

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**Amendment No. 3  
to  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**THE RUBICON PROJECT, INC.**

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

7370  
(Primary Standard Industrial  
Classification Code Number)

20-8881738  
(I.R.S. Employer  
Identification Number)

12181 Bluff Creek Drive, 4th Floor  
Los Angeles, CA 90094  
(310) 207-0272

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value \$0.00001 per share	7,786,644	\$17.00	\$132,372,948	\$17,050

- (1) Estimated pursuant to Rule 457(a) under the Securities Act of 1933, as amended. Includes an additional 1,015,649 shares that the underwriters have the option to purchase to cover over-allotments, if any.  
 (2) Estimated solely for the purpose of calculating the registration fee.  
 (3) The Registrant previously paid \$12,880 of this amount in connection with the initial filing of this Registration Statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to such section 8(a) may determine.

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The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)  
Issued March 20, 2014

6,770,995 Shares



COMMON STOCK

The Rubicon Project, Inc. is offering 5,416,796 shares of common stock and the selling stockholders named in this prospectus are offering 1,354,199 shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering and no public market currently exists for our common stock. We anticipate that the initial public offering price will be between \$15.00 and \$17.00 per share.

Our common stock has been approved for listing on the New York Stock Exchange under the symbol "RUBI."

We are an "emerging growth company" as defined under the federal securities laws and are subject to reduced public company reporting requirements. Investing in our common stock involves risks. See "[Risk Factors](#)" beginning on page 16.

PRICE \$ PER SHARE

	Initial public offering price	Underwriting discount (1)	Proceeds to us (before expenses)	Proceeds to the selling stockholders (before expenses)
Per Share	\$	\$	\$	\$
Total	\$	\$	\$	\$

(1) See "Underwriting" for a description of compensation payable to the Underwriters.

We have granted the underwriters the right to purchase up to an additional 1,015,649 shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on or about , 2014.

MORGAN STANLEY

GOLDMAN, SACHS & CO.

RBC CAPITAL MARKETS

Needham & Company

Oppenheimer & Co.

LUMA Securities

, 2014

97% OF U.S. INTERNET  
USERS AND 600 MILLION  
PEOPLE WORLDWIDE SEE  
AN AD PROCESSED BY  
RUBICON PROJECT.

**EVEN YOU.**

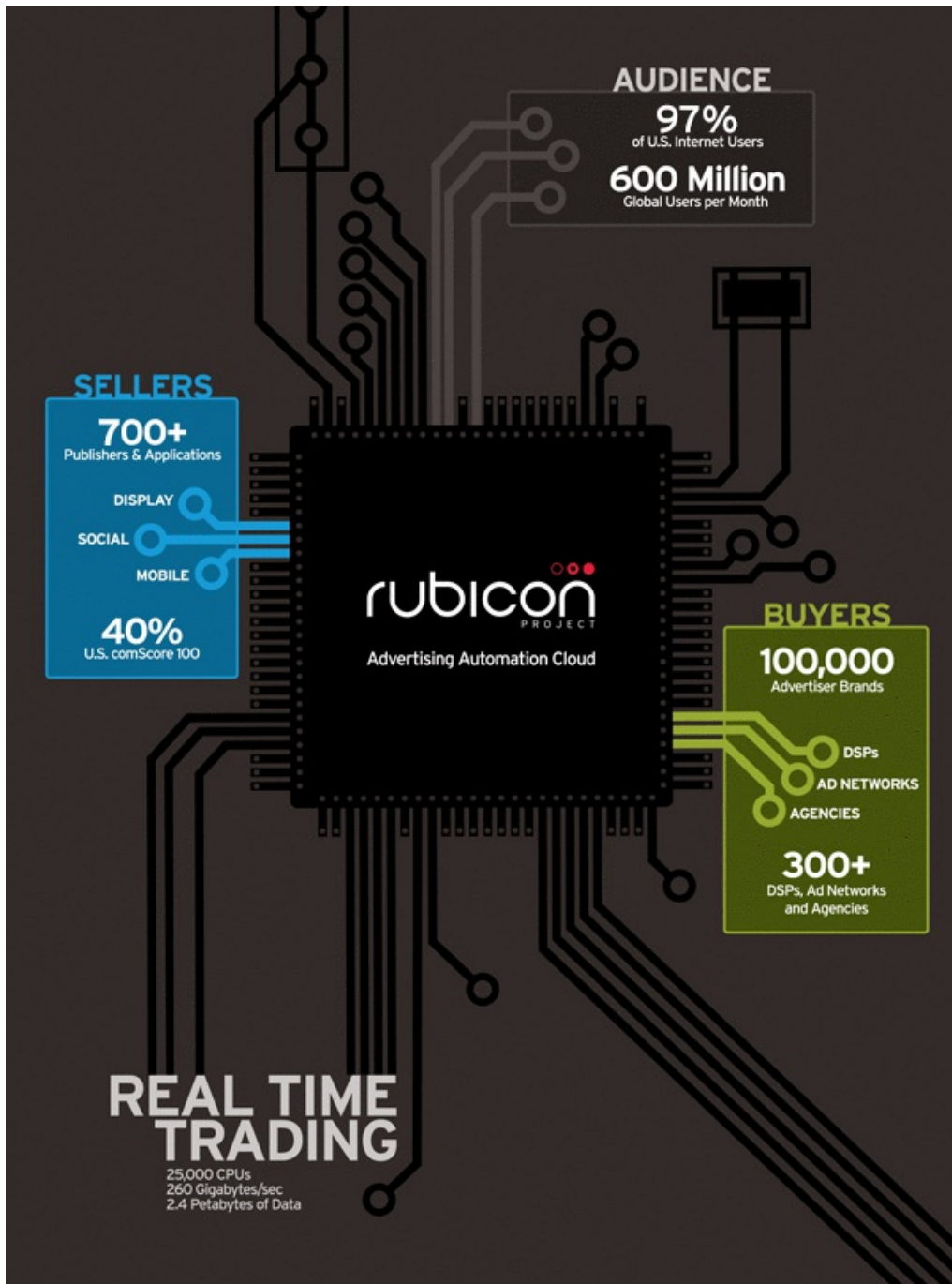
PHOTO OF RUBICUBE: RUBICON PROJECT'S PROPRIETARY  
HARDWARE ENGINEERED FOR REAL-TIME TRADING

