitalized development costs for software to be sold. We do not anticipate capitalizing material software development costs in future periods.

GAAP requires that annual amortization expense of the capitalized software development costs be the greater of the amounts computed using the ratio of gross revenue to a products' total current and anticipated revenues or the straight-line method over the products' remaining estimated economic life.

The software development costs are being amortized on a straight-line basis over their estimated useful life and recorded as a component of cost of product revenues. We begin amortizing the associated capitalized costs upon each product's or enhancement's release. Through December 31, 2015, we released products related to \$5.1 million of the capitalized costs. We anticipate the remaining products related to the capitalized costs to be commercially released through the first half of 2017.

We make ongoing evaluations of the recoverability of our capitalized software by comparing the amount capitalized to the estimated net realizable value. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, we write off the amount by which the unamortized software development costs exceed net realizable value. There was no impairment charge related to capitalized software development costs during the years ended December 31, 2015, 2014 or 2013.

	Year Ended December 31,		
	2015	2014	2013
Software development costs capitalized during period	\$ —	\$ 5,924	\$ 3,057
Amortization of capitalized software development costs	2,012	65	—

Capitalized computer software development costs consist of the following at December 31, 2015 and 2014 (in thousands):

	2015	2014
Capitalized software development costs	\$ 8,981	\$ 8,981
Accumulated amortization	(2,077)	(65)
	<u>\$ 6,904</u>	<u>\$ 8,916</u>

As of December 31, 2015 and 2014 the net balance of software development costs is included in other assets.

Of our capitalized software development costs that are currently completed and being amortized, we expect future amortization expense to be as follows (in thousands):

2016	\$	2,517
2017		571
	\$	<u>3,088</u>

#### ***Accounting for the Impairment of Long-Lived Assets***

We evaluate the recoverability of our long-lived assets, which principally consist of property and equipment and acquired intangible assets with finite lives, whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable. Recoverability of an asset is measured by comparing the carrying amount to the expected future undiscounted cash flows that the asset is expected to generate. If that review indicates that the carrying amount of the long-lived asset is not recoverable, an impairment loss is recorded for the amount by which the carrying amount of the asset exceeds its fair value.

We did not incur any long-lived asset impairment charges in the years ended December 31, 2015, 2014 or 2013.

#### ***Goodwill***

Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and intangible assets of acquired entities. We perform a goodwill impairment test annually during the fourth quarter of our fiscal year and more frequently if an event or circumstance indicates that an impairment may have occurred. Such events or circumstances may include significant adverse changes in the general business climate, among other things.

To test for impairment, we can choose to first make a qualitative assessment to determine whether it is more likely than not that goodwill is impaired before applying the two-step goodwill impairment test. If the conclusion is that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we then perform a two-step goodwill impairment test. During 2015, 2014 and 2013, we elected to forgo the qualitative assessment, and proceeded to the first step of the test for goodwill impairment. Under the first step, the fair value of the reporting unit is compared with its carrying value, and, if an indication of goodwill impairment exists for the reporting unit, we must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill as determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. We determined that the fair value of the reporting unit substantially exceeded its carrying value and, accordingly, we did not record any charges related to goodwill impairment during the years ended December 31, 2015, 2014 or 2013.

#### ***Intangible Assets***

Definite-lived intangible assets are amortized using the straight-line method over estimated useful lives and have no significant residual value. Definite-lived intangible assets are reviewed for impairment as discussed above under "Accounting for the Impairment of Long-Lived Assets."

#### ***Other Assets***

Other assets include deposits for facilities' leases, capitalized software development costs and other miscellaneous long-term assets.

#### ***Deferred Revenue***

Deferred revenue consists of billings or payments received in advance of revenue recognition from our subscription license, perpetual license, hosting, professional services and support and maintenance revenues described above and are recognized as the revenue recognition criteria are met. We generally invoice our customers in annual installments. Accordingly, the deferred revenues balance does not represent the total contract value of annual or multi-year non-cancelable subscription agreements. Deferred revenue also includes certain deferred professional services fees, which are recognized as revenues ratably over the associated contract term. We defer the professional service fees in situations where the professional services and subscription or perpetual contracts are accounted for as a single unit of accounting. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue, and the remaining portion is recorded as noncurrent. Approximately 6% and 4% of total deferred revenue as of December 31, 2015 and 2014, respectively, related to deferred professional services revenues.

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

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and trade receivables. Cash is placed on deposit in major financial institutions in the United States. Such deposits may be in excess of insured limits. Management believes that the financial institutions that hold our cash deposits are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

We sell our products to companies in diverse industries and do not require our customers to provide collateral to support accounts receivable. When necessary, credit reviews of significant customers are performed prior to extending credit. The determination of a customer's ability to pay requires significant judgment, and failure to collect from a customer can adversely affect revenues, cash and net income.

No individual customer accounted for 10% or more of total revenues in the years ended December 31, 2015, 2014 or 2013. No customer accounted for 10% or more of total accounts receivable at December 31, 2015 or 2014.

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

We recognize compensation expense for all share-based payment awards, including stock options, restricted stock and purchases under the 2015 Employee Stock Purchase Plan (the "ESPP") based on the estimated fair value of the award on the grant date. We use the Black-Scholes-Merton valuation model to estimate the fair value of stock option awards. The fair value of the awards is recognized as expense, net of estimated forfeitures, on a straight-line basis over the requisite service period, which is generally the vesting period of the respective award.

Stock-based compensation expense is recognized for performance-based restricted stock awards based on the probability of achieving certain performance criteria. We estimate the number of performance-based restricted stock awards ultimately expected to vest and recognize expense using the graded vesting attribution method over the requisite service period.

The determination of the grant date fair value of options using an option-pricing model is affected by assumptions regarding a number of other complex and subjective variables, which include our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates and expected dividends.

#### ***Income Taxes***

We record deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Deferred tax assets are reduced by a valuation allowance when it is estimated to be more likely than not that a portion of the deferred tax assets will not be realized.

We recognize the effect of income tax positions only if those positions are "more likely than not" of being sustained. Interest and penalties accrued on unrecognized tax benefits are recorded as tax expense within our consolidated financial statements.

#### ***Warranties and Indemnification***

We typically warrant that our products will perform in a manner consistent with the product specifications provided to the customer for 180 days for sales to companies in the United States and 365 days for sales to companies in Europe. Historically, we have not been required to make payments under these obligations, and we have not recorded any liability for these obligations in our consolidated financial statements.

In our cloud and hosted agreements, we include service level commitments to customers relating to levels of uptime availability and permitting those customers to receive credits in the event that we fail to meet those levels. To date, we have not incurred any material costs as a result of such commitments and have not accrued any liabilities related to such obligations in the accompanying consolidated financial statements.

Our contracts also include provisions indemnifying customers against liabilities if our products infringe a third-party's intellectual property rights. We have not incurred any costs as a result of such indemnification obligations and have not accrued any liabilities related to such obligations in the accompanying consolidated financial statements.

We have also agreed to indemnify our directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, arising out of that person's services as our director or officer or that person's services provided to any other company or enterprise at our request. We maintain director and officer insurance coverage that may enable us to recover a portion of any future amounts paid.

