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, 2013

OR

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

For the transition period from to

Commission File 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 24, 2013 was 68,761,729.

Table of Contents

JIVE SOFTWARE, INC.
INDEX TO FORM 10-Q

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	$ 50,188	$ 48,955
Short-term marketable securities	84,651	96,492
Accounts receivable, net of allowances of $122 and $218	42,488	54,200
Prepaid expenses and other current assets	9,034	7,864
Total current assets	186,361	207,511
Marketable securities, noncurrent	26,068	22,607
Property and equipment, net of accumulated depreciation of $16,063 and $11,670	18,693	16,803
Goodwill	29,753	23,435
Intangible assets, net of accumulated amortization of $10,074 and $7,538	16,764	11,710
Other assets	326	214
Total assets	$ 277,965	$ 282,280
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 10,669	$ 9,557
Accrued payroll and related liabilities	5,363	7,357
Other accrued liabilities	7,377	7,123
Deferred revenue, current	96,794	87,698
Term debt, current	2,400	2,400
Total current liabilities	122,603	114,135
Deferred revenue, less current portion	31,321	29,349
Term debt, less current portion	7,200	8,400
Other long-term liabilities	1,154	538
Total liabilities	162,278	152,422
Commitments and contingencies		
Stockholders' Equity:		
Common stock, $0.0001 par value. Authorized 290,000,000 shares; issued – 74,839,575 shares at June 30, 2013 and 72,312,111 at December 31, 2012; outstanding – 68,251,106 at June 30, 2013 and 65,399,489 at December 31, 2012	7	7
Less treasury stock at cost	(3,352)	(3,352)
Additional paid-in capital	305,527	285,332
Accumulated deficit	(186,541)	(152,160)
Accumulated other comprehensive income	46	31
Total stockholders' equity	115,687	129,858
Total liabilities and stockholders' equity	$ 277,965	$ 282,280

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 June 30, 2013	For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2013	For the Six Months Ended June 30, 2012
Revenues:				
Product	$ 31,559	$ 23,904	$ 62,222	$ 45,575
Professional services	3,683	3,046	6,872	6,693
Total revenues	35,242	26,950	69,094	52,268
Cost of revenues:				
Product	9,540	7,135	18,752	13,957
Professional services	4,215	3,792	8,063	7,581
Total cost of revenues	13,755	10,927	26,815	21,538
Gross profit	21,487	16,023	42,279	30,730
Operating expenses:				
Research and development	13,749	9,127	26,426	17,482
Sales and marketing	20,480	14,581	39,344	25,937
General and administrative	6,081	3,751	11,947	7,553
Total operating expenses	40,310	27,459	77,717	50,972
Loss from operations	(18,823)	(11,436)	(35,438)	(20,242)
Other income (expense), net:				
Interest income	62	46	131	60
Interest expense	(105)	(144)	(180)	(232)
Other, net	(105)	(1)	(109)	(46)
Total other income (expense), net	(148)	(99)	(158)	(218)
Loss before provision for (benefit from) income taxes	(18,971)	(11,535)	(35,596)	(20,460)
Provision for (benefit from) income taxes	(1,191)	90	(1,215)	114
Net loss	$ (17,780)	$ (11,625)	$ (34,381)	$ (20,574)
Basic and diluted net loss per share	$ (0.27)	$ (0.19)	$ (0.52)	$ (0.33)
Shares used in basic and diluted per share calculations	66,816	61,924	66,285	61,685

See accompanying Condensed Notes to Consolidated Financial Statements.

Table of Contents

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Net loss	$ (17,780)	$ (11,625)	$ (34,381)	$ (20,574)
Other comprehensive income (loss):				
Foreign currency translation, net of tax	63	22	103	17
Unrealized loss on marketable securities, net of tax	(65)	(7)	(88)	(9)
Other comprehensive income (loss):	(2)	15	15	8
Comprehensive loss	$ (17,782)	$ (11,610)	$ (34,366)	$ (20,566)

See accompanying Condensed Notes to Consolidated Financial Statements.

Table of Contents

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

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash flows from operating activities:		
Net loss	$ (34,381)	$ (20,574)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,787	4,603
Stock-based compensation	14,389	7,249
Change in deferred taxes	(1,351)	—
(Increase) decrease, net of acquisitions, in:		
Accounts receivable, net	11,712	2,980
Prepaid expenses and other assets	(1,009)	(376)
Increase (decrease), net of acquisitions, in:		
Accounts payable	(355)	166
Accrued payroll and related liabilities	(1,963)	(786)
Other accrued liabilities	100	(124)
Deferred revenue	11,068	9,656
Other long-term liabilities	40	402
Net cash provided by operating activities	6,037	3,196
Cash flows from investing activities:		
Payments for purchase of property and equipment	(4,789)	(5,913)
Purchases of marketable securities	(58,780)	(65,848)
Sales of marketable securities	23,721	—
Maturities of marketable securities	42,330	—
Acquisitions, net of cash acquired	(11,047)	—
Net cash used in investing activities	(8,565)	(71,761)
Cash flows from financing activities:		
Proceeds from exercise of stock options	5,341	869
Taxes paid related to net share settlement of equity awards	(392)	—
Payments of initial public offering expenses	—	(1,014)
Repayments of term loans	(1,200)	(1,250)
Net cash provided by (used in) financing activities	3,749	(1,395)
Net increase (decrease) in cash and cash equivalents	1,221	(69,960)
Effect of exchange rate changes	12	(3)
Cash and cash equivalents, beginning of period	48,955	180,649
Cash and cash equivalents, end of period	$ 50,188	$110,686

See accompanying Condensed Notes to Consolidated Financial Statements.

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

Note 1. Nature of Business

Jive Software, Inc. and its subsidiaries provide a social business 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 license fees as well as from professional service fees for 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 significant 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, 2013 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, 2012, which was filed with the Securities and Exchange Commission ("SEC") on February 25, 2013.

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:

- stock-based compensation;
- assumptions used in testing for impairment of goodwill and other long-lived assets;
- the useful lives of fixed assets;
- the recoverability of deferred income tax assets and liabilities;
- the allowance for doubtful accounts;
- research and development expenses related to the development of internal-use software;
- valuation of acquired intangibles;
- the fair value of contingent consideration; and
- estimates related to revenue recognition.

Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements.

Note 3. Acquisitions

Clara Ehf. ("Clara")

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

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

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

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

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

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

StreamOnce, Inc. ("StreamOnce")

On April 29, 2013, we acquired all of the outstanding shares of StreamOnce, whose product offers a platform that connects third-party information streams directly into our Jive Social Business Platform, integrating disparate information systems for increased productivity. The total initial purchase consideration is comprised of $4.7 million in cash and 532,952 shares of our common stock with a fair value on April 29, 2013 of $7.3 million. Of the 532,952 shares of common stock, 470,552 shares of common stock issued to certain StreamOnce employees will vest over a two-year period contingent upon the continued employment of the recipients. The fair value of these shares on the grant date was $6.4 million, which is being recognized as stock-based compensation over the two-year vesting period. Additionally, certain StreamOnce employees may receive additional consideration, not to exceed $0.7 million, if our bookings and customer count relating to the acquired business exceed certain thresholds over an 18-month period commencing as of the acquisition date (the "Earnout").

