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

FORM 10-Q

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from _____ to _____

Commission File No. 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

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

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

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

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

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

The number of shares of the registrant's common stock outstanding as of July 29, 2014 was 71,285,909.

[Table of Contents](#)

**JIVE SOFTWARE, INC.
INDEX TO FORM 10-Q**

	<u>Page</u>
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Consolidated Balance Sheets – June 30, 2014 and December 31, 2013	2
Consolidated Statements of Operations – Three and Six Months Ended June 30, 2014 and 2013	3
Consolidated Statements of Comprehensive Loss – Three and Six Months Ended June 30, 2014 and 2013	4
Consolidated Statements of Cash Flows – Six Months Ended June 30, 2014 and 2013	5
Condensed Notes to Consolidated Financial Statements	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	28
PART II - OTHER INFORMATION	
Item 1A. Risk Factors	28
Item 6. Exhibits	48
Signatures	49

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

JIVE SOFTWARE, INC.
Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,499	\$ 38,415
Short-term marketable securities	69,521	69,809
Accounts receivable, net of allowances of \$683 and \$740	38,935	58,829
Prepaid expenses and other current assets	12,426	9,425
Total current assets	151,381	176,478
Marketable securities, noncurrent	39,175	33,443
Property and equipment, net of accumulated depreciation of \$25,199 and \$20,334	23,694	21,379
Goodwill	29,753	29,753
Intangible assets, net of accumulated amortization of \$14,969 and \$12,528	11,870	14,310
Other assets	555	572
Total assets	<u>\$ 256,428</u>	<u>\$ 275,935</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,228	\$ 6,412
Accrued payroll and related liabilities	7,440	7,469
Other accrued liabilities	7,514	8,478
Deferred revenue, current	116,134	112,432
Term debt, current	2,400	2,400
Total current liabilities	138,716	137,191
Deferred revenue, less current portion	27,444	34,905
Term debt, less current portion	4,800	6,000
Other long-term liabilities	1,176	1,605
Total liabilities	172,136	179,701
Commitments and contingencies		
Stockholders' Equity:		
Common stock, \$0.0001 par value. Authorized 290,000 shares; issued - 77,706 shares at June 30, 2014 and 76,174 at December 31, 2013; outstanding - 71,516 at June 30, 2014 and 69,653 at December 31, 2013	7	7
Less treasury stock at cost	(3,352)	(3,352)
Additional paid-in capital	346,758	326,834
Accumulated deficit	(259,485)	(227,531)
Accumulated other comprehensive income	364	276
Total stockholders' equity	84,292	96,234
Total liabilities and stockholders' equity	<u>\$ 256,428</u>	<u>\$ 275,935</u>

See accompanying Condensed Notes to Consolidated Financial Statements.

[Table of Contents](#)

JIVE SOFTWARE, INC.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenues:				
Product	\$ 39,037	\$ 31,559	\$ 76,414	\$ 62,222
Professional services	4,338	3,683	7,990	6,872
Total revenues	<u>43,375</u>	<u>35,242</u>	<u>84,404</u>	<u>69,094</u>
Cost of revenues:				
Product	10,835	9,540	20,756	18,752
Professional services	5,805	4,215	11,339	8,063
Total cost of revenues	<u>16,640</u>	<u>13,755</u>	<u>32,095</u>	<u>26,815</u>
Gross profit	26,735	21,487	52,309	42,279
Operating expenses:				
Research and development	12,991	13,749	25,888	26,426
Sales and marketing	21,658	20,480	45,159	39,344
General and administrative	6,514	6,081	12,833	11,947
Total operating expenses	<u>41,163</u>	<u>40,310</u>	<u>83,880</u>	<u>77,717</u>
Loss from operations	(14,428)	(18,823)	(31,571)	(35,438)
Other income (expense), net:				
Interest income	60	62	101	131
Interest expense	(64)	(105)	(147)	(180)
Other, net	(141)	(105)	(151)	(109)
Total other income (expense), net	<u>(145)</u>	<u>(148)</u>	<u>(197)</u>	<u>(158)</u>
Loss before provision for (benefit from) income taxes	(14,573)	(18,971)	(31,768)	(35,596)
Provision for (benefit from) income taxes	57	(1,191)	186	(1,215)
Net loss	<u>\$ (14,630)</u>	<u>\$ (17,780)</u>	<u>\$ (31,954)</u>	<u>\$ (34,381)</u>
Basic and diluted net loss per share	<u>\$ (0.21)</u>	<u>\$ (0.27)</u>	<u>\$ (0.46)</u>	<u>\$ (0.52)</u>
Shares used in basic and diluted per share calculations	<u>70,233</u>	<u>66,816</u>	<u>69,785</u>	<u>66,285</u>

See accompanying Condensed Notes to Consolidated Financial Statements.

JIVE SOFTWARE, INC.
Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net loss	\$ (14,630)	\$ (17,780)	\$ (31,954)	\$ (34,381)
Other comprehensive income (loss) related to:				
Foreign currency translation, net of tax	109	63	86	103
Unrealized gain (loss) on marketable securities, net of tax	(24)	(65)	2	(88)
Other comprehensive income (loss)	85	(2)	88	15
Comprehensive loss	<u>\$ (14,545)</u>	<u>\$ (17,782)</u>	<u>\$ (31,866)</u>	<u>\$ (34,366)</u>

See accompanying Condensed Notes to Consolidated Financial Statements.

JIVE SOFTWARE, INC.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	\$(31,954)	\$(34,381)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	7,885	7,787
Stock-based compensation	18,625	14,389
Change in deferred taxes	32	(1,351)
(Increase) decrease, net of acquisitions, in:		
Accounts receivable, net	19,894	11,712
Prepaid expenses and other assets	(2,931)	(1,009)
Increase (decrease), net of acquisitions, in:		
Accounts payable	(890)	(355)
Accrued payroll and related liabilities	(311)	(1,963)
Other accrued liabilities	(628)	100
Deferred revenue	(3,759)	11,068
Other long-term liabilities	115	40
Net cash provided by operating activities	<u>6,078</u>	<u>6,037</u>
Cash flows from investing activities:		
Payments for purchase of property and equipment	(6,588)	(4,789)
Purchases of marketable securities	(62,194)	(58,780)
Sales of marketable securities	11,101	23,721
Maturities of marketable securities	45,074	42,330
Acquisitions, net of cash acquired	—	(11,047)
Net cash used in investing activities	<u>(12,607)</u>	<u>(8,565)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,528	5,341
Taxes paid related to net share settlement of equity awards	(1,115)	(392)
Repayments of term loans	(1,200)	(1,200)
Earmout payment for prior acquisition	(576)	—
Net cash provided by (used in) financing activities	<u>(1,363)</u>	<u>3,749</u>
Net increase (decrease) in cash and cash equivalents	<u>(7,892)</u>	<u>1,221</u>
Effect of exchange rate changes	<u>(24)</u>	<u>12</u>
Cash and cash equivalents, beginning of period	<u>38,415</u>	<u>48,955</u>
Cash and cash equivalents, end of period	<u>\$ 30,499</u>	<u>\$ 50,188</u>

See accompanying Condensed Notes to Consolidated Financial Statements.