#### ***Commissions***

Commissions are recorded as a component of sales and marketing expenses and consist of the variable compensation paid to our direct sales force. Generally, sales commissions are earned and recorded as an expense at the time that a customer has entered into a binding purchase agreement. Commissions paid to sales personnel are recoverable only in the case that we cannot collect against any invoiced fee associated with a sales order. Commission expense was \$11.8 million, \$13.7 million and \$15.7 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

***Leases***

We lease our facilities and certain equipment under operating leases. For facility leases that contain rent escalation or rent concession provisions, we record the total rent expense during the lease term on a straight-line basis over the term of the lease. For facility leases that contain tenant improvement allowances, we recognize a lease incentive liability and amortize these amounts on a straight-line basis over the term of the related leases as a reduction of rent expense. We record the difference between the rent paid and the straight-line rent expense as a deferred rent liability in other long-term liabilities in the accompanying Consolidated Balance Sheets.

***Advertising Costs***

Advertising costs are expensed as incurred as a component of sales and marketing expense and totaled \$5.6 million, \$7.7 million and \$5.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

***Legal Costs***

We are party to legal proceedings arising in the normal course of business. Legal costs are expensed as incurred as a component of general and administrative expense.

***Net Loss Per Share***

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less the weighted-average unvested common stock subject to repurchase or forfeiture. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including preferred stock, stock options and warrants, to the extent dilutive. Since we were in a loss position for all periods presented, basic and diluted net loss per share was the same for each period presented as the inclusion of all potential common shares outstanding would have been anti-dilutive.

***Foreign Currency Translation***

The functional currency of our foreign subsidiaries is the local currency. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component of stockholders' deficit. Income and expense accounts are translated into U.S. dollars at average rates of exchange prevailing during the periods presented. Foreign currency transaction gains and losses are included in net loss. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the respective exchange rates in effect on the consolidated balance sheet dates. Foreign currency transaction gains and losses were not material in the years ended December 31, 2015, 2014 or 2013.

**Note 3. Acquisitions**

**2013**

***Clara Ehf. ("Clara")***

On April 18, 2013, we acquired substantially all of the assets and certain related liabilities of Clara, a private limited company founded in Iceland that provides a cloud-based analytics tool that allows businesses to understand, monitor and actively engage with community members within online platforms. The total purchase consideration of approximately \$6.5 million was comprised entirely of cash.

The allocation of the purchase price was as follows (dollars in thousands):

		Useful Life
Current assets	\$ 81	
Goodwill	3,161	
Other intangible assets:		
Core technology	2,315	5 years
Covenant not to compete	227	2 years
Customer relationships	570	3 years
Trade names	230	3 years
	<u>3,342</u>	
Current liabilities	<u>(96)</u>	
Net assets acquired	<u>\$ 6,488</u>	

The key factor attributable to the creation of goodwill by the transaction is the synergies created by the integration of the Clara analytics technology with our social platform, for both internal and external communities. All of the goodwill is expected to be deductible for income tax purposes.

The weighted average amortization period for all intangible assets acquired is 4.3 years.

Transaction costs of \$0.2 million associated with the acquisition of Clara were expensed as incurred as a component of general and administrative expenses on our Consolidated Statements of Operations.

Clara's results of operations have been included in our consolidated financial statements subsequent to the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material. Revenue and earnings information since the date of acquisition was not material to the current period financial statements.

***StreamOnce, Inc. ("StreamOnce")***

On April 29, 2013, we acquired all of the outstanding shares of StreamOnce, whose product offers a platform that connects third-party information streams directly into our Jive Social Business Platform, integrating disparate information systems for increased productivity. The total initial purchase consideration was comprised of \$4.7 million in cash and 532,952 shares of our common stock with a fair value on April 29, 2013 of \$7.3 million. Of the 532,952 shares of common stock, 470,552 shares of common stock issued to certain StreamOnce employees vested over a two-year period contingent upon the continued employment of the recipients. The fair value of these shares totaled \$6.4 million, and was recognized as stock-based compensation over the two-year vesting period. Additionally, during 2014, certain StreamOnce employees received additional consideration of \$0.7 million, based on our sales and customer count relating to the acquired business exceeding certain thresholds over an 18-month period commencing as of the acquisition date (the "Earnout").

We recorded a contingent consideration liability of approximately \$0.6 million within other accrued liabilities in our Consolidated Balance Sheets as of the acquisition date related to the Earnout. The fair value of the liability was estimated using internal forecasts with inputs that are not observable in the market, and thus represents a Level 3 fair value measurement as defined within Note 7. The inputs in the Level 3 measurement are not supported by market activity, as they are probability assessments of expected future sales and customer count related to our acquisition of StreamOnce during the Earnout period. The Earnout was remeasured quarterly until paid, with the change being reflected as a component of research and development in our Consolidated Statements of Operations. See Note 7 for additional information.

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The allocation of the purchase price was as follows (dollars in thousands):

Cash paid	\$	4,667	
Value of common stock issued		852	
Contingent consideration		576	
Total transaction consideration:	\$	<u>6,095</u>	
			Useful Life
Current assets	\$	108	
Goodwill		3,157	
Other intangible assets:			
Core technology		3,671	5 years
Covenant not to compete		459	3 years
Trade names		118	3 years
		<u>4,248</u>	
Current liabilities		(67)	
Deferred tax liability		(1,351)	
Net assets acquired	\$	<u>6,095</u>	

The goodwill recorded in connection with the acquisition of StreamOnce is primarily related to the ability of StreamOnce to increase viral adoption of the Jive Platform within our customers by integrating their existing third-party business applications with our platform and from the expected synergies to be achieved in connection with the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

The weighted average amortization period for all intangible assets acquired is 4.7 years.

In connection with the StreamOnce acquisition, a deferred tax liability of \$1.4 million was established for the book and tax basis differences related to specifically identified non-goodwill intangibles. The net liability from the acquisition created an additional source of income to utilize our deferred tax assets and, therefore, a corresponding amount of the valuation allowance was released and recorded as a benefit from income taxes in 2013.

Transaction costs of \$0.2 million associated with the acquisition of StreamOnce were expensed as incurred as a component of general and administrative expenses on our Consolidated Statements of Operations.

StreamOnce's results of operations have been included in our Consolidated Financial Statements subsequent to the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material. Revenue and earnings information since the date of acquisition was not material to the current period financial statements.