rubicon  
PROJECT

○ ● ● SCIENCE. SPEED. SECURITY.

**OUR MISSION:**  
TO AUTOMATE THE BUYING AND SELLING OF ADVERTISING

rubicon  
PROJECT



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You should rely only on the information contained in this prospectus or in any free-writing prospectus we may authorize to be delivered or made available to you. We have not, and the selling stockholders and underwriters have not, authorized anyone to provide you with additional or different information. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus or any free-writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

**Until \_\_\_\_\_, 2014 (25 days after the date of this prospectus), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.**

For investors outside the United States: we have not, and the selling stockholders and underwriters have not done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

## PROSPECTUS SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information that you should consider before deciding to invest in our common stock. You should read the entire prospectus carefully, including “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and notes to those consolidated financial statements before making an investment decision. Some of the statements in this prospectus constitute forward-looking statements. For more information, see “Special Note Regarding Forward-Looking Statements.”*

### Overview

We are a technology company on a mission to automate the buying and selling of advertising. Our Advertising Automation Cloud is a highly scalable software platform that powers and optimizes a leading marketplace for the real time trading of digital advertising between buyers and sellers. Through the speed and big data analytics of our algorithm-based solution, we have transformed the cumbersome, complex process of buying and selling digital advertising into a seamless automated process that optimizes results for both buyers and sellers. Buyers of digital advertising use our platform to reach 97% of Internet users in the United States and over 600 million Internet users globally on some of the world’s leading websites and applications. Sellers of digital advertising use our platform to maximize revenue from advertising, decrease costs and protect their brands and user experience, while accessing a global market of buyers representing over 100,000 brands since our inception. The benefits we provide to both buyers and sellers, and the time and effort spent by both buyers and sellers to integrate with our platform and associated applications, give us a critical position in the digital advertising ecosystem.

Our Advertising Automation Cloud incorporates proprietary machine-learning algorithms, sophisticated data processing, high volume storage, detailed analytics capabilities, and a distributed infrastructure. We analyze billions of data points in real time to enable our solution to make approximately 300 data-driven decisions per transaction in milliseconds, and to execute up to 2.5 million peak queries per second, approximately 25 billion transactions per week and 3 trillion bid requests per month. Our Advertising Automation Cloud features applications for digital advertising sellers, including websites, applications and other digital media properties, to sell their advertising inventory; applications for buyers, including demand side platforms, or DSPs, ad networks and advertising agencies, to buy advertising inventory; and an exchange over which such transactions are executed. Together, these features power and optimize a comprehensive, transparent, independent advertising marketplace that brings buyers and sellers together and facilitates intelligent decision-making and automated transaction execution for the advertising inventory we manage on our platform. We believe we help increase the volume and effectiveness of advertising, increasing revenue for sellers and improving return on advertising investment for buyers.

We have direct relationships built on technical integration with over 700 sellers of digital advertising, including approximately 40% of the U.S. comScore 100, which is a list of the top U.S. digital sellers by reach. We believe that our direct relationships and integration with sellers, which differentiate us from many other participants in the advertising ecosystem, make us a vital participant in the digital advertising industry. Our integration of sellers into our platform gives sellers the ability to monetize a full variety and volume of inventory. At the same time, buyers leverage our platform to manage their advertising spending, simplify order management and campaign tracking, obtain actionable insights into audiences for their advertising and access impression level purchasing from hundreds of sellers. We believe buyers need our platform because of our powerful solution and our direct relationships and integration with some of the world’s largest websites and applications. Our solution is constantly self-optimizing based on our ability to analyze and learn from vast volumes of data. The additional data we obtain from the volume of transactions on our platform help make our machine-learning algorithms more intelligent, leading to higher quality matching between buyers and sellers, better return on investment for buyers

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and higher revenue for sellers. As a result of that high quality matching, we attract even more sellers which in turn attracts more buyers and vice versa. We believe this self-reinforcing dynamic creates a strong platform for growth. The historical and real time data we derive from the over 700 seller integrations, 25 billion transactions per week, 3 trillion bid requests per month and 600 million Internet users globally that interact with our platform per month inform our machine-learning algorithms to create a size, scale and capability that is difficult to replicate.