JIVE SOFTWARE, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Nature of Business

We provide an enterprise collaboration platform that improves business results by enabling a more productive and effective workforce through enhanced communications and collaboration both inside and outside the enterprise. Organizations deploy our platform to improve employee productivity, enhance revenue opportunities, lower operational costs, increase customer retention and improve strategic decision making. Our platform is offered on a subscription basis, deployable in a private or public cloud and used for internal or external communities. We generate revenues from platform subscription license fees as well as from professional service fees for strategic consulting, configuration, implementation and training.

Note 2. Basis of Presentation

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.

The accompanying consolidated financial statements and condensed footnotes have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. The results of operations for the three and six-month periods ended June 30, 2014 are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the Securities and Exchange Commission (the "SEC") on March 3, 2014.

The preparation of financial statements in conformity with 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 fixed assets;
- stock-based compensation;
- contingent liabilities;
- assumptions used in testing for impairment of goodwill and other long-lived assets; 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.

[Table of Contents](#)

Note 3. Stock-Based Compensation

Stock Plan and Option Activity

Certain information regarding stock option activity for the six months ended June 30, 2014 and stock options outstanding as of June 30, 2014 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)
Balances, December 31, 2013	2,030,319	9,480,138	\$ 5.54		
Additional shares reserved	2,720,200				
Stock options granted	(749,500)	749,500	8.17		
Restricted stock units (“RSUs”) granted	(2,052,913)	—	—		
Performance stock units (“PSUs”) granted	(430,000)	—	—		
Forfeited – Stock options	467,871	(467,871)	13.82		
Forfeited – Restricted stock	844,197	—	—		
Vested RSUs adjusted for taxes	168,000	—	—		
Exercised	—	(694,851)	2.16		
Balances, June 30, 2014	<u>2,998,174</u>	<u>9,066,916</u>	<u>\$ 5.59</u>	<u>5.96</u>	<u>\$ 38,892</u>
Exercisable at June 30, 2014		<u>7,078,421</u>	<u>\$ 4.04</u>	<u>5.29</u>	<u>\$ 38,004</u>
Vested and expected to vest		<u>8,902,689</u>	<u>\$ 5.49</u>	<u>5.91</u>	<u>\$ 38,851</u>

Restricted Stock Activity

Restricted stock results from the exercise of unvested restricted stock purchases (“RSPs”) and non-qualified stock options (“NSOs”) with reverse vesting provisions, and the grant of restricted stock awards (“RSAs”), PSUs and RSUs. The shares of restricted stock vest over the period specified in the related RSP, NSO, RSA, PSU and RSU agreements. Restricted stock activity was as follows:

	Number of shares	Weighted average grant date fair value
Balances, December 31, 2013	4,796,112	\$ 15.24
Granted RSUs	2,052,913	8.61
Granted PSUs	430,000	8.13
Vested	(1,100,693)	14.89
Forfeited	(844,197)	14.93
Balances, June 30, 2014	<u>5,334,135</u>	<u>12.24</u>

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

[Table of Contents](#)

Stock-Based Compensation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Cost of revenues	\$ 941	\$ 777	\$ 2,111	\$ 1,298
Research and development	2,992	3,395	5,972	5,627
Sales and marketing	2,885	2,405	6,627	4,629
General and administrative	1,990	1,673	3,915	2,835
	<u>\$ 8,808</u>	<u>\$ 8,250</u>	<u>\$ 18,625</u>	<u>\$ 14,389</u>
Stock-based compensation capitalized related to the development of internal-use software	\$ 721	\$ —	\$ 1,159	\$ —

As of June 30, 2014, unrecognized stock-based compensation related to all stock-based awards was \$88.5 million, which will be recognized over the weighted average remaining vesting period of 2.3 years.

Note 4. Net Loss Per Share

Since we were in a loss position for all periods presented, basic net loss per share is the same as diluted net loss per share for all periods.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator:				
Net loss	<u>\$(14,630)</u>	<u>\$(17,780)</u>	<u>\$(31,954)</u>	<u>\$(34,381)</u>
Denominator:				
Weighted-average common shares outstanding	70,756	67,375	70,409	66,902
Less: Weighted-average unvested common shares subject to repurchase or forfeiture	(523)	(559)	(624)	(617)
Weighted-average shares used to compute net loss per share, basic and diluted	<u>70,233</u>	<u>66,816</u>	<u>69,785</u>	<u>66,285</u>
Net loss per share, basic and diluted	<u>\$ (0.21)</u>	<u>\$ (0.27)</u>	<u>\$ (0.46)</u>	<u>\$ (0.52)</u>

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

	As of June 30,	
	2014	2013
Shares subject to outstanding common stock options	9,066,916	11,155,804
Unvested restricted common stock	5,334,135	4,133,432
Common stock subject to repurchase	400,651	718,616
	<u>14,801,702</u>	<u>16,007,852</u>

[Table of Contents](#)

Note 5. Goodwill and Other Intangible Assets

Goodwill

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

	Six Months Ended June 30, 2014	Year Ended December 31, 2013
Balance, beginning of period	\$ 29,753	\$ 23,435
Acquisition of Clara Ehf.	—	3,161
Acquisition of StreamOnce, Inc.	—	3,157
Balance, end of period	<u>\$ 29,753</u>	<u>\$ 29,753</u>

Other Intangible Assets

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

	Useful Life	June 30, 2014	December 31, 2013
Acquired technology	5-7 years	\$ 20,441	\$ 20,441
Accumulated amortization		(10,108)	(8,167)
		10,333	12,274
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		(1,412)	(1,172)
		616	856
Other	2-7 years	1,940	1,939
Accumulated amortization		(1,019)	(759)
		921	1,180
Total intangible assets, net		<u>\$ 11,870</u>	<u>\$ 14,310</u>

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

Three Months Ended June 30,		Six Months Ended June 30,	
2014	2013	2014	2013
<u>\$ 1,212</u>	<u>\$ 1,404</u>	<u>\$ 2,441</u>	<u>\$ 2,536</u>

Expected future amortization expense as of June 30, 2014 is as follows (in thousands):

Remainder of 2014	\$ 2,422
2015	4,622
2016	2,732
2017	1,715
2018	379
Thereafter	—
	<u>\$11,870</u>

[Table of Contents](#)

Note 6. Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents and marketable securities consisted of the following (in thousands):

June 30, 2014

Description	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash	\$ 26,676	\$ —	\$ —	\$ 26,676
Cash equivalents:				
Money market mutual funds	3,823	—	—	3,823
Total cash equivalents	3,823	—	—	3,823
Total cash and cash equivalents	30,499	—	—	30,499
Short-term marketable securities:				
Commercial paper	3,799	—	—	3,799
Corporate notes and bonds	37,851	—	(4)	37,847
U.S. agency obligations	27,860	15	—	27,875
Total short-term marketable securities	69,510	15	(4)	69,521
Marketable securities, noncurrent:				
Corporate notes and bonds	17,958	—	(11)	17,947
Government obligations	1,994	1	—	1,995
U.S. agency obligations	19,249	—	(16)	19,233
Total marketable securities, noncurrent	39,201	1	(27)	39,175
Cash, cash equivalents, short-term marketable securities and marketable securities, noncurrent	\$139,210	\$ 16	\$ (31)	\$139,195