We recorded a contingent consideration liability of approximately $0.6 million within other accrued liabilities in our Consolidated Balance Sheets as of the acquisition date related to the Earnout. The fair value of the liability was estimated using internal forecasts with inputs that are not observable in the market, and thus represents a Level 3 fair value measurement as defined within Note 8 of this Quarterly Report. The inputs in the Level 3 measurement are not supported by market activity, as they are probability assessments of expected future bookings and customer count related to our acquisition of StreamOnce, during the Earnout period. As of June 30, 2013, the estimated fair value of the contingent consideration was re-measured and, as a result, increased approximately $19,000, primarily as a result of the passage of time and corresponding impact of discounting.

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

Cash paid	$ 4,667
Value of common stock issued	852
Contingent consideration	576
Total transaction consideration:	$ 6,095

		Useful Life
Current assets	$ 108	—
Goodwill	3,157	—
Other intangible assets:		
Core technology	3,671	5 years
Covenant not to compete	459	3 years
Trade names	118	3 years
	4,248	
Current liabilities	(67)	—
Deferred tax liability	(1,351)	—
Net assets acquired	$ 6,095	

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

In connection with the StreamOnce acquisition, a deferred tax liability of $1.4 million was established for the book and tax basis differences related to specifically identified non-goodwill intangibles. The net liability from the acquisition created an additional source of income to utilize our deferred tax assets and, therefore, a corresponding amount of the valuation allowance was released and was recorded as a benefit from income taxes in the unaudited Consolidated Statement of Operations for the three and six months ending June 30, 2013.

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

StreamOnce's results of operations have been included in our consolidated financial statements subsequent to the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to prior period financial statements. Revenue and earnings information since the date of acquisition was not material to the current period financial statements. Additionally, the aggregate impact of acquisitions made in 2012 and 2013 was not material to prior or current period financial statements.

Note 4. Stock-Based Compensation

Stock Plan and Option Activity

Certain information regarding stock option activity for the six-month period ended June 30, 2013 and stock options outstanding as of June 30, 2013 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, 2012	2,066,341	12,814,724	$ 4.93		
Additional shares reserved	2,576,618				
Stock options granted	(587,049)	587,049	15.55		
Restricted stock units ("RSUs") granted	(2,182,604)	—	—		
Performance stock units ("PSUs") granted	(35,000)	—	—		
Forfeited – Stock options	437,181	(437,181)	9.59		
Forfeited – Restricted stock units	197,950	—	—		
Exercised	—	(1,808,788)	2.94		
Balances, June 30, 2013	2,473,437	11,155,804	$ 5.63	6.56	$139,989
Exercisable at June 30, 2013		6,586,590	$ 3.28	5.85	$ 98,067
Vested and expected to vest		10,881,180	$ 5.48	6.52	$ 138,108

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, 2012	2,681,944	$ 16.36
Granted RSUs	2,182,604	15.52
Granted PSUs	35,000	16.41
Vested	(535,916)	14.08
Forfeited – RSUs	(197,950)	19.42
Forfeited – RSAs	(32,250)	4.32
Balances, June 30, 2013	4,133,432	$ 16.21

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

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,	
	2013	2012	2013	2012
Cost of revenues	$ 777	$ 528	$ 1,298	$ 786
Research and development	3,395	1,533	5,627	2,480
Sales and marketing	2,405	928	4,629	1,454
General and administrative	1,673	1,175	2,835	2,529
	$8,250	$ 4,164	$14,389	$ 7,249

As of June 30, 2013, unrecognized stock-based compensation related to all stock-based awards was $97.1 million, which will be recognized over the weighted average remaining vesting period of 2.56 years.

Table of Contents

Note 5. Earnings 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,	
	2013	2012	2013	2012
Numerator:				
Net loss	$ (17,780)	$ (11,625)	$ (34,381)	$ (20,574)
Denominator:				
Weighted-average common shares outstanding	67,375	62,555	66,902	62,408
Less: Weighted-average unvested common shares subject to repurchase or forfeiture	(559)	(631)	(617)	(723)
Weighted-average shares used to compute net loss per share, basic and diluted	66,816	61,924	66,285	61,685
Net loss per share, basic and diluted	$ (0.27)	$ (0.19)	$ (0.52)	$ (0.33)

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,	
	2013	2012
Shares subject to outstanding common stock options	11,155,804	15,609,156
Unvested restricted common stock	4,133,432	1,625,586
Common stock subject to repurchase	718,616	—
	16,007,852	17,234,742

Note 6. 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, 2013	Year Ended December 31, 2012
Balance, beginning of period	$ 23,435	$ 17,265
Acquisition of Producteev	—	4,186
Acquisition of Bitplay (“Meetings.io”)	—	1,984
Acquisition of Clara	3,161	—
Acquisition of StreamOnce	3,157	—
Balance, end of period	$ 29,753	$ 23,435

Table of Contents

Other Intangible Assets

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

	Useful Life	June 30, 2013	December 31, 2012
Acquired technology	5-7 years	$ 20,441	$ 14,455
Accumulated amortization		(6,226)	(4,650)
		14,215	9,805
Perpetual software licenses	2 years	2,430	2,430
Accumulated amortization		(2,430)	(1,930)
		—	500
Covenant not to compete	1-4 years	2,028	1,342
Accumulated amortization		(916)	(677)
		1,112	665
Other	2-7 years	1,939	1,021
Accumulated amortization		(502)	(281)
		1,437	740
Total intangible assets, net		$16,764	$ 11,710

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

Three Months Ended June 30,		Six Months Ended June 30,	
2013	2012	2013	2012
$ 1,404	$ 870	$ 2,536	$ 1,759

Expected future amortization expense as of June 30, 2013 is as follows (in thousands):

Remainder of 2013	$ 2,457
2014	4,862
2015	4,622
2016	2,732
2017	1,715
Thereafter	376
	$16,764

Table of Contents

Note 7. Cash, Cash Equivalents and Marketable Securities

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

June 30, 2013

Description	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash	$ 41,191	$ —	$ —	$ 41,191
Cash equivalents:				
Money market mutual funds	8,997	—	—	8,997
Total cash equivalents	8,997	—	—	8,997
Total cash and cash equivalents	50,188	—	—	50,188
Short-term marketable securities:				
Commercial paper	7,092	—	—	7,092
Corporate notes and bonds	43,255	—	13	43,242
Government obligations	8,226	2	—	8,228
U.S. agency obligations	26,083	6	—	26,089
Total short-term marketable securities	84,656	8	13	84,651
Marketable securities, noncurrent:				
Corporate notes and bonds	10,462	—	43	10,419
U.S. agency obligations	15,662	—	13	15,649
Total marketable securities, noncurrent	26,124	—	56	26,068
Cash, cash equivalents, short-term marketable securities and marketable securities, noncurrent	$160,968	$ 8	$ 69	$160,907

December 31, 2012

Description	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash	$ 48,447	$ —	$ —	$ 48,447
Cash equivalents:				
Money market mutual funds	452	—	—	452
Corporate notes and bonds	56	—	—	56
Total cash equivalents	508	—	—	508
Total cash and cash equivalents	48,955	—	—	48,955
Short-term marketable securities:				
Commercial paper	8,493	—	—	8,493
Corporate notes and bonds	34,637	1	—	34,638
Government obligations	10,104	2	—	10,106
U.S. agency obligations	43,231	24	—	43,255
Total short-term marketable securities	96,465	27	—	96,492
Marketable securities, noncurrent:				
Corporate notes and bonds	14,386	—	2	14,384
Government obligations	2,721	1	—	2,722
U.S. agency obligations	5,499	2	—	5,501
Total marketable securities, noncurrent	22,606	3	2	22,607
Cash, cash equivalents, short-term marketable securities and marketable securities, noncurrent	$168,026	$ 30	$ 2	$168,054

As of June 30, 2013 and December 31, 2012, we did not consider any of our investments to be other-than-temporarily impaired.