We believe we are positioned to take advantage of several trends in the advertising industry, including the shift in advertising spending from analog to digital advertising, the move towards automation and the convergence of media across multiple channels. The display, mobile and video digital advertising market is projected to grow to \$90 billion by 2017, and the need for automation in this market is growing commensurately, with real time bidding alone projected to grow at a compounded annual growth rate of 57% from \$1.4 billion in 2011 to \$20.8 billion in 2017.

In 2013, our revenue was \$83.8 million, a 47% increase over 2012, and we recorded a net loss of \$9.2 million and Adjusted EBITDA of \$11.2 million. In 2012, our revenue was \$57.1 million, a 54% increase over 2011, and we recorded a net loss of \$2.4 million and Adjusted EBITDA of \$9.2 million. In 2011, our revenue was \$37.1 million, and we recorded a net loss of \$15.4 million and negative Adjusted EBITDA of \$6.7 million. For information on Adjusted EBITDA, and a reconciliation of Adjusted EBITDA to net loss on the basis of accounting principles generally accepted in the United States, or GAAP, please refer to "Summary Consolidated Financial and Other Data."

Advertising spending transacted on our platform has grown significantly. Managed revenue is an operational measure that represents this advertising spending. Managed revenue would represent our revenue if we were to record our revenue on a gross basis instead of a net basis. Managed revenue does not represent revenue reported on a GAAP basis. We review managed revenue for internal management purposes to assess market share and scale and to compare our performance to others in our industry that report revenue on a gross basis. In 2013, our managed revenue was \$485.1 million, which represents a 43% increase over managed revenue of \$338.9 million in 2012. Our managed revenue of \$338.9 million in 2012 represents a 42% percent increase over managed revenue of \$238.8 million in 2011.

### **Our Industry**

***Shift Towards Digital Advertising.*** In response to consumers spending more time consuming digitally delivered content over the Internet, mobile networks and digital television, the advertising industry is in the midst of a decades-long shift from advertising in analog and print media, like print newspapers, magazines, broadcast radio and television, to digital advertising. As a result of the vast amount of audience data available, digital advertising has the potential to drive return on advertising investment for advertisers many times higher than print, broadcast radio and television. Technological advances are also enabling sellers to optimize and expand the monetization of their inventory.

***Development of a Complex Digital Advertising Ecosystem Comprising a Large Number of Buyers, Sellers and Other Participants.*** Advertisers and sellers of advertising inventory have come to rely on a complex ecosystem made up of multiple technology and service providers, as described below.

*Buyers:* At one end of the ecosystem, spending begins with advertisers, who often engage advertising agencies to help plan and execute their digital advertising campaigns.

Buyers include agencies as well as advertiser aggregators through which agencies traditionally execute their digital advertising campaigns, including DSPs, ad networks and agency trading desks, or ATDs.



*Sellers:* At the other end of the ecosystem, sellers create websites and applications that contain viewable space for advertisements, or impressions, that can be delivered to users as they visit and navigate through websites and applications. These impressions can be sold to buyers either in advance via manual or automated direct sales efforts, or in real time on an impression-by-impression basis via a third-party through the digital advertising ecosystem.

*Other Sell-Side Participants:* Sellers may use additional sell-side representatives to connect with buyers, such as supply side platforms, or SSPs, and ad servers.

*Exchanges:* Buyers and sellers may sometimes come together through an exchange that matches and presents available impressions to buyers.

**Costs, Inefficiencies and Lack of Transparency Inherent in Existing Ecosystem.** This ecosystem of various buyers, sellers and other intermediaries has helped advertisers access digital media, but it is inefficient and has fallen short of truly enabling them to take advantage of the full potential of digital advertising. We believe, based on industry research, that only approximately \$0.40 of every dollar spent by an advertiser is ultimately realized by the seller.

**Complicated and Manual Workflow for Buying and Selling Digital Advertising.** Despite significant technological advances with respect to delivery of digital advertising, the process of planning and executing a digital advertising campaign remains cumbersome and highly manual. These manual and complicated workflows lead to inefficiencies, wasted dollars for sellers and lost opportunities for advertisers to reach users. According to NextMark, it can cost an advertiser up to \$40,000 and 480 man-hours to plan and execute a \$500,000 advertising campaign.