December 31, 2013

Description	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash	\$ 31,704	\$ —	\$ —	\$ 31,704
Cash equivalents:				
Money market mutual funds	6,711	—	—	6,711
Total cash equivalents	6,711	—	—	6,711
Total cash and cash equivalents	38,415	—	—	38,415
Short-term marketable securities:				
Commercial paper	5,497	—	—	5,497
Corporate notes and bonds	38,645	6	—	38,651
Government obligations	2,701	—	—	2,701
U.S. agency obligations	22,963	—	(3)	22,960
Total short-term marketable securities	69,806	6	(3)	69,809
Marketable securities, noncurrent:				
Corporate notes and bonds	14,302	—	(29)	14,273
U.S. agency obligations	19,162	8	—	19,170
Total marketable securities, noncurrent	33,464	8	(29)	33,443
Cash, cash equivalents, short-term marketable securities and marketable securities, noncurrent	\$141,685	\$ 14	\$ (32)	\$141,667

As of June 30, 2014 and December 31, 2013, we did not consider any of our investments to be other-than-temporarily impaired.

As of June 30, 2014, 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	\$ 69,521
Due within 1 year through 3 years	39,175
Total marketable securities	<u>\$108,696</u>

See also Note 7.

[Table of Contents](#)

Note 7. Fair Value Measurements

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 tables present our financial assets that are measured at fair value on a recurring basis (in thousands):

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Money market mutual funds	\$3,823	\$ —	\$ —	\$ 3,823
Marketable securities				
Commercial paper	—	3,799	—	3,799
Corporate notes and bonds	—	55,794	—	55,794
Government obligations	—	1,995	—	1,995
U.S. government and agency	—	47,108	—	47,108
	—	108,696	—	108,696
Total	<u>\$3,823</u>	<u>\$108,696</u>	<u>\$ —</u>	<u>\$112,519</u>
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Money market mutual funds	\$6,711	\$ —	\$ —	\$ 6,711
Marketable securities				
Commercial paper	—	5,497	—	5,497
Corporate notes and bonds	—	52,924	—	52,924
Government obligations	—	2,701	—	2,701
U.S. government and agency	—	42,130	—	42,130
	—	103,252	—	103,252
Total	<u>\$6,711</u>	<u>\$103,252</u>	<u>\$ —</u>	<u>\$109,963</u>
Liabilities:				
Contingent consideration				
Earnout liability	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 726</u>	<u>\$ 726</u>

The following table summarizes our Level 3 activity for our contingent consideration earnout liability (in thousands):

	Level 3
Balance at December 31, 2013	<u>\$ 726</u>
Decrease in earnout liability due to payment	(726)
Balance at June 30, 2014	<u>\$ —</u>

[Table of Contents](#)

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.

There were no changes to our valuation techniques during the six months ended June 30, 2014.

During the three and six-month periods ended June 30, 2014 and 2013, we did not record any other-than-temporary impairments.

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 nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy.

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.

Note 8. Long-Term Debt

We have a secured revolving loan facility and term loan facility of up to \$30.0 million under a loan agreement (the "Loan Agreement") with Silicon Valley Bank ("SVB"). The revolving loan facility expires on May 23, 2015.

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 and remove the fixed charge coverage ratio and maximum leverage ratio financial covenants, which were set to begin in periods occurring after December 31, 2013.

At June 30, 2014, we had \$1.0 million of outstanding letters of credit, no revolving loans outstanding under the Loan Agreement and \$7.2 million of term loans outstanding at an interest rate of 2.23%. We were in compliance with all covenants as of June 30, 2014.

Note 9. Commitments and Contingencies

In addition to \$23.4 million in future payments under our operating leases, we have \$3.6 million of commitments under non-cancelable purchase orders at June 30, 2014. The non-cancelable purchase order commitments will be filled at various times through the second quarter of 2017; and our longest operating lease expires in March 2020.

Note 10. Statements of Cash Flows

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Supplemental Cash Flow Information				
Cash paid for interest	\$ 42	\$ 70	\$ 106	\$ 124
Cash paid for income taxes	71	31	97	53
Supplemental Non-Cash Information				
Common stock issued in connection with acquisition of StreamOnce	\$ —	\$ 852	\$ —	\$ 852

[Table of Contents](#)**Note 11. 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. We believe the transactions between these customers and us were carried out on an arm's-length basis and that the pricing is consistent with similar transactions with other of our comparable customers. Certain information regarding these customers was as follows (in thousands):

	June 30, 2014	December 31, 2013
Accounts receivable	\$ 103	\$ 804
Current deferred revenue	554	1,504
Non-current deferred revenue	223	1,034

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	\$ 229	\$ 416	\$ 459	\$ 730

Note 12. New Accounting Pronouncements***Recently Adopted Accounting Pronouncements***

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 amends the guidance related to the presentation of unrecognized tax benefits and allows for the reduction of a deferred tax asset for a net operating loss ("NOL") carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. ASU 2013-11 is effective for annual and interim periods for fiscal years beginning after December 15, 2013, and early adoption is permitted. Since ASU 2013-11 relates only to the presentation of unrecognized tax benefits, the adoption of ASU 2013-11 in January 2014 did not have a material effect on our financial position, results of operations or cash flows.

Accounting Pronouncements Not Yet Adopted

In May, 2014, the FASB issued 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 is effective for us on January 1, 2017 and early application is not 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 June 2014, the FASB issued ASU 2014-12, "Compensation – Stock Compensation (Topic 718)." ASU 2014-12 addresses accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. ASU 2014-12 indicates that, in such situations, the performance target should be treated as a performance condition and, accordingly, the performance target should not be reflected in estimating the grant-date fair value of the award. Instead, compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. We do not expect the adoption of ASU 2014-12 to have a material effect on our financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report on Form 10-Q 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, (the "Exchange Act"). 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 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;
- risks related to actions of activist shareholders;
- 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 Quarterly Report on Form 10-Q.

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 Quarterly Report on Form 10-Q, 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 provide an enterprise collaboration platform that improves business results by enabling a more productive and effective workforce through enhanced communications and collaboration both inside and outside the enterprise. Organizations deploy our platform to improve employee productivity, enhance revenue opportunities, lower operational costs, increase customer retention and improve strategic decision making. Our platform is offered on a subscription basis, deployable in a private or public cloud and used for internal or external communities. We generate revenues from platform subscription license fees as well as from professional service fees for strategic consulting, configuration, implementation and training.

We sell our comprehensive Jive Enterprise Collaborations Platform (the "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 73.2% of revenues derived from our Jive Platform in the first six months of 2014 compared to 70.3% in the first six months of 2013. 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 are continuing to invest in our external community technology and intend to continue to focus on achieving growth and market-share in both markets.