As of June 30, 2013, 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	$ 84,651
Due within 1 year through 2 years	26,068
Total marketable securities	$110,719

Table of Contents

Note 8. 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, 2013			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market mutual funds	$8,997	$ —	$ —	$ 8,997
Marketable securities				
Commercial paper	—	7,092	—	7,092
Corporate notes and bonds	—	53,661	—	53,661
Government obligations	—	8,228	—	8,228
U.S. government and agency	—	41,738	—	41,738
		110,719	—	110,719
Contingent consideration				
Earnout liability	—	—	595	595
Total	$8,997	$ 110,719	$595	$ 120,311

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money market mutual funds	$ 56	$ —	$ —	$ 56
Corporate notes and bonds	—	452	—	452
	56	452	—	508
Marketable securities				
Commercial paper	—	8,493	—	8,493
Corporate notes and bonds	—	49,022	—	49,022
Government obligations	—	12,828	—	12,828
U.S. government and agency	—	48,756	—	48,756
	—	119,099	—	119,099
Total	$ 56	$119,551	$ —	$119,607

Table of Contents

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

	Level 3
Balance at December 31, 2012 and March 31, 2013	$ —
Addition related to Earnout for StreamOnce acquisition	576
Increase in Earnout due to re-measurement	19
Balance at June 30, 2013	$595

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.

During the three and six-month periods ended June 30, 2013 and 2012, we did not record any other-than-temporary impairments on those financial assets required to be measured at fair value on a nonrecurring basis.

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.

Our contingent consideration was re-measured at fair value as of June 30, 2013 and falls under Level 3 of the fair value hierarchy, as the forecasted bookings and customer count are based on internal forecasts, and are not directly observable.

We did not have any financial liabilities that were measured at fair value on a recurring basis at December 31, 2012.

There were no changes to our valuation techniques during the first six months of 2013.

Note 9. Long-Term Debt

At June 30, 2013, we had $1.0 million of outstanding letters of credit, no revolving loans outstanding and $9.6 million of term loans outstanding at an interest rate of 2.28%. We were in compliance with all covenants as of June 30, 2013.

Note 10. Commitments and Contingencies

In addition to $24.8 million in future payments under our operating leases, we have commitments under non-cancelable purchase orders, primarily relating to our annual user conference and capital expenditures for our data center, totaling $3.5 million at June 30, 2013. The non-cancelable purchase order commitments will be filled at various times through the fourth quarter of 2014; and our longest operating lease expires in May 2023.

Legal Matters

In October 2012, Bascom Research, LLC 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.

Note 11. Statements of Cash Flows

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Supplemental Cash Flow Information				
Cash paid for interest	$ 70	$ 114	$ 124	$ 308
Cash paid for income taxes	31	13	53	115
Supplemental Non-Cash Information				
Common stock issued in connection with acquisition of StreamOnce	$ 852	$ —	$ 852	$ —

Note 12. 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, 2013	December 31, 2012
Current deferred revenue	$ 945	$ 1,043
Non-current deferred revenue	519	598

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	$ 416	$ 123	$ 730	$ 239

Note 13. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income ("AOCI") by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. We adopted ASU 2013-02 effective January 1, 2013. However, we did not have any reclassifications during the first six months of 2013 that would require additional disclosure under this pronouncement.

In July 2012, the FASB issued ASU 2012-02, "Intangibles – Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment," which permits an entity to make a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset, other than goodwill, is impaired. Entities are required to test indefinite-lived intangible assets for impairment at least annually and more frequently if indicators of impairment exist. If an entity concludes, based on an evaluation of all relevant qualitative factors, that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, it is not required to perform the quantitative impairment test for that asset. Because the qualitative assessment is optional, an entity is permitted to bypass it for any indefinite-lived intangible asset in any period and apply the quantitative test. ASU 2012-02 also permits the entity to resume performing the qualitative assessment in any subsequent period. ASU 2012-02 is effective for impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. The adoption of ASU 2012-02 effective January 1, 2013 did not have any 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 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 successfully integrate acquired technologies;
- our ability to maintain an adequate rate of growth;
- our future expenses;
- our ability to effectively manage our growth;
- our ability to maintain, protect and enhance our brand and intellectual property;
- the attraction and retention of qualified employees and key personnel; and
- other risk factors included under "Risk Factors" in this 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 a social business 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 license fees as well as from professional service fees for configuration, implementation and training.

We sell our comprehensive Jive Social Business Platform across two principal communities: *internally* for employees within the enterprise and *externally* for customers and partners outside the enterprise. Internally focused communities comprised 70.3% of revenues derived from our Jive Social Business Platform in the first six months of 2013 compared to 63.8% in the first six months of 2012. As the market for social business software within the enterprise continues to grow, we expect revenues from internally focused communities to continue to be higher than revenues generated from externally focused communities.

We offer our platform both as a public cloud service and as a private cloud solution. In March 2012, we released Jive Cloud, one of our public cloud services that is on a quarterly release cycle and is a non-customizable version of our platform. In the first six months of 2013, product revenues from all public cloud deployments, including Jive Cloud, represented 62.9% of total product revenues compared to 62.5% in the first six months of 2012. With the release of Jive Cloud and the 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 largest portion of our revenues from sales to customers within the United States. Revenues from customers in the United States accounted for 77.2% of total revenues in the first six months of 2013 compared to 77.8% in the first six months of 2012. We are continuing to focus on expanding our sales headcount and channel partners internationally, and we anticipate the percentage of our revenues generated outside of the United States will increase in the future.

In response to our growing customer base outside of the United States, as well as the increase in public cloud deployments, we opened an internally managed data center in the Netherlands in 2012. Additionally, we continued our investment in our hosting infrastructure by starting the build-out of another internally managed data center in Asia during the second quarter of 2013 as we continue to focus on international expansion in the region. We also began the build-out of a second data center in the United States in the second quarter of 2013. We expect both the Asia data center and second United States data center to be operational in the second half of 2013.

In the first quarter of 2013 we released Jive 7. Major new functionality in this release includes Purposeful Places, which brings people, content and information together in intelligent collaboration areas optimized around specific business activities to produce tangible outcomes; Structured Outcomes, which takes everyday workplace conversations and converts them into actionable activities; and seamless integration with an even broader enterprise ecosystem including Box and salesforce.com.

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

On April 29, 2013, we acquired all of the outstanding shares of StreamOnce, whose product offers a platform that connects third-party information streams directly into our Jive Social Business Platform, integrating disparate information systems for increased productivity. The total initial purchase consideration is comprised of $4.7 million in cash and 532,952 shares of our common stock with a fair value on April 29, 2013 of $7.3 million. Of the 532,952 shares of common stock, 470,552 shares of common stock issued to certain StreamOnce employees will vest over a two-year period contingent upon the continued employment of the recipients. The fair value of these shares on the grant date was $6.4 million, which is being recognized as stock-based compensation over the two-year vesting period. Additionally, certain StreamOnce employees may receive additional consideration, not to exceed $0.7 million, if our bookings and count exceed certain thresholds over an 18-month period commencing as of the acquisition date.

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 2012 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 2013, there were no significant changes in our critical accounting policies or estimates from those reported in our 2012 Annual Report on Form 10-K, which was filed with the SEC on February 25, 2013.