### **Digital Advertising is Complex and Challenging to Automate**

Due to the size and complexity of the advertising ecosystem and purchasing process, manual processes can no longer effectively optimize or manage digital advertising. This has created a need to automate the digital advertising industry and to simplify the process of buying and selling advertising. However, a number of factors make digital advertising complex and challenging to automate:

- **Perishable Inventory.** The inventory of available impressions is highly perishable due to the fact that each impression must be valued, auctioned, successfully purchased, and then the winning bidder must be notified and must serve the advertisement, all in the split second between the time a user types in a web-address or is redirected to a website or application and the time the page is loaded.
- **Complex Impression Level Matching.** In order for buyers to maximize their ability to target specific audiences and for sellers to optimize their revenue, there is a need for a technology solution that can match buyer and seller objectives at a large scale to optimize the delivery of advertising on an impression-by-impression basis.
- **Large Multi-Variate Datasets.** The volume of data available to optimize digital advertising is enormous, and buyers and sellers need a solution capable of analyzing, processing and interpreting these large amounts of data and executing buy and sell orders informed by such data, all in real time.
- **Fragmented Buyer and Seller Base.** The enormous variety of buyers and sellers in the digital advertising industry has created a need for a solution that is capable of seamlessly connecting a highly fragmented global buyer and seller base.
- **Brand Security and User Experience Concerns.** Both buyers and sellers need a solution that is capable of following specified rules established by buyers and sellers to maintain brand integrity and deliver relevant advertisements that create a positive user experience, while efficiently executing a large volume of transactions.

- **Large and Highly Unpredictable Traffic Volumes.** Sellers need a platform that can effectively respond to and monetize inventory during unpredictable spikes in user volumes.
- **Lack of Standardized Ad Formats and Data.** An available advertising impression can vary based on a variety of factors, and buyers and sellers require a platform that can on a real time basis match the large assortment of available advertising impressions with potential buyers.

#### **Rubicon Project: Our Advertising Automation Cloud Enables the Digital Advertising Marketplace**

Rubicon Project was founded to address the challenges associated with the digital advertising ecosystem and to enable a marketplace where buyers and sellers of advertising can readily buy and sell advertising on an automated basis. Our Advertising Automation Cloud optimizes the sale and purchase of advertising across a full spectrum of inventory for all types of buyers and sellers and across all devices. We believe there are few market participants that are directly integrated with sellers in a way that allows sellers to make a wide range and volume of advertising inventory readily available in the marketplace. Our solution enables buyers and sellers to transact through our comprehensive automation offerings including real time bidding, or RTB, static bidding and direct orders. Our solution integrates RTB, static bidding and direct order offerings into a unified auction across all types of buyers, while matching available impressions with advertisements based upon various criteria. Our solution can complete the many steps and analyses required to execute a typical digital advertising transaction within an average of approximately 80 milliseconds.

**Big Data Analytics and Machine-Learning Algorithms.** We have developed proprietary machine-learning algorithms that analyze billions of data points from our massive data repositories to enable our solution to make approximately 300 real time data-driven decisions per transaction and to execute approximately 3 trillion bid requests per month.

**Dual Network Effects Drive an Efficient and Self-Optimizing Marketplace.** Our solution is constantly self-optimizing based on our ability to analyze and learn from vast volumes of data. The additional data we obtain from the volume of transactions on our platform helps make our machine-learning algorithms more intelligent, leading to higher quality matching between buyers and sellers, better return on investment for buyers and higher revenue for sellers. As a result of that high quality matching, we attract even more sellers, which in turn attracts more buyers, and vice versa. We believe this self-reinforcing dynamic creates a strong platform for growth.

**Critical Position in Digital Advertising Ecosystem.** In order to maximize the monetization of the full range and volume of their advertising inventory through our platform, gain actionable insights from the data we have amassed and consolidate and compile payments and billing, sellers integrate into our platform in a way that we believe would cause them to experience high switching costs to move large volumes of their inventory to a new platform. At the same time, we believe that buyers need our platform to benefit from our powerful solution and our direct relationships and integration with some of the world's largest websites and applications. The benefits we provide to both buyers and sellers, and the time and effort spent by both buyers and sellers to integrate with our applications, give Rubicon Project a critical position in the digital advertising ecosystem.

#### **Platform Applications**

To enhance the value our Advertising Automation Cloud brings to the marketplace, we offer a growing set of applications to address the critical needs of buyers and sellers:

**Applications for Sellers.** We have direct relationships and integration with the sellers on our platform and provide applications to help them increase their digital advertising revenue, reduce costs, protect their brands and user experience, and reach more buyers efficiently. Sellers realize the following benefits from our platform:

- Maximized revenue for a broad range of digital advertising inventory without volume or geographic constraints.

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- Automated sales with leading buyers via RTB, static bidding and direct orders.
- Integrated solution for digital advertising needs.
- Significantly streamlined sales, operations and finance workflow.
- Brand security.
- Enhanced user experience through delivery of relevant advertisements.
- Advanced reporting and analytics and actionable insights.
- Consolidated payments and transparent tracking and billing system.

**Applications for Buyers.** Buyers leverage our applications to access a large audience and to purchase advertising inventory based on their key demographic, economic, and timing criteria, allowing them to streamline their purchasing operations, increase the efficiency of their spending and the effectiveness of their advertising campaigns. Buyers realize the following benefits from our platform:

- Direct access to a global audience and hundreds of premium sellers.
- Ability to purchase via RTB, static bidding or direct orders.
- Ability to integrate existing buying technologies or buy directly through us.
- Optimized return on investment by consolidating spending on one platform.
- Simplified order management and campaign tracking.
- Transparency and control over advertising spending.
- Brand security.

### **Our Market Opportunity**

We believe that important trends greatly enhance our market opportunity, namely: the shift in advertising spending to digital advertising, the move towards automation and the convergence of media across multiple channels.