[Table of Contents](#)

We offer our platform both as a public cloud service and as a private cloud solution. In 2012, we released Jive Cloud, one of our public cloud services that is a non-customizable version of our platform and is generally on a quarterly release cycle for new features and functionality. In the first six months of 2014, product revenues from all public cloud deployments, including Jive Cloud, represented 67.2% of total product revenues compared to 62.9% in the first six months of 2013. 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 76.7% of total revenues in the first six months of 2014 compared to 77.2% in the first six months of 2013. We are continuing to focus on strengthening our direct sales presence and channel partners internationally, and we anticipate the percentage of our revenues generated outside of the United States will increase in the future.

On May 1, 2014, we announced a strategic partnership with Cisco Systems, Inc. The partnership combines our enterprise collaboration platform with Cisco's real-time communication technologies like WebEx and Jabber. As part of this agreement, Cisco and its reseller network will resell our solutions as a fully integrated part of Cisco's collaboration products, as well as providing joint go-to-market and product engineering initiatives to drive additional adoption and innovation. We do not expect this partnership to have a significant impact on 2014 results of operations.

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 and overall new business and renewal activity has historically resulted in the value of invoices that we generate in the fourth quarter increasing in proportion to our billings in the other three quarters of our fiscal year. We expect this trend to continue in future years.

Critical Accounting Policies and the Use of Estimates

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We believe the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, result primarily from the need to make estimates about the effects of matters that are inherently uncertain.

Management's Discussion and Analysis and Note 2 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K describe the significant accounting estimates and policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates. During the first six months of 2014, there were no significant changes in our critical accounting policies or estimates from those reported in our 2013 Annual Report on Form 10-K, which was filed with the SEC on March 3, 2014.

New Accounting Pronouncements

See Note 12 of the Condensed Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q for a discussion of new accounting pronouncements.

[Table of Contents](#)**Non-GAAP Key Metrics**

In addition to GAAP metrics such as total revenues and gross margin, we also regularly review total billings and short-term 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 revenues to total billings, respectively (dollars in thousands):

Short-Term Billings

	Three Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Total revenues	\$ 43,375	\$ 35,242	\$ 8,133	23.1%
Deferred revenue, current, end of period	116,134	96,794	19,340	20.0%
Less: deferred revenue, current, beginning of period	(113,454)	(90,186)	(23,268)	25.8%
Short-term billings	\$ 46,055	\$ 41,850	\$ 4,205	10.0%

	Six Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Total revenues	\$ 84,404	\$ 69,094	\$ 15,310	22.2%
Deferred revenue, current, end of period	116,134	96,794	19,340	20.0%
Less: deferred revenue, current, beginning of period	(112,432)	(87,698)	(24,734)	28.2%
Short-term billings	\$ 88,106	\$ 78,190	\$ 9,916	12.7%

Total Billings

	Three Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Total revenues	\$ 43,375	\$ 35,242	\$ 8,133	23.1%
Deferred revenue, end of period	143,578	128,115	15,463	12.1%
Less: deferred revenue, beginning of period	(146,150)	(121,405)	(24,745)	20.4%
Billings	\$ 40,803	\$ 41,952	\$ (1,149)	(2.7)%

	Six Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Total revenues	\$ 84,404	\$ 69,094	\$ 15,310	22.2%
Deferred revenue, end of period	143,578	128,115	15,463	12.1%
Less: deferred revenue, beginning of period	(147,337)	(117,047)	(30,290)	25.9%
Billings	\$ 80,645	\$ 80,162	\$ 483	0.6%

We monitor total billings and short-term billings, both 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 use of total billings and short-term 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:

- total billings and short-term billings are not substitutes for total revenues, as billings are recognized when invoiced, while revenue is primarily recognized ratably over the contract term;
- 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, does not always closely match with the timing of delivery of support, maintenance and hosting services and the costs associated with delivering those services;
- 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;

[Table of Contents](#)

- changes to the composition of current period total billings and short-term billings may impact the correlation of current period total billings and short-term billings to future period revenues;
- total billings and short-term 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 total billings or short-term 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 total billings and short-term 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 the resulting 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 total and short-term 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.

Billings for consulting services can occur on either 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 increased upsell of our products to existing customers, the addition of new customers and an increase in billings for professional services.

The increase in total billings in the six-month period ended June 30, 2014 compared to the same period in 2013 was due to increased upsell of our products to existing customers and the addition of new customers being offset by a decrease in the amount of billings generated from customers electing multi-year terms where the full amount was billed up front. Total billings decreased in the three-month period ended June 30, 2014 compared to the same period in 2013, due to an increase of customers electing annual payment terms compared to 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, which includes Jive Cloud, 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.

[Table of Contents](#)

Our Jive Platform customer count was as follows:

	As of June 30,		Change	% Change
	2014	2013		
Jive Platform customer count	<u>903</u>	<u>848</u>	<u>55</u>	<u>6.5%</u>

Our product revenues grew by 22.8% in the first six months of 2014 compared to the first six months of 2013. Our product revenues have grown at a faster rate than our customer count as we have realized greater upsell with our existing customers.

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 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, rent expense for our data centers, web hosting services expense for public cloud and Jive Cloud implementations, third-party royalty costs, benefits, amortization of acquired intangible assets and stock-based compensation.

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 consulting and outside services. 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 the timing of significant expenditures. Additionally, we expect professional services gross margin to continue to be negative throughout 2014 as we are in the process of transitioning our professional services organization focus to strategic consulting, user adoption and enablement.

[Table of Contents](#)

Research and Development

In the first quarter of 2013, we began capitalizing costs related to the development of a new architecture for our future generation platform service. The capitalized costs were incurred during the application development stage. Once complete, our internal-use software related to our platform service will be amortized on a straight-line basis over its estimated useful life and recorded as a component of cost of product revenues. As of June 30, 2014 we have capitalized a total of \$8.1 million of internally developed computer software costs. We anticipate that we will begin amortizing our internally-developed software in the fourth quarter of 2014.

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. We believe that continued investment in our technology is important for our future growth, and, as a result, we expect research and development expenses to increase in absolute dollars although they may fluctuate as a percentage of total revenues.

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. We expect sales and marketing expenses to increase in absolute dollars and remain our largest expense in absolute dollars and as a percentage of total revenues, although they may fluctuate as a percentage of total revenues.

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. We expect that our general and administrative expenses will increase in absolute dollars as we continue to expand our business domestically and internationally.

Other Expense, Net

Other 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.

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.