**Note 4. Cash, Cash Equivalents and Marketable Securities**

Cash and cash equivalents and marketable securities consisted of the following as of December 31, 2015 and 2014 (in thousands):

**December 31, 2015**

<b>Description</b>	<b>Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Estimated Fair Value</b>
Cash	\$ 9,624	\$ —	\$ —	\$ 9,624
Cash equivalents:				
Money market mutual funds	246	—	—	246
Total cash and cash equivalents	9,870	—	—	9,870
Short-term marketable securities:				
Commercial paper	7,485	—	—	7,485
Corporate notes and bonds	44,483	—	(60)	44,423
Government obligation	12,010	—	(12)	11,998
U.S. agency obligations	32,543	—	(39)	32,504
Total short-term marketable securities	96,521	—	(111)	96,410
Marketable securities, noncurrent:				
Corporate notes and bonds	4,453	—	(17)	4,436
Government obligations	1,997	—	(4)	1,993
Total marketable securities, noncurrent	6,450	—	(21)	6,429
Cash, cash equivalents, short-term marketable securities and marketable securities, noncurrent	\$ 112,841	\$ —	\$ (132)	\$ 112,709

**December 31, 2014**

<b>Description</b>	<b>Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Estimated Fair Value</b>
Cash	\$ 18,985	\$ —	\$ —	\$ 18,985
Cash equivalents:				
Money market mutual funds	1,609	—	—	1,609
Total cash and cash equivalents	20,594	—	—	20,594
Short-term marketable securities:				
Commercial paper	2,499	—	—	2,499
Corporate notes and bonds	53,643	—	(35)	53,608
U.S. agency obligations	36,907	—	(13)	36,894
Total short-term marketable securities	93,049	—	(48)	93,001
Marketable securities, noncurrent:				
Corporate notes and bonds	3,501	—	(4)	3,497
Government obligations	1,995	1	—	1,996
U.S. agency obligations	2,049	—	—	2,049
Total marketable securities, noncurrent	7,545	1	(4)	7,542
Cash, cash equivalents, short-term marketable securities and marketable securities, noncurrent	\$ 121,188	\$ 1	\$ (52)	\$ 121,137

As of December 31, 2015 and 2014, we did not consider any of our investments to be other-than-temporarily impaired.

As of December 31, 2015, the following table summarizes the estimated fair value of our investments in marketable securities, all of which are considered available-for-sale, classified by the contractual maturity date (in thousands):

Due within 1 year	\$ 96,410
Due within 1 year through 3 years	6,429
Total marketable securities	\$ 102,839

See also Note 7.

**Note 5. Property and Equipment, net**

The following table sets forth the components of property and equipment (in thousands):

	December 31,	
	2015	2014
Computers, equipment and software	\$ 37,249	\$ 33,706
Leasehold improvements	5,546	5,214
Furniture and fixtures	2,630	2,559
Construction in progress	3,666	1,055
	<u>49,091</u>	<u>42,534</u>
Less accumulated depreciation and amortization	(36,344)	(29,548)
	<u>\$ 12,747</u>	<u>\$ 12,986</u>

Depreciation expense related to property and equipment was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
	\$7,800	\$9,351	\$9,180

**Note 6. Goodwill and Other Intangible Assets, net**

The roll-forward of activity related to goodwill was as follows (in thousands):

<b>Balance at December 31, 2012</b>	\$ 23,435
Acquisition of Clara	3,161
Acquisition of StreamOnce	3,157
<b>Balance at December 31, 2013, 2014 and 2015</b>	<u>\$ 29,753</u>

The following table presents our intangible assets and their related useful lives (dollars in thousands):

	Useful Life	December 31,	
		2015	2014
Acquired technology	5-7 years	\$ 20,441	\$ 20,441
Accumulated amortization		(16,103)	(12,049)
		<u>4,338</u>	<u>8,392</u>
Perpetual software licenses	2 years	2,430	2,430
Accumulated amortization		(2,430)	(2,430)
		—	—
Covenant not to compete	1-4 years	2,028	2,028
Accumulated amortization		(1,976)	(1,634)
		<u>52</u>	<u>394</u>
Other	2-7 years	1,939	1,939
Accumulated amortization		(1,783)	(1,277)
		<u>156</u>	<u>662</u>
<b>Total intangible assets, net</b>		<u>\$ 4,546</u>	<u>\$ 9,448</u>

Amortization expense related to intangible assets was as follows (in thousands):

Year Ended December 31,		
2015	2014	2013
\$4,902	\$4,862	\$4,990

Estimated future amortization expense as of December 31, 2015, is as follows (in thousands):

2016	\$	2,579
2017		1,587
2018		380
	\$	<u>4,546</u>

**Note 7. Fair Value Measurements of Assets and Liabilities**

Factors used in determining the fair value of financial assets and liabilities are summarized into three broad categories:

- Level 1 – quoted prices in active markets for identical securities as of the reporting date;
- Level 2 – other significant directly or indirectly observable inputs, including quoted prices for similar securities, interest rates, prepayment speeds and credit risk; and
- Level 3 – significant inputs that are generally less observable than objective sources, including our own assumptions in determining fair value.

The factors or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table presents our financial assets that were measured at fair value on a recurring basis (in thousands):

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Cash equivalents</b>				
Money market mutual funds	\$ 246	\$ —	\$ —	\$ 246
<b>Marketable securities</b>				
Commercial paper	—	7,485	—	7,485
Corporate notes and bonds	—	48,859	—	48,859
Government obligations	—	13,991	—	13,991
U.S. government and agency	—	32,504	—	32,504
	—	102,839	—	102,839
Total	<u>\$ 246</u>	<u>\$ 102,839</u>	<u>\$ —</u>	<u>\$ 103,085</u>
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Cash equivalents</b>				
Money market mutual funds	\$ 1,609	\$ —	\$ —	\$ 1,609
<b>Marketable securities</b>				
Commercial paper	—	2,499	—	2,499
Corporate notes and bonds	—	57,105	—	57,105
Government obligations	—	1,996	—	1,996
U.S. government and agency	—	38,943	—	38,943
	—	100,543	—	100,543
Total	<u>\$ 1,609</u>	<u>\$ 100,543</u>	<u>\$ —</u>	<u>\$ 102,152</u>

We did not have any financial liabilities measured at fair value on a recurring basis at December 31, 2015 or 2014.

We classify our marketable securities as available-for-sale and, accordingly, record them at fair value based on quoted market prices for similar securities. Unrealized holding gains and losses are excluded from earnings and are reported as a separate component of stockholders' equity until realized. See the Consolidated Statements of Comprehensive Loss.

We recognize or disclose the fair value of certain assets, such as non-financial assets, primarily long-lived assets, goodwill, intangible assets and certain other assets in connection with impairment evaluations. All of our non-recurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During 2015, 2014 and 2013 we did not record any other-than-temporary impairments on those financial assets required to be measured at fair value on a non-recurring basis.

The carrying value of our term loan approximates its fair value and falls under Level 2 of the fair value hierarchy, as the interest rate is variable and based on current market rates.

There were no changes to our valuation techniques during 2015.

## **Note 8. Long-Term Debt**

### ***Credit Facility with Silicon Valley Bank***

We have a secured revolving loan facility and term loan facility of up to \$30.0 million with Silicon Valley Bank ("SVB"), which, as amended in March 2015, expires May 23, 2017 (the "Loan Agreement"). Revolving loans may be converted into term loans under the facility, with all outstanding term loans reducing the availability under the revolving loan facility. Interest is accrued, at our option, at (i) an adjusted LIBOR rate, plus a margin of 2.0% or 2.25%, or (ii) the prime rate, plus a margin of 0.25% or 0.50%, in each case with such margin determined based on our adjusted quick ratio.

Repayment on the term loan began July 1, 2012, and is payable in 16 quarterly installments. Each of the installment payments is \$0.6 million, plus accrued interest.

The adjusted quick ratio is a ratio of our unrestricted cash and cash equivalents to our current liabilities minus the current portion of our deferred revenue. Interest on the revolving loans and the term loans is due and payable in arrears at the end of an interest period of 30, 60 or 90 days, as selected by us, for loans that bear interest based on the adjusted LIBOR rate, or quarterly for loans that bear interest based on the prime rate. Obligations under the loan facility are secured by a security interest on substantially all of our assets, excluding intellectual property.