**Rapid Growth in Digital Advertising Spending.** As media consumption shifts to digital delivery via the Internet, digital television and mobile devices, digital advertising spending is growing at a significantly faster rate than advertising spending on analog and print media. We believe that there will be continued expansion of digital advertising as advertising spending “catches up” to time spent on the Internet and mobile devices. According to the PwC Entertainment and Media Global Outlook: 2013-2017, published in June 2013, display, mobile and video digital advertising are forecasted to grow from approximately \$43 billion in 2012 to \$90 billion in 2017, a 16% compounded annual growth rate, and our calculations based on data from eMarketer indicate that the current opportunity for monetizing online media consumption is over \$32 billion annually in the United States.

**Increasing Demand for Automation and Real Time Purchase and Sale of Advertising.** As digital advertising has grown in complexity, the need for automation has increased commensurately. According to International Data Corporation, or IDC (October 2013), global RTB spending by advertisers is expected to grow from \$1.4 billion in 2011 to \$20.8 billion in 2017, a compounded annual growth rate of 57%. RTB is just one aspect of advertising automation, and static bidding and direct orders can also benefit significantly from automation.

**Trend Towards Automation of Analog and Print Advertising Markets.** Over time, we also expect analog and print advertising markets to automate, and we view our long-term mission, and opportunity, as the

automation of all buying and selling of advertising. As more content is being delivered digitally, and with the continued shift of consumption patterns to Internet and mobile devices, television and Internet content are beginning to converge, blurring the historical distinctions between analog and print media and digital media, and requiring advertisers to consider their advertising strategies over multiple media. We believe these trends give us the opportunity to automate a portion of the larger advertising market.

### Competitive Strengths

We believe the following key strengths differentiate us from our competitors and strategically position us within the digital advertising marketplace:

- **Technology Platform with Differentiated Scalability and Real Time Processing Speed.** Our specially engineered hardware, our software infrastructure technology and our database enable us to process many complex calculations per transaction in milliseconds. The speed and scale of our platform provide buyers and sellers with increased market liquidity and access, optimal pricing and reduced latency, limited loss of perishable inventory, better matching and increased efficacy of advertisements.
- **Highly Evolved Machine-Learning Algorithms that Leverage Big Data.** Utilizing our highly sophisticated algorithms, we are able to optimize sellers' monetization of their inventory and to offer more sophisticated targeting options to buyers that allow them to maximize the impact of their advertising spend.
- **Dual Network Effects.** As we process more volume on our automated platform, we accumulate more data, such as pricing, geographic and preference information, data on how best to optimize yield for sellers and more. This additional data helps make our machine-learning algorithms more intelligent and this leads to more effective matching between buyers and sellers. As a result, more buyers and sellers are attracted to our platform, from which we get more data, which further reinforces the network effect and thereby increases market liquidity, which benefits both buyers and sellers.
- **Direct Relationships and Integration with High Quality Sellers.** Our Advertising Automation Cloud builds on our direct relationships and integration with our seller base. We believe that these direct relationships make us a critical participant in the digital advertising ecosystem, and make our solution one that would be difficult and time consuming for sellers to replicate, resulting in low seller attrition.
- **Leading User Reach and Significant Scale.** According to comScore (February 2014), we reach 97% of Internet users in the United States, which establishes us as a leader in digital advertising. Our reach of over 600 million Internet users globally enables us to provide buyers with the ability to execute their largest campaigns and easily reach their target audiences.
- **Comprehensive Solution Covering All Types of Inventory and Demand.** We enable sellers to offer a full range and volume of their advertising inventory through several types of transactions, including RTB, static bidding and direct orders. The availability of this wide range and volume of inventory, together with the multiple ways of purchasing, attracts a similarly wide variety of buyers, giving us access to a wider digital advertising market.
- **Scalable Business Model.** As we bring buyers and sellers onto our platform, they transact in an automated fashion without additional sales and marketing efforts from us, allowing us to grow the managed revenue on our platform without a proportional increase in our sales and marketing expenses.
- **Brand Security.** We believe that the rules that we establish on our platform, together with the scalability and speed of our platform, allow us to uniquely incorporate brand security for both buyers and sellers in a manner that allows them to buy and sell inventory safely despite the challenges presented by the volume of content and dynamic nature of digital advertising.

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- **Independence.** We believe our independent market position enables us to better serve buyers and sellers because we are not burdened with any structural conflicts arising from owning and operating digital media properties while offering advertising purchasing solutions to buyers.

### **Growth Strategies**

Our goal is to be the leading marketplace for digital advertising and ultimately drive automation throughout the advertising industry. The core elements of that growth strategy include:

- Growing our business with existing buyers and attracting new buyers to our platform.
- Increasing penetration of existing sellers and attracting new sellers.
- Enhancing our leadership position by investing in innovation and expansion.
- Accelerating our global expansion and entering new markets.
- Bringing automation to additional media.