[Table of Contents](#)**Results of Operations**

The following tables set forth our statement of operations data, both in absolute dollars and as a percentage of total revenues (dollars in thousands, except per share amounts):

	<u>Three Months Ended</u> <u>June 30, 2014(1)(2)</u>		<u>Three Months Ended</u> <u>June 30, 2013(1)(2)</u>	
Revenues:				
Products	\$ 39,037	90.0%	\$ 31,559	89.5%
Professional services	4,338	10.0%	3,683	10.5%
Total revenues	43,375	100.0%	35,242	100.0%
Cost of revenues:				
Products	10,835	25.0%	9,540	27.1%
Professional services	5,805	13.4%	4,215	12.0%
Total cost of revenues	16,640	38.4%	13,755	39.0%
Gross profit:				
Products	28,202	65.0%	22,019	62.5%
Professional services	(1,467)	(3.4)%	(532)	(1.5)%
Total gross profit	26,735	61.6%	21,487	61.0%
Operating expenses:				
Research and development	12,991	30.0%	13,749	39.0%
Sales and marketing	21,658	49.9%	20,480	58.1%
General and administrative	6,514	15.0%	6,081	17.3%
Total operating expenses	41,163	94.9%	40,310	114.4%
Loss from operations	(14,428)	(33.3)%	(18,823)	(53.4)%
Other income (expense), net	(145)	(0.3)%	(148)	(0.4)%
Loss before provision for (benefit from) income taxes	(14,573)	(33.6)%	(18,971)	(53.8)%
Provision for (benefit from) income taxes	57	0.1%	(1,191)	(3.4)%
Net loss	<u>\$ (14,630)</u>	<u>(33.7)%</u>	<u>\$ (17,780)</u>	<u>(50.5)%</u>
Basic and diluted net loss per common share	<u>\$ (0.21)</u>		<u>\$ (0.27)</u>	
Shares used in per share calculations	<u>70,233</u>		<u>66,816</u>	

[Table of Contents](#)

	Six Months Ended June 30, 2014(1)(2)		Six Months Ended June 30, 2013(1)(2)	
Revenues:				
Products	\$ 76,414	90.5%	\$ 62,222	90.1%
Professional services	7,990	9.5%	6,872	9.9%
Total revenues	84,404	100.0%	69,094	100.0%
Cost of revenues:				
Products	20,756	24.6%	18,752	27.1%
Professional services	11,339	13.4%	8,063	11.7%
Total cost of revenues	32,095	38.0%	26,815	38.8%
Gross profit:				
Products	55,658	65.9%	43,470	62.9%
Professional services	(3,349)	(4.0)%	(1,191)	(1.7)%
Total gross profit	52,309	62.0%	42,279	61.2%
Operating expenses:				
Research and development	25,888	30.7%	26,426	38.2%
Sales and marketing	45,159	53.5%	39,344	56.9%
General and administrative	12,833	15.2%	11,947	17.3%
Total operating expenses	83,880	99.4%	77,717	112.5%
Loss from operations	(31,571)	(37.4)%	(35,438)	(51.3)%
Other income (expense), net	(197)	(0.2)%	(158)	(0.2)%
Loss before provision for (benefit from) income taxes	(31,768)	(37.6)%	(35,596)	(51.5)%
Provision for (benefit from) income taxes	186	0.2%	(1,215)	(1.8)%
Net loss	\$(31,954)	(37.9)%	\$(34,381)	(49.8)%
Basic and diluted net loss per common share	\$ (0.46)		\$ (0.52)	
Shares used in per share calculations	69,785		66,285	

- (1) Stock-based compensation was included in our statements of operations data as follows (in thousands):

	Three Months Ended June 30, 2014(2)		Three Months Ended June 30, 2013(2)	
Cost of revenues	\$ 941	2.2%	\$ 777	2.2%
Research and development	2,992	6.9%	3,395	9.6%
Sales and marketing	2,885	6.7%	2,405	6.8%
General and administrative	1,990	4.6%	1,673	4.7%
	\$ 8,808	20.3%	\$ 8,250	23.4%

	Six Months Ended June 30, 2014(2)		Six Months Ended June 30, 2013(2)	
Cost of revenues	\$ 2,111	2.5%	\$ 1,298	1.9%
Research and development	5,972	7.1%	5,627	8.1%
Sales and marketing	6,627	7.9%	4,629	6.7%
General and administrative	3,915	4.6%	2,835	4.1%
	\$ 18,625	22.1%	\$ 14,389	20.8%

- (2) Percentages may not add due to rounding.

[Table of Contents](#)

Revenues

(Dollars in thousands)	Three Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Products	\$ 39,037	\$ 31,559	\$ 7,478	23.7%
Professional services	4,338	3,683	655	17.8%
Total revenues	\$ 43,375	\$ 35,242	\$ 8,133	23.1%

(Dollars in thousands)	Six Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Products	\$ 76,414	\$ 62,222	\$ 14,192	22.8%
Professional services	7,990	6,872	1,118	16.3%
Total revenues	\$ 84,404	\$ 69,094	\$ 15,310	22.2%

Products Revenues

The increases in products revenues in the three and six-month periods ended June 30, 2014 compared to the same periods of 2013 were primarily the result of increases in the average annual subscription value and in the aggregate number of customers on the Jive Platform, which grew to 903 as of June 30, 2014 from 848 as of June 30, 2013. The increases in the average annual subscription value were primarily driven by upsell to existing customers.

Certain information regarding our revenues was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Dollar value of total revenues generated in the U.S.	\$33.5 million	\$27.3 million	\$64.8 million	\$53.3 million
Percentage of total revenues generated in the U.S.	77.1%	77.6%	76.7%	77.2%
Product revenues from public cloud deployments as a percentage of total product revenues	68.2%	63.4%	67.2%	62.9%
Product revenues from private cloud deployments as a percentage of total product revenues	31.8%	36.6%	32.8%	37.1%
Percentage of Jive Platform revenues that represented internally focused communities	73.4%	70.0%	73.2%	70.3%
Percentage of Jive Platform revenues that represented externally focused communities	26.6%	30.0%	26.8%	29.7%

Professional Services Revenues

The increases in professional services revenues in the three and six-month periods ended June 30, 2014 compared to the same periods in 2013 were primarily due to the increases in the number of customers on the Jive Platform over the same period, as well as increases in professional services revenues related to version upgrade services and strategic consulting for existing customers.

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 in the three and six-month periods ended June 30, 2014 increased \$0.4 million and \$0.9 million, respectively, compared to the same periods in 2013.

[Table of Contents](#)**Cost of Revenues and Gross Margins**

(Dollars in thousands)	Three Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Cost of revenues: products	\$ 10,835	\$ 9,540	\$1,295	13.6%
Products gross margin	72.2%	69.8%		
Cost of revenues: professional services	\$ 5,805	\$ 4,215	\$1,590	37.7%
Professional services gross margin	(33.8)%	(14.4)%		

(Dollars in thousands)	Six Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Cost of revenues: products	\$ 20,756	\$ 18,752	\$2,004	10.7%
Products gross margin	72.8%	69.9%		
Cost of revenues: professional services	\$ 11,339	\$ 8,063	\$3,276	40.6%
Professional services gross margin	(41.9)%	(17.3)%		

Cost of Revenues: Products

The increases in cost of revenues for products in the three and six-month periods ended June 30, 2014 compared to the same periods in 2013 were primarily due to the increases in products revenues and included the following:

- a \$1.0 million and a \$2.1 million increase, respectively, in salaries and benefits, including a \$0.2 million and a \$0.4 million increase, respectively, in stock-based compensation;
- a \$0.1 million and a \$0.5 million increase, respectively, in third-party royalties;
- a \$0.2 million and a \$0.4 million increase, respectively, in depreciation expense; and
- a \$0.3 million and \$0.2 million increase, respectively, in miscellaneous costs.

The increases noted above were partially offset by a \$0.3 million and a \$1.2 million decrease, respectively, in third-party hosting services as we transitioned from a third-party data center to our internally managed data centers.