New Accounting Pronouncements

See Note 13 of the Condensed Notes to the Consolidated Financial Statements in this Quarterly Report on Form 10-Q for a discussion of new accounting pronouncements.

Non-GAAP Key Metrics

In addition to GAAP metrics such as total revenues and gross margin, we also regularly review billings, a non-GAAP measure, and the number of Jive Social Business Platform customers to evaluate our business, measure our performance, identify trends affecting our business, allocate capital and make strategic decisions.

Billings

The following tables set forth a reconciliation of total revenues to billings (dollars in thousands):

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Dollar Change	% Change
Total revenues	$ 35,242	$ 26,950	$ 8,292	30.8%
Deferred revenue, end of period	128,115	87,482	40,633	46.4%
Less: deferred revenue, beginning of period	(121,405)	(80,710)	(40,695)	50.4%
Billings	$ 41,952	$ 33,722	$ 8,230	24.4%

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Dollar Change	% Change
Total revenues	$ 69,094	$ 52,268	$ 16,826	32.2%
Deferred revenue, end of period	128,115	87,482	40,633	46.4%
Less: deferred revenue, beginning of period	(117,047)	(77,826)	(39,221)	50.4%
Billings	$ 80,162	$ 61,924	$ 18,238	29.5%

We monitor billings, a non-GAAP measure, 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 this non-GAAP measure offers valuable supplemental information regarding the performance of our business, and it will help investors better understand the sales volumes and performance of our business.

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

- billings is not a substitute for total revenues, as billings are recognized when invoiced, while revenue is recognized ratably over the contract term;

- 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;
- changes to the composition of current period billings may impact the correlation of current period billings to future period revenues;
- 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 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 billings a significant performance measure and a leading indicator of future recognized revenue based on our business model of billing for subscription licenses annually and recognizing revenue ratably over the subscription term. The billings we record in any particular period reflect sales to new customers plus subscription renewals and upsell to existing customers, and represent amounts invoiced for product subscription 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 billings. If the customer elects to be invoiced annually, only the amount billed for the 12-month period will be included in billings.

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 signing and 50% upon completion of the project.

The increase in billings in the period presented was primarily driven by upsell of our products to existing customers, the addition of new customers, increased billings for professional services work, a subset of customers electing to renew their existing subscription and pay in full for a new subscription term greater than 12 months, and a subset of customers electing to renew existing subscriptions that have not yet expired at the same time as purchasing new products in an upsell transaction.

Notwithstanding the increase in total billings in both of the comparative periods presented, as the social business market continues to move to the mainstream buyer, we saw sales cycles extend for some sizeable transactions, which adversely impacted new business billings in the second quarter of 2013.

Jive Social Business 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 Social Business 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 Social Business Platform customers is a leading indicator of our future revenues, billings and upsell opportunities.

Our Jive Social Business Platform customer count was as follows:

	As of June 30,			
	2013	2012	Change	% Change
Jive Social Business Platform customer count	848	707	141	19.9%

Our product revenue grew by 37% in the first six months of 2013 compared to the first six months of 2012. Our product revenue has grown at a faster rate than our customer count as we have realized greater upsell with our existing customers and as the average contract size has increased over that time.

Components of Results of Operations

Revenues

We generate revenues primarily in the form of software subscription fees and professional services for strategic consulting, 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 sales of 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 limited 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 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 of all the various services provided. 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 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 wells 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.

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. We capitalized $0.6 million and $0.8 million of internally developed computer software costs in the three and six-month periods ended June 30, 2013, respectively.

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 heavily 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 and incur additional expenses associated with being a publicly traded company.

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):

	Three Months Ended June 30, 2013[1][2]		Three Months Ended June 30, 2012[1][2]	
Revenues:				
Products	$ 31,559	89.5%	$ 23,904	88.7%
Professional services	3,683	10.5%	3,046	11.3%
Total revenues	35,242	100.0%	26,950	100.0%
Cost of revenues:				
Products	9,540	27.1%	7,135	26.5%
Professional services	4,215	12.0%	3,792	14.1%
Total cost of revenues	13,755	39.0%	10,927	40.5%
Gross profit:				
Products	22,019	62.5%	16,769	62.2%
Professional services	(532)	(1.5)%	(746)	(2.8)%
Total gross profit	21,487	61.0%	16,023	59.5%
Operating expenses:				
Research and development	13,749	39.0%	9,127	33.9%
Sales and marketing	20,480	58.1%	14,581	54.1%
General and administrative	6,081	17.3%	3,751	13.9%
Total operating expenses	40,310	114.4%	27,459	101.9%
Loss from operations	(18,823)	(53.4)%	(11,436)	(42.4)%
Other income (expense), net	(148)	(0.4)%	(99)	(0.4)%
Loss before provision for (benefit from) income taxes	(18,971)	(53.8)%	(11,535)	(42.8)%
Provision for (benefit from) income taxes	(1,191)	(3.4)%	90	0.3%
Net loss	$ (17,780)	(50.5)%	$ (11,625)	(43.1)%
Basic and diluted net loss per common share	$ (0.27)		$ (0.19)	
Shares used in per share calculations	66,816		61,924	

	Six Months Ended June 30, 2013[1][2]		Six Months Ended June 30, 2012[1][2]	
Revenues:				
Products	$ 62,222	90.1%	$ 45,575	87.2%
Professional services	6,872	9.9%	6,693	12.8%
Total revenues	69,094	100.0%	52,268	100.0%
Cost of revenues:				
Products	18,752	27.1%	13,957	26.7%
Professional services	8,063	11.7%	7,581	14.5%
Total cost of revenues	26,815	38.8%	21,538	41.2%
Gross profit:				
Products	43,470	62.9%	31,618	60.5%
Professional services	(1,191)	(1.7)%	(888)	(1.7)%
Total gross profit	42,279	61.2%	30,730	58.8%
Operating expenses:				
Research and development	26,426	38.2%	17,482	33.4%
Sales and marketing	39,344	56.9%	25,937	49.6%
General and administrative	11,947	17.3%	7,553	14.5%
Total operating expenses	77,717	112.5%	50,972	97.5%
Loss from operations	(35,438)	(51.3)%	(20,242)	(38.7)%
Other income (expense), net	(158)	(0.2)%	(218)	(0.4)%
Loss before provision for (benefit from) income taxes	(35,596)	(51.5)%	(20,460)	(39.1)%
Provision for (benefit from) income taxes	(1,215)	(1.8)%	114	0.2%
Net loss	$ (34,381)	(49.8)%	$ (20,574)	(39.4)%
Basic and diluted net loss per common share	$ (0.52)		$ (0.33)	
Shares used in per share calculations	66,285		61,685	

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

	Three Months Ended June 30, 2013(2)		Three Months Ended June 30, 2012(2)	
Cost of revenues	$ 777	2.2%	$ 528	2.0%
Research and development	3,395	9.6%	1,533	5.7%
Sales and marketing	2,405	6.8%	928	3.4%
General and administrative	1,673	4.7%	1,175	4.4%
	$ 8,250	23.4%	$ 4,164	15.5%

	Six Months Ended June 30, 2013(2)		Six Months Ended June 30, 2012(2)	
Cost of revenues	$ 1,298	1.9%	$ 786	1.5%
Research and development	5,627	8.1%	2,480	4.7%
Sales and marketing	4,629	6.7%	1,454	2.8%
General and administrative	2,835	4.1%	2,529	4.8%
	$ 14,389	20.8%	$ 7,249	13.9%

(2) Percentages may not add due to rounding.