The Loan Agreement contains affirmative and negative covenants subject to certain exceptions. We must also comply with financial covenants under the Loan Agreement, including:

- (i) a minimum quick ratio;
- (ii) for the period from the closing through December 31, 2013, a minimum adjusted EBITDA; and
- (iii) beginning with the fiscal quarter ending March 31, 2014, a minimum fixed charge coverage ratio and a maximum leverage ratio.

On February 18, 2014, we entered into a Second Loan Modification Agreement with SVB to modify the minimum adjusted EBITDA financial covenant for periods occurring after December 31, 2013. Additionally, the Second Loan Modification Agreement removed the fixed charge coverage ratio and maximum leverage ratio financial covenants, which were set to begin in periods occurring after December 31, 2013.

On March 31, 2015, we entered into a Third Loan Modification Agreement with SVB to modify the adjusted EBITDA financial covenant for periods ending after December 31, 2014 and to amend the expiration date of the Loan Agreement.

The Loan Agreement also restricts our ability to pay dividends by requiring the written consent of SVB to pay cash dividends to our stockholders.

The Loan Agreement contains events of default including, among others, payment defaults, breaches of covenants, bankruptcy and insolvency events, cross defaults with certain material indebtedness, judgment defaults, and breaches of representations and warranties. Upon an event of default, all or a portion of the outstanding obligations may be declared to be immediately due and payable. During the existence of an event of default, interest on the obligations under the Loan Agreement could be increased by 5.0% per annum.

At December 31, 2015, we had \$0.7 million of outstanding letters of credit, no revolving loans outstanding under the Loan Agreement, \$3.6 million of term loans outstanding at an interest rate of 2.48%, \$30.0 million was available under the revolving loan facility and we were in compliance with all covenants.

### Summary

Our long-term debt is summarized as follows (in thousands):

	December 31,	
	2015	2014
Silicon Valley Bank loans	\$ 3,600	\$ 6,000
Less current portion	(2,400)	(2,400)
	<u>\$ 1,200</u>	<u>\$ 3,600</u>

Annual maturities of long-term debt as of December 31, 2015 were as follows (in thousands):

2016	\$ 2,400
2017	1,200
	<u>\$ 3,600</u>

## Note 9. Stock-Based Awards and Stock-Based Compensation

### Stock Option Plans

#### 2011 Plan

Our 2011 Equity Incentive Plan (the "2011 Plan") provides our board of directors with broad discretion in creating employee equity incentives. Unless otherwise provided in the 2011 Plan document, the compensation committee, in its discretion, determines the stock option exercise prices, which may not be less than the fair value of our common stock at the date of grant, vesting periods, and expiration periods, which are a maximum of ten years from the date of grant.

The 2011 Plan replaced two previous plans. Awards that were outstanding upon termination of the previous plans remained outstanding pursuant to their original terms and awards subsequently terminated return to the pool of shares available for grant under the 2011 Plan.

The 2011 Plan allows for grants of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance shares and performance stock units ("PSUs"). Generally, all stock option grants are issued under an option agreement that provides, among other things, that the option grant vests over a four-year period while RSU and PSU agreements vest between one and four years.

The number of shares available for issuance under the 2011 Plan increases on the first business day of each year in an amount equal to the lesser of (i) 5,000,000 shares; (ii) 3.9% of the outstanding shares on the last day of the immediately preceding year; or (iii) such number of shares as determined by the board of directors.

#### 2015 Employee Stock Purchase Plan

In May 2015, our stockholders approved the adoption of the ESPP, pursuant to which 2,000,000 shares of common stock have been reserved for issuance to participating employees. Eligible employees may elect to contribute up to 15% of their base salary during each pay period, up to \$25,000 in a calendar year, for the purchase of up to 3,000 shares during a purchase period. The ESPP provides for separate overlapping 12 month offering periods starting every six months. Each offering has two purchase dates occurring every six months on designated dates. The offerings under the ESPP commence on May 15 and November 15 of each calendar year, beginning in May 2016. Any eligible employee may participate in only one offering period at a time and may purchase shares only through payroll deductions permitted under the ESPP. At the end of each six-month period, the purchase price is determined and the accumulated funds are used to automatically purchase shares of common stock. The purchase price per shares is equal to 85 percent of the lower of the fair market value of the common stock on the first day of the offering period or the date of purchase.

The first purchase period of the ESPP will be in May 2016 and, therefore, no shares were issued pursuant to the ESPP in the year ended December 31, 2015.

**Stock Option Activity**

Certain information regarding stock option activity and stock options outstanding as of December 31, 2015 was as follows:

	Shares Available for Grant	Outstanding Stock Options	Weighted average exercise price	Weighted average remaining life (in years)	Aggregate intrinsic value (in thousands)
<b>Balances, December 31, 2014</b>	3,389,132	7,329,575	\$ 5.97		
Additional shares reserved	2,870,538				
Stock options granted	(2,440,695)	2,440,695	5.37		
Forfeited – stock options	1,703,380	(1,703,380)	9.73		
Exercised – stock options exercised		(1,089,933)	1.22		
Granted – RSUs	(3,914,358)				
Forfeited – RSUs	1,574,637				
Forfeited – PSUs	250,000				
Vested RSUs adjusted for taxes	209,532				
<b>Balances, December 31, 2015</b>	<u>3,642,166</u>	<u>6,976,957</u>	<u>\$ 5.59</u>	<u>5.55</u>	<u>\$ 6,878</u>
<b>Exercisable at December 31, 2015</b>		<u>4,633,363</u>	<u>\$ 5.48</u>	<u>3.65</u>	<u>\$ 6,876</u>
<b>Vested and expected to vest</b>		<u>6,744,707</u>	<u>\$ 5.58</u>	<u>5.39</u>	<u>\$ 6,878</u>

On January 1, 2016, an additional 2,979,417 shares were reserved for future awards under the 2011 Plan.

**Restricted Stock Activity**

Restricted stock results from the grant of PSUs and RSUs. The shares of restricted stock vest over the period specified in the related PSU and RSU agreements.

Restricted stock activity was as follows:

	Number of shares	Weighted average grant date fair value
<b>Balances, December 31, 2014</b>	4,043,912	\$ 11.21
Granted RSUs	3,914,358	5.39
Vested RSUs	(1,635,341)	10.82
Forfeited RSUs	(1,574,637)	9.72
Forfeited PSUs	(250,000)	8.12
<b>Balances, December 31, 2015</b>	<u>4,498,292</u>	<u>6.98</u>

All shares to be issued upon the exercise of stock options and the vesting of RSUs will come from newly issued shares.

**Stock-Based Compensation**

The fair value of the stock-based options granted to employees was estimated using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2015	2014	2013
Expected term (in years)	6.0	6.0	5.9
Risk-free interest rate	1.75%	1.83%	1.09%
Volatility	50.62%	50.43%	52.17%
Dividend yield	—%	—%	—%

The following weighted average assumptions were used to estimate the fair value of ESPP shares in the periods presented:

	Year Ended December 31,		
	2015	2014	2013
Expected term (in years)	0.7	0	0
Risk-free interest rate	0.41%	—%	—%
Volatility	36.20%	—%	—%
Dividend yield	—%	—%	—%

The expected terms of options granted were calculated using the simplified method, which defines the expected term as the average of the contractual term and the vesting period. We elected to use the simplified method due to a lack of term length data since we completed our initial public offering in December 2011 and our stock options meet the criteria of “plain-vanilla.” Estimated volatility incorporates a calculated volatility derived from the historical closing prices of common shares of our stock as well as similar entities whose share prices are publicly available for the expected term of the option. The risk-free interest rate is based on the U.S. Treasury constant maturities in effect at the time of grant for the expected term of the option. We use historical data to estimate the number of future stock option forfeitures.