The increases in products gross margin in the three and six-month periods ended June 30, 2014 compared to the same periods in 2013 were driven by cost efficiencies gained through utilization of our internally managed data centers.

Cost of Revenues: Professional Services

The increases in cost of revenues for professional services in the three and six-month periods ended June 30, 2014 compared to the same periods in 2013 were primarily due to:

- a \$0.8 million and a \$2.2 million increase, respectively, in salaries and benefits, including a \$0.4 million increase in stock-based compensation for the six-month period;
- a \$0.8 million and a \$0.9 million increase, respectively, in third-party consulting fees; and
- a \$0.2 million increase in other miscellaneous costs for the six-month period.

The decreases in professional services gross margin in the three and six-month periods ended June 30, 2014 compared to the same periods in 2013 were primarily due to decreases in billable utilization as we continued to shift the focus of our professional services organization to strategic consulting, user adoption and enablement, as well as customer migrations to Jive Cloud. The improved standard functionality of our offerings has resulted in the need for fewer technical customizations.

[Table of Contents](#)

Research and Development

<u>(Dollars in thousands)</u>	<u>Three Months Ended June 30,</u>		<u>Dollar</u> <u>Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>		
Research and development	\$ 12,991	\$ 13,749	\$ (758)	(5.5)%
Percentage of total revenues	30.0%	39.0%		

<u>(Dollars in thousands)</u>	<u>Six Months Ended June 30,</u>		<u>Dollar</u> <u>Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>		
Research and development	\$ 25,888	\$ 26,426	\$ (538)	(2.0)%
Percentage of total revenues	30.7%	38.2%		

The decreases in research and development expenses in the three and six-month periods ended June 30, 2014 compared to the same periods in 2013 were primarily due to:

- a \$0.2 million decrease in salaries and benefits for the three-month period, which included a \$0.4 million decrease in stock-based compensation;
- a \$0.1 million and a \$0.4 million decrease, respectively, in third-party consulting fees;
- a \$0.2 million decrease, for both periods, in facilities, IT and corporate allocation costs; and
- a \$0.3 million and a \$0.2 million decrease, respectively, in other miscellaneous costs.

The decreases noted above were partially offset by a \$0.2 million increase in salaries and benefits for the six-month period, which included a \$0.3 million increase in stock-based compensation.

Additionally, during the first quarter of 2013, we began capitalizing research and development expenses related to the development phase of internal-use software. We capitalized \$2.8 million and \$5.0 million of such costs in the three and six-month periods ended June 30, 2014, which represented increases of \$2.3 million and \$4.2 million, respectively, compared to the same periods in 2013. These costs otherwise would have been recognized as research and development salaries and benefits expenses. We expect the development to be complete in the first half of 2015 and to amortize the capitalized amount over its estimated useful life once it is placed into service.

Sales and Marketing

<u>(Dollars in thousands)</u>	<u>Three Months Ended June 30,</u>		<u>Dollar</u> <u>Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>		
Sales and marketing	\$ 21,658	\$ 20,480	\$ 1,178	5.8%
Percentage of total revenues	49.9%	58.1%		

<u>(Dollars in thousands)</u>	<u>Six Months Ended June 30,</u>		<u>Dollar</u> <u>Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>		
Sales and marketing	\$ 45,159	\$ 39,344	\$ 5,815	14.8%
Percentage of total revenues	53.5%	56.9%		

The increases in sales and marketing expenses in the three and six-month periods ended June 30, 2014 compared to the same periods in 2013 were primarily due to:

- a \$0.8 million and a \$4.6 million increase, respectively, in salaries and benefits, including a \$0.5 million and a \$2.0 million increase, respectively, in stock-based compensation;
- a \$0.2 million and a \$0.4 million increase, respectively, in third-party consulting fees;
- a \$0.1 million and a \$0.5 million increase, respectively, in facilities, IT and corporate allocation costs; and
- a \$0.1 million and a \$0.3 million increase, respectively, in other miscellaneous costs.

[Table of Contents](#)**General and Administrative**

(Dollars in thousands)	Three Months Ended June 30,		Dollar Change	% Change
	2014	2013		
General and administrative	\$ 6,514	\$ 6,081	\$ 433	7.1%
Percentage of total revenues	15.0%	17.3%		

(Dollars in thousands)	Six Months Ended June 30,		Dollar Change	% Change
	2014	2013		
General and administrative	\$ 12,833	\$ 11,947	\$ 886	7.4%
Percentage of total revenues	15.2%	17.3%		

The increases in general and administrative expenses in the three and six-month periods ended June 30, 2014 compared to the same periods in 2013 were primarily due to:

- a \$0.9 million and a \$2.2 million increase, respectively, in salaries and benefits, including a \$0.3 million and a \$1.1 million increase, respectively, in stock-based compensation;
- a \$0.3 million and a \$0.6 million increase, respectively, in rent; and
- a \$0.2 million increase in subscription services for the six-month period.

The increases noted above were partially offset by:

- a \$0.1 million and a \$0.7 million decrease, respectively, in third-party recruiting fees;
- a \$0.4 million and a \$0.7 million decrease, respectively, in legal fees;
- a \$0.1 million and a \$0.6 million decrease, respectively, in facilities allocation; and
- a \$0.2 million and a \$0.1 million decrease, respectively, in other miscellaneous costs.

Other Expense, net

(Dollars in thousands)	Three Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Other expense, net	\$ 145	\$ 148	\$ (3)	(2.0)%
Percentage of total revenues	0.3%	0.4%		

(Dollars in thousands)	Six Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Other expense, net	\$ 197	\$ 158	\$ 39	24.7%
Percentage of total revenues	0.2%	0.2%		

Other expense, net in the three and six-month periods ended June, 30 2014 remained consistent with the same periods in 2013 as there were no significant changes in interest income from investments.

Provision For (Benefit From) Income Taxes

(Dollars in thousands)	Three Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Provision for (benefit from) income taxes	\$ 57	\$ (1,191)		
Percentage of loss before income taxes	0.4%	(6.3)%		

(Dollars in thousands)	Six Months Ended June 30,		Dollar Change	% Change
	2014	2013		
Provision for (benefit from) income taxes	\$ 186	\$ (1,215)		
Percentage of loss before income taxes	0.6%	(3.4)%		

[Table of Contents](#)

In both the 2014 and 2013 periods, we recorded income taxes that were principally attributable to state and foreign taxes. 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.

The tax benefit in the three and six-month periods ended June 30, 2013 related to the release of valuation allowance in connection with the recording of deferred tax liabilities associated with an acquisition.

Liquidity and Capital Resources

<u>(Dollars in thousands)</u>	<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Cash flows provided by operating activities	\$ 6,078	\$ 6,037
Cash used in investing activities	(12,607)	(8,565)
Cash provided by (used in) financing activities	(1,363)	3,749
Increase (decrease) in cash and cash equivalents	<u>\$ (7,892)</u>	<u>\$ 1,221</u>

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 June 30, 2014 consisted of \$30.5 million of cash and cash equivalents, \$69.5 million of short-term marketable securities and \$39.2 million of non-current marketable securities. As of June 30, 2014, \$1.2 million of our cash was held in foreign bank accounts. Our principal needs for liquidity include funding 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 June 30, 2014.