Revenues

(Dollars in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Dollar Change	% Change
Products	$31,559	$ 23,904	$ 7,655	32.0%
Professional services	3,683	3,046	637	20.9%
Total revenues	$ 35,242	$26,950	$ 8,292	30.8%

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Dollar Change	% Change
Products	$62,222	$45,575	$16,647	36.5%
Professional services	6,872	6,693	179	2.7%
Total revenues	$69,094	$52,268	$16,826	32.2%

Products Revenues

The increases in products revenues in the three and six-month periods ended June 30, 2013 compared to the same periods of 2012 were primarily the result of an increase in the aggregate number of customers on the Jive Social Business Platform, which grew to 848 as of June 30, 2013 from 707 as of June 30, 2012, as well as an increase in the average customer contract size over the same period.

Certain information regarding our revenues was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Dollar value of total revenues generated in the U.S.	$27.3 million	$20.9 million	$53.3 million	$40.7 million
Percentage of total revenues generated in the U.S.	77.6%	77.4%	77.2%	77.8%
Product revenues from public cloud deployments as percentage of total product revenues	63.4%	62.7%	62.9%	62.5%
Product revenues from private cloud deployments as percentage of total product revenues	36.6%	37.3%	37.1%	37.5%
Percentage of Jive Social Business Platform revenues that represented internally focused communities	70.0%	63.8%	70.3%	63.8%
Percentage of Jive Social Business Platform revenues that represented externally focused communities	30.0%	36.2%	29.7%	36.2%

Professional Services Revenues

The increases in professional services revenues in the three and six-month periods ended June 30, 2013 compared to the same periods of 2012 were primarily due to the increases in the number of customers on the Jive Social Business Platform over the same periods. However, Professional services revenues as a percent of product revenues decreased by 8% and 25%, respectively, as continued enhancements of the core product have decreased the amount and type of customization requested by our customers.

We offer professional services as both standalone and bundled services. When sold as standalone, 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-month period ended June 30, 2013 increased $0.5 million compared to the same period of 2012; while standalone professional services revenues decreased $0.2 million in the six-months ended June 2013 compared to the same period for 2012.

Cost of Revenues and Gross Margins

(Dollars in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Dollar Change	% Change
Cost of revenues: products	$ 9,540	$ 7,135	$2,405	33.7%
Products gross margin	69.8%	70.2%		
Cost of revenues: professional services	$ 4,215	$ 3,792	$ 423	11.2%
Professional services gross margin	(14.4)%	(24.5)%		

(Dollars in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Dollar Change	% Change
Cost of revenues: products	$18,752	$13,957	$4,795	34.4%
Products gross margin	69.9%	69.4%		
Cost of revenues: professional services	$ 8,063	$ 7,581	$ 482	6.4%
Professional services gross margin	(17.3)%	(13.3)%		

Cost of Revenues: Products

The increases in cost of revenues for products in the three and six-month periods ended June 30, 2013 compared to the same periods of 2012 were primarily due to the increases in products revenues and included the following:

- a $0.8 million and a $1.6 million increase, respectively, in salaries and benefits related to increased headcount in our hosting and support personnel;
- a $0.7 million and a $1.4 million increase, respectively, in depreciation expense;
- a $0.6 million and a $1.0 million increase, respectively, in third-party royalties;
- a $0.3 million and a $0.4 million increase, respectively, in intangible amortization; and
- a $0.3 million and a $0.5 million increase, respectively, in allocations for IT and facilities costs.

In addition, the six-month period included a $0.3 million increase in rent expense.

These factors were partially offset by a $0.3 million and a $0.4 million decrease, respectively, in third-party hosting and subscription services.

The increases in cost of revenues for products in the three and six-month periods ended June 30, 2013 compared to the same periods of 2012 were also attributable to our third-party data center costs and increased headcount in our hosting department, which grew to 38 employees as of June 30, 2013 from 29 employees as of June 30, 2012, due to the increase in the mix of revenue towards our public cloud deployment model, our programs to scale our public cloud capabilities for future growth, and an increase in amortization of acquired intangibles as a result of acquisitions made in the fourth quarter of 2012 and in the second quarter of 2013. Additionally, headcount in our support organization grew to 57 employees as of June 30, 2013 from 42 employees as of June 30, 2012.

The decrease in products gross margin for the three-month period ended June 30, 2013 compared to the same period of 2012 was primarily driven by an increase in intangible amortization related to two acquisitions in the second quarter of 2013.

The increase in products gross margin for the six-month period ended June 30, 2013 compared to the same period of 2012, was driven by efficiencies gained through utilization of our internally managed data centers as we fully transitioned our existing public cloud customers from a third-party hosting service to our managed data centers; partially offset by an increase in intangible amortization related to two acquisitions in the second quarter of 2013.

For the remainder of 2013, we expect cost of revenues for products as a percentage of total revenues to be relatively consistent with the first six months of 2013.

Cost of Revenues: Professional Services

The increases in cost of revenues for professional services in the three and six-month periods ended June 30, 2013 compared to the same periods of 2012 were primarily due to increases in third-party consulting fees of $0.2 million and $0.3 million, respectively, increases in travel and entertainment of $0.1 million and $0.1 million, respectively, as well as an increase in allocations for IT and facilities costs of $0.1 million and $0.1 million, respectively.

We offer professional services on both fixed fee and time and materials hourly billing arrangements. For time and materials-based professional services that are part of a multiple-element arrangement where the fees for the professional services are not fixed or determinable upon delivery of the software, revenue is recognized ratably over the contract term as the related fees become fixed. We also sell professional services separately, outside of multiple-element arrangements, and recognize revenues resulting from those arrangements as the professional services are delivered.

Professional services revenues recognized from non-multiple-element arrangements, as a percentage of total professional services revenues, was 37% higher in the three-month period ended June 30, 2013 compared to the same periods of 2012, resulting in a greater percentage of the professional services revenues related to professional services performed in the current period being fully recognized in the current period which improved professional services gross margin.

Conversely, professional services revenues recognized from non-multiple-element arrangements, as a percentage of total professional services revenues, was 10% lower in the six-month period ended June 30, 2013 compared to the same periods of 2012, resulting in a greater percentage of the professional services revenues related to professional services performed in the current periods being recognized ratably over the contract term, which typically extends beyond the current period.

For the remainder of 2013, we expect cost of revenues for professional services as a percentage of total revenues to be relatively consistent or increase slightly from the first six months of 2013.

Research and Development Costs

(Dollars in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Dollar Change	% Change
Research and development	$ 13,749	$ 9,127	$4,622	50.6%
Percentage of total revenues	39.0%	33.9%		

(Dollars in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Dollar Change	% Change
Research and development	$26,426	$17,482	$8,944	51.2%
Percentage of total revenues	38.2%	33.4%		

The increases in research and development expenses in the three and six-month periods ended June 30, 2013 compared to the same periods of 2012 were primarily due to:

- a $3.6 million and a $7.0 million increase, respectively, in salaries and benefits and other employee related expenses, which includes a $1.9 million and a $3.1 million increase, respectively, in stock-based compensation;
- a $0.1 million and a $0.5 million increase, respectively, in professional consulting fees;
- a $0.2 million and a $0.2 million increase, respectively, in travel and entertainment;
- a $0.4 million and a $0.7 million increase, respectively, in allocations for IT and facilities; and
- a $0.3 million and a $0.5 million increase, respectively, in subscription services, professional services, and depreciation.