The expected term for the ESPP is the weighted average length of the purchase periods. We utilize our historical volatility over the estimated expected term as the expected volatility.

Certain information regarding our stock-based compensation was as follows (in thousands, except per share data):

	Year Ended December 31,		
	2015	2014	2013
Weighted average per share grant date fair value of stock options granted	\$ 2.65	\$ 3.68	\$ 7.57
Weighted average per share grant date fair value of ESPP purchase rights	\$ 1.32	\$ —	\$ —
Total intrinsic value of stock options exercised	\$ 4,444	\$ 12,573	\$ 36,367
Total fair value of restricted stock and stock options vested	\$ 19,320	\$ 38,071	\$ 21,045

Stock-based compensation was included in our Consolidated Statements of Operations as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cost of revenues	\$ 3,029	\$ 4,276	\$ 3,450
Research and development	7,078	10,642	14,133
Sales and marketing	3,775	10,852	10,614
General and administrative	6,423	7,138	6,557
Total	\$ 20,305	\$ 32,908	\$ 34,754
Stock-based compensation related to non-employee awards (included in total stock-based compensation above)	\$ —	\$ 41	\$ 488
Stock-based compensation capitalized related to the development of internal-use software	\$ —	\$ 1,370	\$ —

There were no grants of stock-based awards to non-employees in 2015, 2014 or 2013. Vesting of shares granted to non-employees was contingent on the individual continuing to provide service. Expense for these awards was calculated using the Black-Scholes-Merton option-pricing model. These awards are equity classified and were marked to market each period with the change in fair value recorded in earnings. At December 31, 2015, there were no options exercisable for shares of our common stock by non-employees.

As of December 31, 2015, we had unrecognized compensation related to all stock-based awards of \$32.9 million, which will be recognized over the weighted average remaining vesting period of 2.9 years.

**Note 10. Income Taxes**

**Income Tax Provision (Benefit)**

Pretax income (loss) is as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Domestic	\$ (35,009)	\$ (55,660)	\$ (76,714)
Foreign	1,407	645	333
Total	\$ (33,602)	\$ (55,015)	\$ (76,381)

The provision (benefit) for federal, state and foreign income taxes was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
<b>Current tax provision (benefit):</b>			
Federal	\$ —	\$ —	\$ —
State	157	50	79
Foreign	965	1,015	142
Total current tax provision (benefit)	1,122	1,065	221
<b>Deferred tax provision (benefit):</b>			
Federal	103	50	(1,025)
State	26	23	(206)
Foreign	—	—	—
Total deferred tax expense	129	73	(1,231)
Provision for (benefit from) income taxes	\$ 1,251	\$ 1,138	\$ (1,010)

The 2015 provision for income taxes includes \$0.4 million charge related to foreign withholding taxes. The 2014 provision for income taxes includes a \$0.5 million charge related to our Israeli tax examination. The 2013 benefit from income taxes includes a \$1.4 million tax benefit from the release of valuation allowance on our deferred tax assets related to an acquisition. In connection with the acquisition of StreamOnce, a deferred tax liability was established for the book-tax basis differences related to the non-goodwill intangibles. The net deferred tax liability created an additional source of income to offset our deferred tax assets. The impact on our deferred tax assets and liabilities caused by the acquisition is recorded outside of acquisition accounting.

The reconciliation of the statutory federal income tax rate to the effective tax rate is as follows:

	Year Ended December 31,		
	2015	2014	2013
Federal statutory tax rate	(34.0)%	(34.0)%	(34.0)%
State tax	(11.1)	(6.9)	(10.5)
Change in valuation allowance	45.9	40.0	44.0
Permanent differences	5.4	5.3	4.6
Tax credits	(6.2)	(3.8)	(4.4)
Foreign rate impact	(0.6)	(0.2)	(0.1)
Foreign tax withheld at source	1.5	—	—
Other	2.8	1.7	(0.9)
	3.7 %	2.1 %	(1.3)%

**Deferred Income Taxes**

Deferred income taxes reflect the net tax effects of (i) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (ii) operating losses and tax credit carryforwards. The tax effects of significant items comprising our deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss (“NOL”) carryforwards	\$ 74,486	\$ 69,176
Accrued expenses, reserves and allowances	940	1,220
Deferred revenue	16,545	16,429
Tax credit carryforwards	12,079	9,580
Deferred rent	320	363
Depreciation	820	—
Amortizable intangibles	203	—
Other	16,333	13,840
Total deferred tax assets	121,726	110,608
Deferred tax liabilities:		
Depreciation	—	(1,212)
Amortizable intangibles	—	(1,678)
Indefinite lived intangibles	(367)	(238)
Other	—	(177)
Total deferred tax liabilities	(367)	(3,305)
Valuation allowance	(121,726)	(107,540)
Net deferred taxes	\$ (367)	\$ (237)

The tax benefit of net operating losses, temporary differences and credit carryforwards is recorded as an asset to the extent that we assess that realization is more likely than not. Realization of the future tax benefits is dependent on our ability to generate sufficient taxable income within the carryforward period. Due to our history of operating losses, we currently believe that the recognition of the deferred tax assets arising from the above mentioned future tax benefits is not more likely than not to be realized and, accordingly, have provided a full valuation allowance.

Certain other information regarding our deferred income taxes was as follows:

(In thousands)

	Year Ended December 31,		
	2015	2014	2013
Increase in valuation allowance	\$ 14,186	\$ 21,463	\$ 32,692

(In millions)

	December 31,	
	2015	2014
Federal and state NOL carryforwards	\$ 250.2	\$ 238.8
Tax credit carryforwards	12.9	10.3

These carryforwards expire between 2016 and 2035.

Approximately \$74.7 million of our NOL carryforwards at December 31, 2015 were generated as a result of excess tax deductions related to exercises of stock options and disqualifying dispositions. If utilized, this portion of our carryforwards, as tax effected, will be accounted for as a direct increase to contributed capital rather than as a reduction of that year’s provision for income taxes. NOL carryforwards created by excess tax benefits from the exercise of stock options are not recorded as deferred tax assets. Accordingly, the deferred tax assets related to the net operating losses were reduced by \$31.6 million and \$31.1 million at December 31, 2015 and 2014, respectively.