### **Risks Affecting Us**

Investing in our common stock involves significant risks. You should carefully consider the risks described in “Risk Factors” before making a decision to invest in our common stock. The occurrence of any of these risks could have a material adverse effect upon our business, financial condition or results of operations. In such case, the trading price of our common stock would likely decline, and you may lose part or all of your investment. Below is a summary of some of the principal risks we face.

- We must grow rapidly to remain a market leader and to accomplish our strategic objectives. If we fail to grow, or fail to manage our growth effectively, our value may decline.
- In order to meet our growth objectives, we will need to rely upon our ability to innovate, the continued adoption of our solution by buyers and sellers, the extension of the reach of our solution into evolving digital media and growth in new geographic markets.
- Our technology development effort may be inefficient or ineffective, which may harm our ability to attract and retain buyers and sellers.
- We must scale our technology infrastructure to support our growth and transaction volumes. If we fail to do so, we may lose buyers, sellers and revenue from transactions.
- Our limited operating history makes it difficult to evaluate our business and prospects and may increase the risks associated with your investment; we have a history of losses and may not achieve and sustain profitability in the future.
- The digital advertising market is relatively new and dependent on growth in various digital advertising channels, and has been highly volatile in the past. If this market develops more slowly or differently than we expect, our business, growth prospects and financial condition would be adversely affected.
- We operate in an intensely competitive market that includes companies that have greater financial, technical and marketing resources than we do.
- Our business depends on our ability to collect and use data to deliver advertisements, and to disclose data relating to the performance of our ads, and any limitation on the collection, use or disclosure of this data, such as limitations on the use of “cookies,” could significantly diminish the value of our services and cause us to lose sellers, buyers and revenue.

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- We depend on owners of digital media properties for advertising inventory to deliver advertising campaigns, and any decline in the supply of advertising inventory from these sellers could hurt our business.
- Our contracts with buyers are generally not exclusive and generally do not require minimum volumes or long-term commitments. If a buyer, or group of buyers, representing a significant portion of our business decides to materially reduce the use of our solution, we could experience an immediate and significant decline in our revenue and profitability, which would harm our business.
- Our directors, executive officers, and each of our stockholders who own greater than 5% of our outstanding common stock, in the aggregate, will beneficially own approximately 57.2% of the outstanding shares of our common stock after this offering, based on the number of shares outstanding as of March 18, 2014. As a result, these stockholders will continue to have substantial control over us after this offering and will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions.

**Corporate Information**

We were incorporated in 2007 in Delaware. Our principal executive offices are located at 12181 Bluff Creek Drive, 4<sup>th</sup> Floor, Los Angeles, CA 90094. Our telephone number is (310) 207-0272. Our website is [www.rubiconproject.com](http://www.rubiconproject.com). The information on, or that can be accessed through, our website is not part of this prospectus.

**Reverse Stock Split**

Our board of directors and stockholders approved a 1-for-2 reverse split of our common stock and a proportional adjustment to the conversion ratio of our Series A, Series B, Series C and Series D convertible preferred stock, or preferred stock, which was effected on March 18, 2014. All references to common stock, options to purchase common stock, restricted stock, share data, per share data, warrants and related information have been retroactively adjusted where applicable in this prospectus to reflect the reverse stock split of our common stock as if it had occurred at the beginning of the earliest period presented.

**THE OFFERING**

Common stock offered by us	5,416,796 shares
Common stock offered by the selling stockholders	1,354,199 shares
Total common stock offered	6,770,995 shares
Over-allotment option	1,015,649 shares (with all shares being offered by us)
Common stock to be outstanding after this offering	34,723,658 shares (35,739,307 shares if the underwriters exercise their option to purchase additional shares from us in full)
Use of proceeds	We expect to receive net proceeds from this offering of approximately \$77.2 million (based on the midpoint of the price range set forth on the front cover of this prospectus), after deducting the underwriting discount and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, sales and marketing activities, engineering initiatives including enhancement of our solution and investment in technology and development, general and administrative expenses and capital expenditures. We also may use a portion of the net proceeds from this offering to acquire or invest in technologies, solutions or businesses that complement our business, although we have no present commitments to complete any such transactions. See "Use of Proceeds."
Proposed New York Stock Exchange symbol	"RUBI"

The number of shares of our common stock to be outstanding after this offering is based on 26,559,750 shares of our common stock outstanding as of December 31, 2013, and excludes:

- 7,584,284 shares of common stock issuable upon exercise of stock options outstanding at December 31, 2013 that remain outstanding as of March 18, 2014, consisting of (i) 8,359,589 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2013 with a weighted average exercise price of \$6.13 per share, less (ii) a reduction as of March 18, 2014 of 775,305 in the number of shares issuable upon exercise of stock options that were outstanding as of December 31, 2013 as a result of option exercises, forfeitures and cancellations, which will effectively be extinguished as of the date of the offering;
- 12,587 shares of common stock issuable upon exercise of an outstanding warrant with an exercise price of \$3.11 per share as of December 31, 2013 and as of March 18, 2014;
- 546,741 shares of common stock issued upon exercise of outstanding stock options between January 1, 2014 and March 18, 2014;
- 500,000 shares of common stock issuable upon the exercise of new stock options granted between January 1, 2014 and March 18, 2014 with a weighted average exercise price of \$16.22 per share;

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- 2,200,371 shares of restricted stock issued between January 1, 2014 and March 18, 2014;
- 2,100,000 shares of our common stock reserved for future issuance under our 2014 Equity Incentive Plan, which takes effect upon consummation of this offering; and
- 525,000 shares of our common stock reserved for issuance under our 2014 Employee Stock Purchase Plan, which also takes effect as of the consummation of this offering.