The increases in salaries and benefits were a result of increasing our research and development headcount to 205 as of June 30, 2013 from 146 as of June 30, 2012.

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 $0.6 million and $0.8 million in the three and six-month periods ended June 30, 2013, respectively, of these costs, which would have been recognized as research and development expense.

For the remainder of 2013, we expect research and development expense as a percentage of total revenues to be relatively consistent or decrease slightly from the first six months of 2013.

Sales and Marketing

(Dollars in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Dollar Change	% Change
Sales and marketing	$ 20,480	$ 14,581	$5,899	40.5%
Percentage of total revenues	57.6%	54.1%		

(Dollars in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Dollar Change	% Change
Sales and marketing	$39,344	$25,937	$13,407	51.7%
Percentage of total revenues	56.9%	49.6%		

The increases in sales and marketing expenses in the three and six-month periods ended June 30, 2013 compared to the same periods of 2012 were primarily due to:

- a $4.2 million and an $8.6 million increase, respectively, in salaries and benefits, which includes a $0.3 million and a $1.3 million increase, respectively, in commission expense and a $1.5 million and a $3.2 million increase, respectively, in stock-based compensation;
- a $0.2 million and a $1.9 million increase, respectively, in general marketing expense;
- a $0.5 million and a $1.0 million increase, respectively, in travel costs;
- a $0.4 million and a $0.7 million increase, respectively, in allocations for IT and facilities; and
- a $0.5 million and a $0.9 million increase, respectively, in subscription services, amortization, and depreciation expenses.

Table of Contents

In addition, the six-month period included a $0.3 million increase in consulting fees.

These increases were primarily a result of increasing our sales and marketing headcount to 204 as of June 30, 2013 from 133 as of June 30, 2012.

For the remainder of 2013, we expect sales and marketing expense as a percentage of total revenues to be relatively consistent or increase slightly from the first six months of 2013.

General and Administrative

(Dollars in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Dollar Change	% Change
General and administrative	$ 6,081	$ 3,751	$2,330	62.1%
Percentage of total revenues	17.3%	13.9%		

(Dollars in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Dollar Change	% Change
General and administrative	$11,947	$7,553	$4,394	58.2%
Percentage of total revenues	17.3%	14.5%		

The increases in general and administrative expenses in the three and six-month periods ended June 30, 2013 compared to the same periods of 2012 were primarily due to:

- a $1.3 million and a $2.0 million increase, respectively, in salaries and benefits, which was primarily as a result of increased headcount, as well as a $0.5 million and a $0.3 million increase, respectively, in stock-based compensation;
- a $1.2 million and a $2.5 million increase, respectively, in professional fees, which was driven by a $0.2 million and a $0.8 million increase, respectively, in recruiting fees;
- a $0.2 million and a $0.2 million increase, respectively, in travel costs;
- a $0.6 million and a $1.2 million increase, respectively, in facilities and office related expenses; and
- a $0.1 million and a $0.4 million increase, respectively, related to subscription and other miscellaneous expenses.

These increases were offset by a $1.1 million and a $1.9 million increase, respectively, in overhead allocations out of general and administrative to the other functions based on relative headcount. General and administrative headcount grew to 74 as of June 30, 2013 from 48 as of June 30, 2012.

For the remainder of 2013, we expect general and administrative expense as a percentage of total revenues to be relatively consistent or decrease slightly from the first six months of 2013.

Other Expense, net

(Dollars in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Dollar Change	% Change
Other expense, net	$ 148	$ 99	$ 49	49.5%
Percentage of total revenues	0.4%	0.4%		

(Dollars in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Dollar Change	% Change
Other expense, net	$ 158	$ 218	$ (60)	(27.5)%
Percentage of total revenues	0.2%	0.4%		

The changes in other expense, net, in the three and six months ended June 30, 2013 to the same periods of 2012, were primarily related to the net effect of interest income and interest expense from marketable securities during the periods.

Provision For (Benefit From) Income Taxes

(Dollars in thousands)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012
Provision for (benefit from) for income taxes	$ (1,191)	$ 90
Percentage of loss before income taxes	(6.3)%	0.8%

Table of Contents

(Dollars in thousands)	Six Months Ended June 30, 2013	2012
Provision for (benefit from) for income taxes	$ (1,215)	$ 114
Percentage of loss before income taxes	(3.4)%	0.6%

In both the 2013 and 2012 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.

In both the 2013 periods, in connection with the StreamOnce acquisition, a deferred tax liability of $1.4 million was established for the book and tax basis differences related to specifically identified non-goodwill intangibles. The net liability from the acquisition created an additional source of income to utilize our deferred tax assets and, therefore, a corresponding amount of the valuation allowance was released and was recorded as a benefit from income taxes in the income statement for the three and six months ending June 30, 2013.

Liquidity and Capital Resources

(Dollars in thousands)	Six Months Ended June 30, 2013	2012
Cash flows provided by operating activities	$ 6,037	$ 3,196
Cash used in investing activities	(8,565)	(71,761)
Cash provided by (used in) financing activities	3,749	(1,395)
Increase (decrease) in cash and cash equivalents	$ 1,221	$(69,960)

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

Our principal source of liquidity at June 30, 2013 consisted of $50.2 million of cash and cash equivalents and $84.7 million of short-term marketable securities. As of June 30, 2013, $1.4 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, 2013.

Cash Flows from Operating Activities

Cash flows provided by operating activities were $6.0 million during the first six months of 2013 compared to $3.2 million in the first six months of 2012. The improvement in cash flows generated from operating activities primarily resulted from changes in our operating assets and liabilities. Changes to our operating cash flows are historically impacted by the growth in our calculated 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 $6.0 million of cash provided by operating activities in the first six months of 2013 resulted from our net loss of $34.2 million, offset by net non-cash charges of $20.8 million and changes in our operating assets and liabilities as discussed below.

Accounts receivable, net decreased $11.7 million to $42.5 million at June 30, 2013 compared to $54.2 million at December 31, 2012, primarily as a result of a $10.1 million decrease in billings in the second quarter of 2013 compared to the fourth quarter of 2012. Additionally, during the quarter, there was an increase of $1.9 million in invoices that were billed and collected in the same period at June 30, 2013 compared to December 31, 2012, as well as a decrease in days billings outstanding to 92 days at June 30, 2013 compared to 96 days at December 31, 2012.

Accounts payable and other accrued liabilities increased $1.3 million to $18.0 million at June 30, 2013 compared to $16.7 million at December 31, 2012, primarily due to the timing of payments and in increase in operating expenses.

Accrued payroll and related liabilities decreased $2.0 million to $5.4 million at June 30, 2013 compared to $7.4 million at December 31, 2012, primarily due to a decrease in accrued commissions as a result of decreased billings in the second quarter of 2013 compared to the fourth quarter of 2012, as well as a decrease in accrued bonuses as a result of our annual 2012 executive bonus being accrued for a full year as of December 31, 2012 compared to six months being accrued for the 2013 annual executive bonus as of June 30, 2013. The decrease was also attributable to a decrease in attainment of the bonus targets period over period.