**Unrecognized Tax Benefits**

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. We recognize penalties and interest related to unrecognized tax benefits as a component of income tax expense. As of December 31, 2015 and 2014, the accrued penalties or interest recorded in the consolidated financial statements were insignificant. Only \$0.4 million of the unrecognized tax benefits would currently have an impact on the effective tax rate if recognized. The following is a reconciliation of our unrecognized tax benefits (in thousands):

	Year Ended December 31,		
	2015	2014	2013
<b>Beginning balance</b>	\$ 567	\$ 409	\$ 737
Additions based on tax positions related to the current year	185	240	205
Reductions based on tax positions related to the current year	(74)	—	—
Additions based on prior year tax positions	—	36	151
Reductions for tax positions in prior years	(223)	(118)	(212)
Settlements	—	—	(472)
<b>Ending balance</b>	<b>\$ 455</b>	<b>\$ 567</b>	<b>\$ 409</b>

We are subject to income taxes in U.S. federal and various state, local and foreign jurisdictions. Generally, we are no longer subject to U.S. federal, state and local tax examinations for tax years ended before December 31, 2011. However, to the extent allowed by law, the tax authorities may have the right to examine prior periods where NOLs or tax credits were generated and carried forward, and make adjustments up to the amount of the NOL or credit carryforward. At December 31, 2015, we were not under exam in any jurisdictions. There could be a significant impact to our uncertain tax positions over the next twelve months depending on the outcome of any audit. We do not anticipate that unrecognized tax benefits will decrease relating to expiring statutes of limitation by the end of 2016.

**Unrepatriated Foreign Earnings**

We did not repatriate any earnings of our foreign subsidiaries in 2015, 2014 or 2013. We plan to indefinitely reinvest the earnings of all of our foreign subsidiaries overseas. Should we plan to repatriate any foreign earnings in the future, we will be required to establish an income tax liability and recognize additional income tax expense related to such earnings. As of December 31, 2015, we had \$2.5 million of unrepatriated foreign earnings.

**Note 11. Net Loss Per Share**

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

	Year Ended December 31,		
	2015	2014	2013
<b>Numerator:</b>			
Net loss	\$ (34,853)	\$ (56,153)	\$ (75,371)
<b>Denominator:</b>			
Weighted-average common shares outstanding	75,365	71,251	67,858
Less: Weighted-average unvested common shares subject to repurchase or forfeiture	148	500	477
Weighted-average shares used to compute net loss per share, basic and diluted	75,217	70,751	67,381
Net loss per share, basic and diluted	\$ (0.46)	\$ (0.79)	\$ (1.12)

Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	Year Ended December 31,		
	2015	2014	2013
Shares subject to outstanding common stock options	6,976,957	7,329,575	9,480,138
Unvested restricted common stock	4,498,292	4,043,912	4,796,112
Common stock subject to repurchase	—	313,412	635,928
Purchase rights from employee stock purchase plans	8,268	—	—
	<b>11,483,517</b>	<b>11,686,899</b>	<b>14,912,178</b>

**Note 12. Statements of Cash Flows**

The summary of supplemental cash flows information is as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
<b>Supplemental Cash Flow Information</b>			
Cash paid for interest	\$ 123	\$ 181	\$ 246
Cash paid for income taxes	634	235	258
<b>Supplemental Non-Cash Information</b>			
Construction costs funded by landlord tenant improvement allowance	\$ 741	\$ —	\$ —
Common stock issued in connection with StreamOnce acquisition	—	—	852

**Note 13. Commitments and Contingencies****Legal Matters**

From time to time, we may become involved in routine litigation arising in the ordinary course of business. While the results of such litigation cannot be predicted with certainty, we believe that the final outcome of such matters will not have a material adverse effect on our financial position, results of operations or cash flows.

**Operating Leases**

Operating lease payments primarily relate to equipment leases and noncancelable operating leases associated with the following spaces that we currently utilize:

<u>Location</u>	<u>Lease expiration</u>
Palo Alto, California headquarters	March 2020
Portland, Oregon office	September 2018
San Francisco, California office	October 2022
Boulder, Colorado office	March 2016
United Kingdom office	May 2018
Israel office	February 2021
Arizona data center	December 2016
New Jersey data center	September 2016
Netherlands data center	October 2016
London data center	March 2017

In addition to the facilities listed above, we also occupy a number of smaller sales and service offices around the world. In addition to our currently occupied space, there are other facility leases that are no longer being utilized by us that have been fully sublet.

Rent expense was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Gross rent expense	\$ 7,677	\$ 7,023	\$ 5,570
Sublease income	254	45	45
Net rent expense	\$ 7,423	\$ 6,978	\$ 5,525

Minimum rentals to be received in the future under subleases as of December 31, 2015 were \$0.7 million.

The approximate future minimum lease payments required under operating leases (including for sublet facilities) were as follows (in thousands):

Year ending December 31,		
2016	\$	7,447
2017		5,057
2018		4,071
2019		1,658
2020		1,363
Thereafter		1,369
	\$	<u>20,965</u>

**Contractual Commitments**

We have commitments under non-cancelable purchase orders or vendor agreements of \$3.7 million at December 31, 2015. The non-cancelable purchase order and vendor agreement commitments will be filled at various times through the second quarter of 2017.

**Note 14. Geographic Information**

Sales to countries which totaled 10% or more of our total revenues, determined based on the location of the end customer, were as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
U.S.	\$ 143,819	\$ 135,876	\$ 112,693
Rest of world	51,974	42,817	33,070
	<u>\$ 195,793</u>	<u>\$ 178,693</u>	<u>\$ 145,763</u>

Our long-lived net assets are classified by major geographic areas as follows:

	Year Ended December 31,	
	2015	2014
U.S.	\$ 9,530	\$ 11,385
Israel	2,199	317
Netherlands	634	731
United Kingdom	384	553
	<u>\$ 12,747</u>	<u>\$ 12,986</u>

**Note 15. Employee Benefit Plan**

We offer a 401(k) employee savings plan to our U.S.-based employees. We make a nondiscretionary matching contribution equal to 100% of the first 3% and 50% of the next 2% of compensation contributed by employees. We made matching contributions as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
401(k) matching contributions	\$ 2,485	\$ 2,413	\$ 2,196

**Note 16. Related-Party Transactions**

Certain members of our board of directors also serve on the board of directors of certain of our customers and in some cases are also investors of these customers. Certain information regarding these customers was as follows (in thousands):

	December 31,	
	2015	2014
Accounts receivable	\$ 230	\$ 46
Current deferred revenue	461	548
Non-current deferred revenue	56	75

	Year Ended December 31,		
	2015	2014	2013
Revenues	\$ 1,046	\$ 929	\$ 1,820

**Note 17. Disgorgement Funds Received**

On January 8, 2015, we received \$1.1 million from a stockholder in settlement of a claim under Section 16(b) of the Exchange Act of 1934, as amended. We recognized the amount when realized in other, net on our Consolidated Statements of Operations. The amount is reflected as a non-recurring gain in our financing cash flows on our Consolidated Statements of Cash Flows.

**Note 18. New Accounting Pronouncements*****Accounting Pronouncements Not Yet Adopted***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard, as amended, is effective for us on January 1, 2018 with early application effective January 1, 2017 permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In April 2015, the FASB issued ASU No. 2015-05, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40).” ASU 2015-05 provides guidance regarding the accounting for a customer's fees paid in a cloud computing arrangement; specifically about whether a cloud computing arrangement includes a software license, and, if so, how to account for the software license. ASU 2015-05 is effective for public companies' annual periods, including interim periods, beginning after December 15, 2015. Early adoption is permitted. We do not expect the adoption of ASU 2015-05 to have a material effect on our financial position, results of operations or cash flows.