Our 2014 Equity Incentive Plan and our 2014 Employee Stock Purchase Plan also provide for automatic annual increases in the number of shares reserved thereunder as more fully described in “Executive Compensation – Employee Benefit Plans.”

Except as otherwise indicated, all information in this prospectus assumes:

- a 1-for-2 reverse split of our common stock and a proportional adjustment to the conversion ratio of our preferred stock that was effected on March 18, 2014;
- the effectiveness of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws in connection with the completion of this offering;
- the automatic conversion of each outstanding share of our convertible preferred stock into one-half of a share of our Class A common stock upon completion of this offering;
- the automatic conversion of each outstanding share of our Class B common stock into one share of our Class A common stock immediately prior to the completion of this offering;
- the conversion of our Class A common stock (including all shares of Class A common stock issued upon conversion of our convertible preferred stock and Class B common stock as described above) into a single class of common stock upon completion of this offering;
- the automatic conversion of an outstanding warrant exercisable for 25,174 shares of our convertible preferred stock into a warrant exercisable for 12,587 shares of common stock upon the completion of this offering;
- the net exercise in connection with this offering of an outstanding warrant for 845,867 shares of our convertible preferred stock, resulting in the issuance of 294,610 shares of common stock upon such net exercise based upon an assumed initial public offering price of \$16.00 per share (the midpoint of the price range set forth on the cover page of the prospectus) and after giving effect to surrender of shares to pay the exercise price and the conversion of the net number of shares of our convertible preferred stock to common stock (reflecting the 1-for-2 reverse stock split);
- no exercise of outstanding options and warrants (other than as described above) subsequent to December 31, 2013; and
- no exercise by the underwriters of their option to purchase additional shares from us.



**SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA**

The following table sets forth a summary of our consolidated historical financial and operating data for the periods indicated. The consolidated statements of operations data for the years ended December 31, 2011, 2012 and 2013, and the consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements included elsewhere in this prospectus.

The historical results presented below are not necessarily indicative of the results to be expected in the future. This information should be read in conjunction with “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except per share data)		
Revenue	\$ 37,059	\$57,072	\$ 83,830
Expenses:			
Costs of revenue <sup>(1)</sup>	12,893	12,367	15,358
Sales and marketing <sup>(1)</sup>	17,748	20,458	25,811
Technology and development <sup>(1)</sup>	12,496	13,115	18,615
General and administrative <sup>(1)</sup>	8,926	12,331	27,926
Total expenses	<u>52,063</u>	<u>58,271</u>	<u>87,710</u>
Loss from operations	(15,004)	(1,199)	(3,880)
Other expense, net	269	1,029	5,122
Loss before income taxes	(15,273)	(2,228)	(9,002)
Provision for income taxes	136	134	247
Net loss	\$ (15,409)	\$ (2,362)	\$ (9,249)
Cumulative preferred stock dividends <sup>(2)</sup>	(4,244)	(4,255)	(4,244)
Net loss attributable to common stockholders	<u>\$(19,653)</u>	<u>\$(6,617)</u>	<u>\$(13,493)</u>
Basic and diluted net loss per share attributable to common stockholders <sup>(3)(4)</sup>	<u>\$ (1.95)</u>	<u>\$ (0.60)</u>	<u>\$ (1.17)</u>
Basic and diluted weighted-average shares used to compute net loss per share attributable to common stockholders <sup>(4)</sup>	<u>10,099</u>	<u>11,096</u>	<u>11,488</u>
Pro forma net loss per share—basic and diluted <sup>(3)(4)</sup>			<u>\$ (0.20)</u>
Pro forma weighted-average common shares outstanding—basic and diluted <sup>(4)</sup>			<u>25,898</u>

(1) Stock-based compensation expense included in our expenses was as follows:

	Year Ended December 31,		
	2011	2012	2013
	(in thousands)		
Cost of revenue	\$ 270	\$ 78	\$ 87
Sales and marketing	309	1,039	1,105
Technology and development	858	828	1,645
General and administrative	831	1,099	3,515
Total	<u>\$2,268</u>	<u>\$3,044</u>	<u>\$6,352</u>

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- (2) The holders of the convertible preferred stock are entitled to cumulative dividends prior and in preference to common stock. Because the holders of our convertible preferred stock are entitled to participate in dividends, net loss attributable to common stockholders is equal to net loss adjusted for cumulative preferred stock dividends for the period. Immediately upon the closing of this offering, each outstanding share of convertible preferred stock will be automatically converted into one-half of a share of our common stock and these holders will not be entitled to the cumulative dividends. See Note 11 to our consolidated financial statements for a description of our convertible preferred stock.
- (3) See Note 2 to our consolidated financial statements for a description of the method used to compute basic and diluted net loss per share attributable to common stockholders and pro forma basic and diluted net loss per share attributable to common stockholders.
- (4) All share, per-share and related information have been retroactively adjusted, where applicable, to reflect the impact of a 1-for-2 reverse stock split, including an adjustment to the preferred stock conversion ratio, which was effected on March 18, 2014.