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 \$0.5 million in the first six months of 2014. We expect free cash flow for the full year 2014 to be between negative \$15 million and negative \$20 million.

Cash Flows from Operating Activities

Cash flows provided by operating activities were \$6.1 million during the first six months of 2014 compared to \$6.0 million in the first six months of 2013. The increase in cash flows generated from operating activities primarily resulted from a smaller net loss, as well as changes in our operating assets and liabilities. 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 \$6.1 million of cash provided by operating activities in the first six months of 2014 resulted from our net loss of \$32.0 million, partially offset by net non-cash charges of \$26.5 million and changes in our operating assets and liabilities as discussed below.

Accounts receivable, net decreased \$19.9 million to \$38.9 million at June 30, 2014 compared to \$58.8 million at December 31, 2013, primarily as a result of an \$18.1 million decrease in total billings in the second quarter of 2014 compared to the fourth quarter of 2013, primarily due to the seasonality of our business. Additionally, days billings outstanding decreased to 87 days at June 30, 2014 compared to 92 days at December 31, 2013, as well as a \$2.0 million increase during the second quarter of 2014 in invoices that were billed and collected in the same period compared to the fourth quarter of 2013.

Prepaid expenses and other current assets increased \$2.9 million to \$12.4 million at June 30, 2014 compared to \$9.4 million at December 31, 2013, primarily due to the timing of payments for annual contracts.

[Table of Contents](#)

Accounts payable decreased \$0.9 million to \$5.2 million at June 30, 2014 compared to \$6.4 million at December 31, 2013, due to the timing of payments.

Accrued payroll and related liabilities decreased \$0.3 million to \$7.4 million at June 30, 2014 compared to \$7.5 million at December 31, 2013. This decrease was due to the \$0.3 million increase in operations being offset by a \$0.2 million increase included in cash flows from financing. The activity in operations is due to a decrease in accrued commissions of \$2.6 million being partially offset by a \$1.9 million increase in accrued bonuses.

Deferred revenue decreased \$3.8 million to \$143.6 million at June 30, 2014 compared to \$147.3 million at December 31, 2013, primarily due to a decrease in multi-year billings in the second quarter of 2014 compared to the fourth quarter of 2013. The current portion of deferred revenue increased \$3.7 million at June 30, 2014 compared to December 31, 2013, while the non-current portion decreased \$7.5 million at June 30, 2014 compared to December 31, 2013.

Cash Flows from Investing Activities

Our primary investing activities have consisted of purchases of investments, purchases of property and equipment, primarily related to the build out of our data centers, and payments for intangible assets and acquisitions. We utilized \$12.6 million in net investing activities in the first six months of 2014, which included \$6.6 million used for purchases of property and equipment and \$6.0 million used to purchase marketable securities, net maturities and sales.

We anticipate spending approximately \$10 million to \$12 million for the purchase of property and equipment in all of 2014, primarily for the continued expansion of our internally managed data centers, as well as capitalized research and development expenses related to the development phase of internal-use software. Additionally, in the first six months of 2014, we entered into operating leases to procure a portion of the equipment required to scale our data centers.

Cash Flows from Financing Activities

Our financing activities have consisted primarily of borrowings and repayments under our revolving credit facilities and the net proceeds from the issuance of our common stock from employee option exercises. Cash used in financing activities of \$1.4 million in the first six months of 2014 resulted from \$1.2 million in principal payments on our term debt and \$1.1 million in taxes paid related to the net settlement of equity awards, as well as \$0.6 million used to pay the acquisition date fair value of StreamOnce earnout. The post-acquisition date accretion of the StreamOnce earnout in the amount of \$0.1 million was also paid and is included in cash flows from operations. These payments were partially offset by \$1.5 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.

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 June 30, 2014, we had \$1.0 million of outstanding letters of credit, no revolving loans outstanding and \$7.2 million of term loans outstanding at an interest rate of 2.23% and we were in compliance with all financial and restrictive covenants.

Off-Balance Sheet Arrangements

Except as disclosed within Note 9 of the Condensed Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q, 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.

[Table of Contents](#)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our reported market risks or risk management policies since the filing of our 2013 Annual Report on Form 10-K, which was filed with the SEC on March 3, 2014.

Item 4. 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 June 30, 2014. 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 June 30, 2014, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

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 quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1A. Risk Factors

Risks Related to our Business and Industry

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

Enterprise 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

[Table of Contents](#)

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.

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 platform 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 social 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. 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 have limited historical data with respect to rates of customer renewals, so we may not accurately predict future renewal trends. 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 platform 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 platform. 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 would 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.

[Table of Contents](#)

Because we generally recognize revenues from subscriptions for our platform 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.

The market for enterprise collaboration software is still in its early stages of development and intensely competitive, and if we do not compete effectively, our business will be harmed.

The market for enterprise collaboration software is relatively new, 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 and IBM Corporation, both of which are 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 are 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, including salesforce.com, inc. 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 software providers, such as Lithium Technologies, Inc., whose only product is focused on providing external communities 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, or our competitors may enter into strategic alliances with each other, resulting in increased competition. For example, in June 2012, Microsoft Corporation acquired Yammer, Inc., an early stage private company that provides social networking capabilities to enterprise customers, and, in June 2013, Oracle and salesforce.com announced a new strategic partnership to integrate their cloud applications. To the extent that our competitors are successful in combining these social networking capabilities with their existing products, we could experience increased competition, which could adversely affect our billings, revenues and margins.

Some of our competitors offer their solutions at a lower price or at no cost, which has resulted in pricing pressures and increased competition. In addition, some potential customers, particularly large enterprises, may elect to develop their own internal solutions. 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

[Table of Contents](#)

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.

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 platform;
- 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;
- 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 features to our platform;
- the rate of expansion and productivity of our sales force;
- the length of the sales cycle for our platform;
- changes in our go-to-market strategy;
- 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;

[Table of Contents](#)

- 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 impairment charges related to prior acquisitions;
- 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 state and local sales 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 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 platform 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, the Asia Pacific region, South America and Europe. Sales outside of the United States represented approximately 23%, 23%, 23% and 21% of our total revenues in the first six months of 2014 and in the fiscal years ended December 31, 2013, 2012 and 2011, respectively. As we continue to expand sales of our enterprise collaboration platform 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 rapidly growing business in an environment of diverse cultures, languages, customs, tax laws, legal systems, alternate dispute systems and regulatory systems. The risks and challenges associated with international expansion include:

- 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;

[Table of Contents](#)

- 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 recent alleged surveillance 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.

We may continue to 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.

From January 2011 through June 30, 2014, we completed six acquisitions. We 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 these 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;

[Table of Contents](#)

- 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.

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 six years and in 2014 to date, including a net loss of \$32.0 million in the first six months of 2014, \$75.4 million in 2013, \$47.4 million in 2012 and \$50.8 million in 2011. At June 30, 2014, we had an accumulated deficit of \$259.5 million. As we continue to invest in infrastructure, development of our solutions and international expansion of our sales and marketing efforts, our operating expenses will 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. This transition has required, and will continue to require, significant up-front capital expenditures and these costs and expenses may exceed the rate which realizes 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, we may find that these efforts are more expensive than we currently anticipate or that they 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. 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 in the future or that, if we do become profitable, we will sustain profitability.