In November 2015, the FASB issued ASU No. 2015-17, “Balance Sheet Classification of Deferred Taxes (Topic 740).” ASU 2015-17 simplifies the accounting for deferred taxes in a classified statement of financial position, requiring all deferred taxes to be presented as non-current. ASU 2015-17 is effective for public companies' annual periods, including interim periods, beginning after December 15, 2016. Early adoption is permitted. We do not expect the adoption of ASU 2015-17 to have a material effect on our financial position, results of operations or cash flows.

**Note 19. Selected Quarterly Financial Data (Unaudited)**

	For the Quarter Ended			
	March 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015
<b>(Dollars in thousands, except per share amounts)</b>				
Total revenues	\$ 47,126	\$ 48,611	\$ 49,905	\$ 50,151
Gross profit	29,900	30,460	31,740	31,499
Net loss	(8,165)	(9,310)	(8,829)	(8,549)
Net loss per share, basic and diluted	(0.11)	(0.12)	(0.12)	(0.11)
	For the Quarter Ended			
	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014
<b>(Dollars in thousands, except per share amounts)</b>				
Total revenues	\$ 41,029	\$ 43,375	\$ 46,600	\$ 47,689
Gross profit	25,574	26,735	29,365	30,346
Net loss	(17,324)	(14,630)	(12,109)	(12,090)
Net loss per share, basic and diluted	(0.25)	(0.21)	(0.17)	(0.17)

Net loss per share of common stock for the four quarters of each year in the table above may not sum to the total for each year because of the different number of weighted-average shares outstanding in each respective period.

**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***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. 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 December 31, 2015. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company 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. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2015, 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.

***Report of Management on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute, assurances. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework (2013)*.

Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

KPMG LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2015, as stated in their report, which is included herein.

***Changes in Internal Control over Financial Reporting***

There were no changes 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 year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Jive Software, Inc.:

We have audited Jive Software, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Jive Software, Inc.'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 Report of Management 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Jive Software, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Jive Software, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 29, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Portland, Oregon  
February 29, 2016

### ITEM 9B. OTHER INFORMATION

#### *Departure of Director and Appointment of Director*

On February 26, 2016, Matthew Tucker resigned as a member of our board of directors, effective immediately.

Following such resignation, on February 26, 2016 our board of directors appointed Phillip Koen to serve on the board of directors, effective March 1, 2016. Mr. Koen will serve as a Class II director, with a term expiring at the Company's 2016 annual meeting of stockholders. In connection with his appointment to our board of directors, Mr. Koen was also appointed to serve as a member of each of the Audit Committee and the Compensation Committee of our board of directors, effective March 1, 2016.

Mr. Koen currently serves as Executive Chairman of the Board of Directors of Intermedia, a mobile and integrated business cloud services company. From May 2011 to May 2015, Mr. Koen served as Chief Executive Officer and Executive Chairman of Intermedia. Prior to joining Intermedia, from February 2010 to May 2011, Mr. Koen served as Chief Executive Officer of Montero Partners, an advisory services company. From March 2006 to January 2010, Mr. Koen served as Chief Executive Officer and director of Savvis, Inc., a global leader in cloud infrastructure and hosted IT solutions for enterprises. Before joining Savvis, from July 1999 to March 2006, Mr. Koen served in several executive positions with Equinix, Inc., a provider of network-neutral data centers and Internet exchange services, including as the company's President and Chief Operating Officer and as its Chief Financial Officer. Mr. Koen holds a bachelor's degree in Economics from Claremont McKenna College and an MBA from the University of Virginia. We believe that Mr. Koen's experience as a chief executive officer and other executive roles within a number of enterprise cloud solutions companies qualify him to serve as a member of our board of directors.

Mr. Koen will participate in the non-employee director compensation arrangements described in our 2015 annual proxy statement filed with the Securities and Exchange Commission on April 10, 2015. Pursuant to those arrangements, Mr. Koen will receive, the following initial equity awards in connection with his appointment to our board of directors:

- An initial restricted stock unit ("RSU") grant on March 1, 2016, with a fair value on the date of grant equal to \$200,000; 25% of the RSU grant will vest on the first anniversary of the grant date with the remaining portion of his grant vesting quarterly over the next eight quarters, subject to his continued service on our board of directors through each such vesting date; and
- An initial option grant on March 1, 2016, with a fair value (based on Black-Scholes) on the date of grant equal to \$200,000; the option grant will vest 25% of the underlying shares on the first anniversary of the grant date with the remaining shares underlying his option grant vesting quarterly over the next eight quarters, subject to his continued service on our board of directors through each such vesting date.

In connection with his appointment, Mr. Koen will also enter into the Company's standard form of indemnification agreement, a copy of which has been filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-176483) filed with the Securities and Exchange Commission on November 30, 2011.

There are no arrangements or understandings between Mr. Koen and any other persons pursuant to which Mr. Koen was elected as a director. In addition, Mr. Koen has no direct or indirect material interest in any transaction or proposed transaction required to be reported under Section 404(a) of Regulation S-K.

In addition, on February 26, 2016, the board of directors changed the class of directorship for Gabrielle Toledano from a Class I director to a Class II director.

**PART III**

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

The information called for by this item is incorporated by reference to our Proxy Statement for our 2016 Annual Meeting of Stockholders (the “2016 Proxy Statement”) anticipated to be filed with the SEC, within 120 days after the end of the fiscal year ended December 31, 2015, pursuant to Regulation 14A under the Exchange Act. See “Election of Board of Directors,” “Meetings of the Board of Directors,” “Committees of the Board of Directors,” “Executive Officers and Key Employees” and “Section 16(a) Beneficial Ownership Reporting Compliance.”

On November 10, 2011 we adopted a code of business conduct and ethics that applies to all of our employees, including our executive officers and directors, and those employees responsible for financial reporting. The code of business conduct and ethics is available on our website at [jivesoftware.com](http://jivesoftware.com). We expect that, to the extent required by law, any amendments to the code, or any waivers of its requirements, will be disclosed on our website. We intend to disclose any waiver to the provisions of the code of business conduct and ethics that applies specifically to directors or executive officers by filing such information on a Current Report on Form 8-K with the SEC, to the extent such filing is required by the NASDAQ Global Select Market’s listing requirements; otherwise, we will disclose such waiver by posting such information on our website.

**ITEM 11. EXECUTIVE COMPENSATION**

The information called for by this item is incorporated by reference to our 2016 Proxy Statement. See “Executive Compensation,” “Non-Employee Director Compensation” and “Compensation Committee Report.”

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

The information called for by this item is incorporated by reference to our 2016 Proxy Statement. See “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

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

The information called for by this item is incorporated by reference to our 2016 Proxy Statement. See “Election of Board of Directors,” “Committees of the Board of Directors” and “Director Independence.”

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information called for by this item is incorporated by reference to our 2016 Proxy Statement. See “Ratification of Appointment of Independent Registered Public Accounting Firm.”

**PART IV**

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

**Financial Statements and Schedules**

[Table of Contents](#)

The Consolidated Financial Statements, together with the report thereon of KPMG LLP, are included on the pages indicated below:

	<u>Page</u>
<a href="#">Report of KPMG LLP, Independent Registered Accounting Firm</a>	<a href="#">54</a>
<a href="#">Consolidated Balance Sheets as of December 31, 2015 and 2014</a>	<a href="#">55</a>
<a href="#">Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013</a>	<a href="#">56</a>
<a href="#">Consolidated Statements of Comprehensive Loss for the years ended December 31, 2015, 2014 and 2013</a>	<a href="#">57</a>
<a href="#">Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013</a>	<a href="#">58</a>
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013</a>	<a href="#">59</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">60</a>

Financial statement schedules have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

**Exhibits**

The documents listed in the Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

**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 29, 2016

JIVE SOFTWARE, INC.