Deferred revenue increased $11.1 million to $128.1 million at June 30, 2013 compared to $117.0 million at December 31, 2012, primarily due to new business and renewal-related billings, as well as billings for multi-year commitments, in the first six months of 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, as well as payments for intangible assets and acquisitions. We utilized $8.6 million in net investing activities during the first six months of 2013, which included $4.8 million used for purchases of property and equipment and $11.0 million for acquisitions, offset by $7.3 million provided by maturities and sales of marketable securities, net of purchases. We anticipate spending approximately $10 million to $12 million for the purchase of property and equipment in all of 2013, primarily for the continued expansion of 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 provided by financing activities of $3.7 million in the first six months of 2013 resulted from $5.3 million in cash receipts related to stock option exercises being offset by $1.2 million in principal payments on our term debt and $0.4 million in taxes paid related to the net settlement of equity awards.

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, 2013, we had $1.0 million of outstanding letters of credit, no revolving loans outstanding and $9.6 million of term loans outstanding at an interest rate of 2.28% and we were in compliance with all financial and restrictive covenants.

Off-Balance Sheet Arrangements

Except as disclosed within Note 10 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

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

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

As of June 30, 2013, we held cash and cash equivalents and marketable securities of $160.9 million. Based on the nature of our marketable securities, a decline in interest rates over time would reduce our interest income, but would not have a material impact on our results of operations, financial position or cash flows, as we have classified our securities as available-for-sale and, therefore, may choose to sell or hold them as changes in the market occur. In addition, due to the nature of our highly liquid cash equivalents, a change in interest rates would not materially affect the fair value of our cash equivalents.

Our revolving credit facility and senior term loan bear interest at a variable rate tied to the prime or LIBOR rate, at our option. Based on amounts outstanding at June 30, 2013, a 10% increase in the prime or LIBOR rate would not materially increase our interest expense.

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 and review of our Audit Committee, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2013. 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, 2013, our chief executive officer and chief financial officer and our Audit Committee concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we may be subject to lawsuits, claims or proceedings. We have been, and may in the future be, put on notice and/or sued by third parties for alleged infringement of their proprietary rights, including patent infringement.

For example, in October 2012, Bascom Research, LLC 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.

Any additional claims against us, regardless of the merits, could be time consuming, result in costly litigation, require significant amounts of legal and other operational resources and divert our attention from executing on our business plans. The results of any future lawsuits, claims and proceedings cannot be predicted with certainty.

Item 1A. Risk Factors

Risks Related to our Business and Industry

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

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

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 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 continues or 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. For example, in the second quarter of 2013, we saw sales cycles extend for some sizeable transactions, which adversely impacted new business billings during the quarter.

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

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 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;
- 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;
- purchases of new equipment and bandwidth in connection with our data center expansion;
- regulatory compliance costs;
- 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 ongoing or 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 revenues and future 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 U.S., the Asia Pacific region, South America and Europe. Sales outside of the U.S. represented approximately 23% of our total revenues in the first six months of 2013 and 23%, 21% and 21% of our total revenues for 2012, 2011 and 2010, respectively. As we continue to expand sales of our social business platform to customers located outside the U.S., our business will be increasingly susceptible to risks associated with international operations. However, we have a limited operating history outside the U.S., 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;
- compliance with anti-bribery laws, including compliance with the Foreign Corrupt Practices Act and the UK Anti-Bribery Act;
- 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; 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 2013, 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;
- 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 five years and in 2013 to date, including a net loss of $34.4 million in the first six months of 2013, $47.4 million in 2012 and $50.8 million in 2011. At June 30, 2013, we had an accumulated deficit of $186.5 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. 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 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, and operational 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 transition exposes 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 inherent in the fact that we are now managing the infrastructure that hosts our customer communities. These risks include our 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. In this regard, we anticipate making total capital expenditures of approximately $10 million to $12 million in 2013 primarily for the purchase of hosting equipment and additional hosting services. To date we have spent $4.1 million on such equipment and services. 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 January 2011, we experienced a hosting outage which impacted some of our customers for up to 14 hours. As a result of this outage, we provided service credits to certain customers. If we experience similar outages in the future, we may experience customer dissatisfaction and potential loss of confidence, which could harm our reputation and impact future revenues from these customers.

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

In the future, we may need to expand our hosting operations at a more rapid pace than we have in the past, spend substantial amounts to purchase or lease data centers and equipment, upgrade our technology and infrastructure to handle increased customer demand and introduce new solutions. For example, if we secure a large customer or a group of customers which require significant amounts of bandwidth, storage or computing power to enable their 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. We use certain third-party vendors to assist in these operations, including back-up storage for 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.

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. This 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 that is stored within our platform. If our personnel or our software systems were to permit unauthorized loss or access to this customer 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 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, personal account or financial information and our security measures are breached our reputation could be damaged, our business may suffer and we could incur significant liability as many domestic and international laws place a higher burden of care on organizations that transmit and process this type of information.

Because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques 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 Jive Apps Market 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 United States National Security Administration may cause our current and prospective customers to require additional information regarding our data disclosure policies which may elongate our sales cycles.

If we fail to manage our future 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 grew from 527 employees at December 31, 2012 to 645 at June 30, 2013 and 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 social business software platform. Additionally, due to the complexity and diversity of these laws, our customers often include contractual obligations which can impose significant risk of termination and financial penalties if we fail to comply.

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

We operate in a dynamic environment characterized by rapidly changing technologies and industry and legal standards. The introduction of new social business 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 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 social business 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 social business software platform must integrate with a variety of network, hardware and software platforms, including Microsoft Office, and we will 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 Social Business Platform, and related modules. As such, any factor adversely affecting sales of this platform, including product release cycles, market acceptance, product competition, performance and reliability, reputation, price competition, and economic and market conditions, could harm our business and operating results.

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

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

Additionally, large enterprises may request or require customized features and functions unique to their particular business processes. If prospective large customers require customized features or functions that we do not offer, then the market for our platform will be more limited and our business could suffer. 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 expand 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 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 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 of their proprietary rights.

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. 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 the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, third parties have claimed and may claim that we infringe upon their intellectual property rights, and we may be found to be infringing upon such rights. In the future, we, or our customers, may be the subject of claims that our platform and underlying technology infringe 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 social business 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 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.

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 will switch U.S. patent rights from the present “first-to-invent” system to a “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 U.S. 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 social business 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 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 social business software market and other markets may prove to be inaccurate. Even if these markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

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

We do not expect that disclosure controls or internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Failure of our control systems to prevent error or fraud could materially and adversely impact us.

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

Our corporate structure and intercompany agreements with our foreign subsidiaries are intended to optimize our operating structure and our worldwide effective tax rate, including the manner in which we develop and use our intellectual property, manage our cash flow, and the pricing of our intercompany transactions. Our foreign subsidiaries operate under cost plus transfer pricing agreements with us. These agreements provide for sales, support and development activities for our benefit. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing technology or our transfer pricing arrangements, or determine that the manner in which we operate our business does not achieve the intended tax objectives, which could increase our international tax exposure and harm our operating results. For example, from May 2012 through June 2013, we were under a 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 significant financial impact. At June 30, 2013, we were not under exam in any other 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 and in the San Francisco Bay Area especially, 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 perceived value of our stock 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 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.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork, passion and focus on execution that we believe contribute to our success, and our business may be harmed.

We believe that a critical component to our success has been our corporate culture. We have invested substantial time and resources in building our team. As we continue to grow and develop the infrastructure associated with being a public company, we may find it difficult to maintain these important aspects of our corporate culture. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

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, particularly after we are no longer an "emerging growth company."

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 beginning on December 31, 2013 when 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 have been able to take advantage of certain exemptions from various requirements that are applicable to public companies that are not "emerging growth companies". These include 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 will no longer be able to take advantage of these exemptions, as on December 31, 2013 we lose 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.