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 platform. 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 platform and obtain support from multiple departments within larger enterprises, as well as obtain support from the IT departments. In

[Table of Contents](#)

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.

We recently completed the transition from third-party hosted data centers for our public cloud customers to our own managed facilities and such internally managed facilities expose us to additional risks which could result in operational inefficiencies, increase our costs and ultimately have a negative impact on our business.

We recently completed the transition of our hosting services to internally managed hosting facilities in both the United States and Europe. These 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 the fact that we are now 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.

Furthermore, the transition to internally managed facilities has required, and continues to require, significant up front capital expenditures for equipment and infrastructure, as well as increased personnel expense. Additionally, 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. For example, 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 a shorter outage in March 2014. 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

[Table of Contents](#)

bandwidth, storage or computing power to enable their community, 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. In addition, our sales expansion strategies in Asia and Latin America may require us to set up or partner with hosting providers in those regions, and we may have to spend substantial amounts to purchase or lease new data centers and equipment. Any such expansion could be expensive and complex and result in inefficiencies or operational failures and could reduce our margins.

If our 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. Security breaches or unauthorized access to customer data that we 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 with the increase in adoption by enterprise customers of cloud-based versions of our platform.

While we and our 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 and sophistication of these cyber attacks or other intentional misconduct by computer hackers has increased in recent periods as evidenced by recent press regarding flaws in Open SSL, a widely used encryption tool. 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, 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.

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.

[Table of Contents](#)

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 or to implement adequate preventative or mitigation measures. Any or all of these issues 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 technology partners and our add-on modules 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, the Health Insurance Portability and Accountability Act (HIPAA) of 1996 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. Many of these obligations are frequently updated and require ongoing supervision. These include the Data Protection Directive established in the European Union, the Federal Data Protection Act recently passed in Germany and the European Directive 2002/58/EC (commonly known as the "EU Cookie Law") and the Personal Data Protection Ordinance recently promulgated in Hong Kong.

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 are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the technological features of our solutions. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations 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 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.

[Table of Contents](#)

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 686 at June 30, 2014 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 European Union also has adopted various directives regulating data privacy and security and the transmission of content using the Internet involving residents of the European Union, 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. 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, 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 European Union. 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.

[Table of Contents](#)

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 solutions by our competitors, the market acceptance of solutions based on new or alternative technologies, or the emergence of new industry standards could render our platform uncompetitive or even 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, 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 derive 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.

[Table of Contents](#)

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 platform could affect the ability of our platform to work 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 platform. 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 platform has 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 platform 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 platform 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 in the use of our platform require significant time, expense and attention. It can take 9 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 will 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

[Table of Contents](#)

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 important to our strategy to expand 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 platform.

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 United States 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, companies such as Jive 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 Jive continues to expand globally, we will likely increase our headcount and, in doing so, it is possible that we will 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, it is possible that these third parties may believe that their former employees may misuse that confidential information. Therefore, hiring these individuals may increase our risk of being the target of lawsuits relating to claims of misuse or unauthorized use of such competitors’ proprietary information.

[Table of Contents](#)

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.

For example, in October 2012, Bascom Research, LLC (“Bascom”) filed a complaint for patent infringement against us, among others, in the United States District Court for the Eastern District of Virginia, captioned *Bascom Research, LLC v. Jive Software, Inc.*, Civil Case No. 1:12CV1114. In May 2013, we entered into a settlement and license agreement with Bascom. The cost of such settlement was consistent with amounts accrued for settlement and was not material to our business, financial condition, or results of operations.

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.

[Table of Contents](#)

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.

Weakened global economic conditions may adversely affect our industry, business and results of operations in ways that may be hard to predict or defend against.

Our overall performance depends in part on domestic and worldwide economic conditions, which may remain challenging for the foreseeable future. Financial developments seemingly unrelated to us or to our industry may adversely affect us over the course of time. The United States and other key international economies, particularly Europe, have been impacted by threatened sovereign defaults and ratings downgrades, falling demand for a variety of goods and services, restricted credit, going concern threats to major multinational companies, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty. These conditions and their continued deterioration, particularly in Europe, affect the rate of information technology spending and have adversely affected, and could continue to 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. We cannot predict the timing, strength or duration of the economic recovery or any subsequent economic slowdown, worldwide, in the United States, or in our industry.

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, and we have transitioned our United States data centers to a co-located facility located along the West Coast of the United States. 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

[Table of Contents](#)

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

[Table of Contents](#)

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. At June 30, 2014, we were not under exam in the United States or in any foreign jurisdictions.

We depend on our senior management team, and the loss of one or more key employees or groups 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, services and the general and administrative functions. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could 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 these personnel 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.

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

[Table of Contents](#)

- 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.

Since we had previously qualified as an "emerging growth company" as defined in the JOBS Act, we were able to take advantage of certain exemptions from various requirements that are applicable to public companies. These exemptions included not being required to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We are no longer able to take advantage of these exemptions, as, on December 31, 2013, we lost our status as an "emerging growth company." Our inability to continue to take advantage of these exemptions may place additional strain on our resources and divert our management's attention from other business concerns which could harm our business and operating results.

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 expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers as well as qualified members of our board of directors, particularly to serve on our Audit Committee and Compensation Committee.

[Table of Contents](#)

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 management's report on 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;

Table of Contents

- 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 6. Exhibits

The following exhibits are filed herewith or incorporated by reference hereto and this list is intended to constitute the exhibit index:

3.1	Amended and Restated Certificate of Incorporation.(1)
3.2	Amended and Restated Bylaws.(2)
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.

* Furnished herewith.

- (1) Incorporated by reference to Exhibit 3.2 to Form S-1 file number 333-176483 as declared effective by the Securities and Exchange Commission on December 12, 2011.
- (2) Incorporated by reference to Exhibit 3.4 to Form S-1 file number 333-176483 as declared effective by the Securities and Exchange Commission on December 12, 2011.

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements 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.

Dated: August 1, 2014

JIVE SOFTWARE, INC.

/s/ ANTHONY ZINGALE

Anthony Zingale
Chief Executive Officer
(Principal Executive Officer)

/s/ BRYAN LEBLANC

Bryan LeBlanc
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Anthony Zingale, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jive Software, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2014

By: /s/ Anthony Zingale

Anthony Zingale
Chief Executive Officer, Director and Chairman
Jive Software, Inc.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Bryan J. LeBlanc, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jive Software, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2014

By: /s/ Bryan J. LeBlanc
Bryan J. LeBlanc
Chief Financial Officer
Jive Software, Inc.

**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**

In connection with the Quarterly Report of Jive Software, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony Zingale, Chief Executive Officer, Director and Chairman of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Anthony Zingale
Anthony Zingale
Chief Executive Officer, Director and Chairman
Jive Software, Inc.
August 1, 2014

**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**

In connection with the Quarterly Report of Jive Software, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryan J. LeBlanc, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Bryan J. LeBlanc
Bryan J. LeBlanc
Chief Financial Officer
Jive Software, Inc.
August 1, 2014