By: /s/ Elisa Steele

Elisa Steele

Chief Executive Officer, President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 29, 2016.

Principal Executive Officer and Director:

By: /s/ Elisa Steele

Elisa Steele

Chief Executive Officer, President and Director

Principal Financial and Accounting Officer:

By: /s/ Bryan J. LeBlanc

Bryan J. LeBlanc

EVP and Chief Financial Officer

Directors:

By: /s/ Margaret A. Brea

Margaret A. Brea, Director

By: /s/ William A. Lanfri

William A. Lanfri, Director

By: /s/ Tom J. Reilly

Tom J. Reilly, Director

By: /s/ Charles J. Robel

Charles J. Robel, Director

By: /s/ Theodore E. Schlein

Theodore E. Schlein, Director

By: /s/ Gabrielle Toledano

Gabrielle Toledano, Director

By: /s/ Anthony Zingale

Anthony Zingale, Chairman

**INDEX TO EXHIBITS**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
3.1	Amended and Restated Certificate of Incorporation. (1) (Exhibit 3.2)
3.2	Amended and Restated Bylaws. (1) (Exhibit 3.4)
4.1	Form of Common Stock Certificate. (1) (Exhibit 4.1)
4.2	Third Amended and Restated Investor Rights Agreement, by and among Jive Software, Inc. and the investors party thereto, dated March 28, 2011. (1) (Exhibit 4.2)
10.1*	2007 Stock Incentive Plan, as amended, and Form of Stock Option Agreement under 2007 Stock Incentive Plan. (1) (Exhibit 10.1)
10.2*	2002 Stock Incentive Plan, as amended, and Form of Stock Option Agreement under 2002 Stock Incentive Plan. (1) (Exhibit 10.2)
10.3*	2011 Equity Incentive Plan and Form of Stock Option Agreement under 2011 Equity Incentive Plan. (1) (Exhibit 10.3)
10.4*	Form of Indemnification Agreement by and between Jive Software, Inc. and each of its directors and executive officers. (1) (Exhibit 10.4)
10.5*	Offer Letter, between Jive Software, Inc. and Bryan LeBlanc, dated June 6, 2008. (1) (Exhibit 10.6)
10.6*	Offer Letter, between Jive Software, Inc. and Ofer Ben-David, dated November 19, 2014. (8) (Exhibit 10.6)
10.7	Lease Agreement between Jive Software, Inc. and Harsch Investment Properties, LLC, dated February 25, 2008. (1) (Exhibit 10.12)
10.8	First Amendment to the Lease Agreement between Jive Software, Inc. and Harsch Investment Properties, dated October 1, 2010. (1) (Exhibit 10.13)
10.9	Second Amendment to the Lease Agreement between Jive Software, Inc. and Harsch Investment Properties, dated October 31, 2012. (4) (Exhibit 10.14)
10.10	Lease Agreement between Jive Software, Inc. and TTC Partners III, LC, dated May 13, 2010. (1) (Exhibit 10.14)
10.11	Second Amended Loan Agreement with Silicon Valley Bank dated May 23, 2012. (3) (Exhibit 10.1)
10.12	First Loan Modification Agreement between Jive Software, Inc. and Silicon Valley Bank, dated April 26, 2013. (5) (Exhibit 10.1)
10.13	Second Loan Modification Agreement between Jive Software, Inc. and Silicon Valley Bank, dated February 18, 2014. (6) (Exhibit 10.1)
10.14	Third Loan Modification Agreement between Jive Software, Inc. and Silicon Valley Bank, dated March 31, 2015. (9) (Exhibit 10.1)
10.15*	Form of Change of Control and Retention Agreement for Bryan LeBlanc, Ofer Ben-David, Jeffrey Lautenbach and David Puglia. (1) (Exhibit 10.17)
10.16*	Transition Agreement dated November 3, 2014, by and between the Company and Anthony Zingale. (7) (Exhibit 10.2)
10.17*	2012 Executive Bonus Plan. (2) (Exhibit 10.1)
10.18*	Amended and Restated Offer Letter, dated February 9, 2015, by and between the Company and Elisa Steele. (8) (Exhibit 10.17)
10.19*	Amended and Restated Change of Control and Retention Agreement, dated February 9, 2015, by and between the Company and Elisa Steele. (8) (Exhibit 10.18)
10.20*	2015 Employee Stock Purchase Plan. (10) (Exhibit 4.5)
10.21*	Offer letter between Jive Software, Inc. and Jeffrey Lautenbach, dated August 3, 2015. (11) (Exhibit 10.1)
10.22*	Offer letter between Jive Software, Inc. and David Puglia, dated September 9, 2015. (11) (Exhibit 10.2)

<u>Exhibit Number</u>	<u>Description</u>
21.1	List of Subsidiaries.
23.1	Consent of KPMG LLP, independent registered public accounting firm.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Management contract, compensatory plan or arrangement.

- (1) Incorporated by reference to Form S-1 file number 333-176483 as declared effective by the Securities and Exchange Commission on December 12, 2011. The number given in parentheses indicates the corresponding exhibit number in such Form S-1.
- (2) Incorporated by reference to Form 8-K as filed with the Securities and Exchange Commission on March 2, 2012.
- (3) Incorporated by reference to Form 8-K as filed with the Securities and Exchange Commission on May 25, 2012.
- (4) Incorporated by reference to Form 10-Q as filed with the Securities and Exchange Commission on November 7, 2012.
- (5) Incorporated by reference to Form 10-Q as filed with the Securities and Exchange Commission on May 1, 2013.
- (6) Incorporated by reference to Form 8-K as filed with the Securities and Exchange Commission on February 19, 2014.
- (7) Incorporated by reference to Form 10-Q as filed with the Securities and Exchange Commission on November 6, 2014.
- (8) Incorporated by reference to Form 10-K as filed with the Securities and Exchange Commission on February 27, 2015.
- (9) Incorporated by reference to Form 10-Q as filed with the Securities and Exchange Commission on May 6, 2015.
- (10) Incorporated by reference to Form S-8 as filed with the Securities and Exchange Commission on June 16, 2015.
- (11) Incorporated by reference to Form 10-Q as filed with the Securities and Exchange Commission on November 9, 2015.

**SUBSIDIARIES OF JIVE SOFTWARE, INC.**

Jive Software Limited (UK)

Jive Israel Ltd.

Jive Software Singapore (Pte) Ltd.

Jive Software Australia Pty Ltd.

Jive Software BV

Jive Software Brasil Ltda.

Jive International Holdings, LLC

Jive Sweden AB

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Jive Software, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-178636 and 333-204990) on Form S-8 of Jive Software, Inc. of our reports dated February 29, 2016, with respect to the consolidated balance sheets of Jive Software, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and the effectiveness of internal control over financial reporting as of December 31, 2015, which reports appear in the December 31, 2015 annual report on Form 10-K of Jive Software, Inc.

/s/ KPMG LLP

Portland, Oregon  
February 29, 2016