We will cease being an "emerging growth company" as defined under the JOBS Act on December 31, 2013, and we are obligated to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We will no longer be an "emerging growth company" on December 31, 2013 and will instead become a "large accelerated filer," as defined under the Exchange Act. We will therefore no longer be able to rely on those exemptions to reporting requirements available to "emerging growth companies." As a result, we will need to comply with certain more burdensome reporting requirements. For example, we will need to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act beginning with our 2013 Annual Report on Form 10-K. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts.

The effort required to compile the system and processing documentation necessary to perform the evaluation needed to provide these reports is a costly and challenging process. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will 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 cause the price of our common stock to decline.

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 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;
- 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;
- 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

Use of Proceeds

We filed a registration statement on Form S-1, File No. 333-176483 for an initial public offering of common stock, which was declared effective by the Securities and Exchange Commission on December 12, 2011. In that offering, we sold an aggregate of 12.1 million shares of our common stock with net offering proceeds of $131.4 million. No payments were made to our directors or officers or their associates, holders of 10% or more of any class of our equity securities or to any affiliates.

As of June 30, 2013, we had used approximately $22.3 million of those proceeds for the repayment of indebtedness, $13.4 million for purchase of property and equipment, primarily to build out our co-located data center, $7.6 million in aggregate for the acquisitions in 2012 and $11.2 million in aggregate for the acquisitions in 2013 to date. We currently intend to use the remaining proceeds for general corporate purposes as described in the prospectus for the offering.

Unregistered Sales of Equity Securities

On November 5, 2012, our Board of Directors approved the issuance of 460,000 shares of our common stock to stockholders of Meetings.io along with an aggregate payment $0.6 million in cash to stockholders of Meetings.io, in exchange for all of the outstanding shares of Meetings.io.

The shares of our common stock issued in exchange for Meetings.io were not registered under the Securities Act of 1933 and are restricted securities. We relied upon the exemption provided by Section 4(2) of the Securities Act of 1933 in connection with the issuance.

The persons who acquired these securities were sophisticated investors and were provided full information regarding our business and operations. There was no general solicitation in connection with the offer or sale of these securities. The persons who acquired these securities acquired them for their own accounts. Any certificates representing the shares of common stock will bear a restricted legend providing that they cannot be sold unless pursuant to an effective registration statement or an exemption from registration. No commissions were paid in connection with the issuance.

For further information, refer to the Note 3 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the Securities and Exchange Commission (“SEC”) on February 25, 2013.

On April 29, 2013, we issued 532,952 shares of our common stock along with an aggregate payment $4.7 million in cash to stockholders of StreamOnce, in exchange for all of the outstanding shares of StreamOnce.

The shares of our common stock issued in exchange for StreamOnce were not registered under the Securities Act of 1933 and were issued in a private placement in reliance upon the exemption from the registration provided by Rule 506 of Regulation D of the Securities Act of 1933.

The persons who acquired these securities, either alone or with a purchaser’s representative, were provided full information regarding our business and operations. There was no general solicitation in connection with the offer or sale of these securities. The persons who acquired these securities acquired them for their own accounts. Any certificates representing the shares of common stock will bear a restricted legend providing that the shares cannot be sold unless pursuant to an effective registration statement or an exemption from registration. No commissions were paid in connection with the issuance.

Item 5. Other Information

Departure of Director and Appointment of Director

On July 29, 2013, Sundar Pichai resigned as a member of our board of directors. Mr. Pichai's decision was not a result of any disagreement with any of our operations, policies or practices.

On July 29, 2013, our board of directors appointed Margaret Breya to serve as a Class I director to fill the vacancy created by Mr. Pichai's resignation from the board of directors. As a Class I director, Ms. Breya will be subject to re-election at our 2015 annual meeting of stockholders. In connection with the appointment to our board of directors, Ms. Breya was also appointed to serve as a member of the Audit Committee.

Ms. Breya currently serves as the Executive Vice President and Chief Marketing Officer of Informatica Corporation. Ms. Breya served as Hewlett-Packard Company's Senior Vice President of Marketing Services and HP Software Marketing Vice President and General Manager from August 2012 to December 2012 and November 2010 to July 2012, respectively. From January 2008 to November 2010, Ms. Breya served as Executive Vice President and General Manager at SAP. From November 2006 to December 2007 Ms. Breya was Executive Vice President, General Manager and Chief Marketing Officer at Business Objects until its acquisition by SAP in October 2007. From November 2004 to November 2006 Ms. Breya was Chief Marketing Officer and Chief Strategy Officer at BEA Systems; and held various positions at Sun Microsystems from July 1996 to November 2004 including Senior Vice President of Marketing. Additionally, she served on the public board of Document Sciences Corporation, from August 2005 until its acquisition by EMC in 2008. Ms. Breya holds a Bachelor's of Science in Electrical Engineering from the University of Illinois and a Master's in Business Administration from the University of Oregon.

We believe that Ms. Breya's experience as Chief Marketing Officer of a public company and 25 years of general management experience in enterprise software businesses qualify her to serve as a member of our board of directors.

Ms. Breya will participate in the non-employee director compensation arrangements described in our 2013 annual proxy statement filed with the Securities and Exchange Commission on April 10, 2013. Pursuant to those arrangements, Ms. Breya will receive, the following initial equity awards:

- An initial restricted stock unit ("RSU") grant on August 2, 2013, with a fair value on the date of grant equal to $200,000; the RSUs granted will vest 25% on the first anniversary of the vesting commencement date with the remaining shares vesting quarterly over the next eight quarters; and
- An initial option grant on August 2, 2013, with a fair value (based on Black-Scholes) on the date of grant equal to $200,000; the options granted will vest 25% on the first anniversary of the vesting commencement date with the remaining options vesting quarterly over the next eight quarters.

There are no arrangements or understandings between Ms. Breya and any other persons pursuant to which Ms. Breya was named a director. Ms. Breya does not have any family relationship with any of our current directors or executive officers or any persons nominated or chosen by us to be a director or executive officer. In addition, Ms. Breya is expected to execute our standard form of indemnification agreement. Ms. Breya has not entered into any other material plan, contract, arrangement or amendment in connection with her appointment to our board of directors.

Ms. Breya is not a party to any related party transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Table of Contents

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) (Exhibit 3.2)
3.2	Amended and Restated Bylaws. (1) (Exhibit 3.4)
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.

** Pursuant to Rule 406T of Regulation S-T, the Interactive data Files on Exhibit 101, submitted electronically herewith, are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 or the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(1) Incorporated by reference to Form S-1 file number 333-176483 as declared effective by the Securities and Exchange Commission on December 12, 2011. The number given in parentheses indicates the corresponding exhibit number in such Form S-1.

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.

JIVE SOFTWARE, INC.

Dated: July 31, 2013

/s/ ANTHONY ZINGALE

Anthony Zingale
Chief Executive Officer
(Principal Executive Officer)

/s/ BRYAN LEBLANC

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

EXHIBIT 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

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; and

   (c) 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: July 31, 2013

By: /s/ Anthony Zingale

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

EXHIBIT 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**

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; and
   (c) 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: July 31, 2013

By: /s/ Bryan J. LeBlanc

Bryan J. LeBlanc
Chief Financial Officer
Jive Software, Inc.

EXHIBIT 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

In connection with the Quarterly Report of Jive Software, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2013, 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.
July 31, 2013

EXHIBIT 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

In connection with the Quarterly Report of Jive Software, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2013, 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.
July 31, 2013