**Consolidated Balance Sheet Data**

	At December 31	
	2012	2013
	(in thousands)	
Cash and cash equivalents	\$ 21,616	\$ 29,956
Accounts receivable, net	\$ 67,335	\$ 94,722
Property, equipment and capitalized software, net	\$ 12,697	\$ 15,916
Total assets	\$108,014	\$149,887
Debt and capital lease obligations, current and non-current	\$ 5,215	\$ 4,181
Total liabilities	\$ 90,005	\$133,727
Convertible preferred stock	\$ 52,571	\$ 52,571
Common stockholders' deficit	\$ (34,562)	\$ (36,411)

**Operational and Financial Measures**

	Year Ended		
	December 31, 2011	December 31, 2012	December 31, 2013
<b>Operational Measures:</b>			
Managed revenue (in thousands)	\$ 238,838	\$ 338,918	\$ 485,080
Paid impressions (in billions)	980	1,431	1,336
Average CPM	\$ 0.24	\$ 0.24	\$ 0.36
Take rate	15.5%	16.8%	17.3%
<b>Financial Measures:</b>			
Revenue (in thousands)	\$ 37,059	\$ 57,072	\$ 83,830
Adjusted EBITDA (in thousands)	\$ (6,698)	\$ 9,205	\$ 11,223

***Managed Revenue***

Managed revenue is an operational measure that represents the advertising spending transacted on our platform, and would represent our revenue if we were to record our revenue on a gross basis instead of a net basis. Managed revenue does not represent revenue reported on a GAAP basis. We review managed revenue for

internal management purposes to assess market share and scale. Many companies in our industry record revenue on a gross basis, so tracking our managed revenue allows us to compare our results to the results of those companies.

Our managed revenue is influenced by the volume and characteristics of advertising inventory transacted on our platform, or paid impressions, and pricing, expressed as cost per thousand impressions or “average CPM.”

***Paid Impressions***

We define a paid impression as an impression sold to an advertiser and subsequently displayed on a website or mobile application, which is transacted via our platform through either direct or indirect relationships between us and buyers and sellers or between buyers and sellers directly. We use paid impressions as one measure to assess the performance of our platform, including the effectiveness and efficiency at which buyers and sellers are trading via our platform and using our solution, and to assist us in tracking our revenue generating performance and operational efficiencies. The number of paid impressions may fluctuate based on various factors, including the number and spend of buyers using our solution, the number of sellers, their allocation of advertising inventory using our solution, our traffic control initiatives and the seasonality in our business. Because of the volatility of this metric, we believe that paid impressions are useful to review on an annual basis.

***Average CPM***

Pricing is generally expressed as average cost per thousand impressions, or “average CPM.” Average CPM is an operational measure that represents the average price at which paid impressions are sold. We review average CPM for internal management purposes to assess buyer spend, liquidity in the marketplace, inventory quality and integrity of our algorithms. Average CPM may be influenced by our inventory placements and demand for such inventory facilitated by our relationships with both buyers and sellers, as well as by a variety of other factors, including the precision of matching of an advertisement to an audience, changes in our algorithms, seasonality, quality of inventory provided by sellers, penetration of various channels and advertising units and changes in buyer spend levels. We expect average CPM to increase with the continued adoption of our solution by premium buyers and sellers, resulting in a higher quantity of premium advertising inventory available to advertisers. Because of the volatility of this metric, we believe that average CPM is useful to review on an annual basis. We compute average CPM by dividing managed revenue by total paid impressions and multiplying by 1,000.

***Take Rate***

Take rate is an operational measure that represents our share of managed revenue. We review take rate for internal management purposes to assess the development of our marketplace with buyers and sellers. Our take rate can be affected by a variety of factors, including the terms of our arrangements with buyers and sellers active on our platform in a particular period, the scale of a buyer or seller’s activity on our platform, the implementation of new products, platforms and solution features, and the overall development of the digital advertising ecosystem.

***Adjusted EBITDA***

Adjusted EBITDA is a non-GAAP financial measure defined by us as net loss adjusted for stock-based compensation expense, depreciation and amortization, interest (income) expense, net, change in fair value of convertible preferred stock warrant liabilities, and other income or expense, net, which mainly consists of foreign exchange gains and losses, net, certain other non-recurring income or expenses such as acquisition and related costs, and provision for income taxes. Adjusted EBITDA should not be considered as an alternative to net

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income, operating income or any other measure of financial performance calculated and presented in accordance with GAAP. Adjusted EBITDA eliminates the impact of items that we do not consider indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reason we consider them appropriate. We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as stock-based compensation expense, depreciation and amortization, interest (income) expense, net, change in fair value of preferred stock warrant liabilities, foreign exchange gains and losses, net, certain other non-recurring income or expenses such as acquisition and related costs, and provision for income taxes that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance;
- Adjusted EBITDA is sometimes used by the compensation committee of our board of directors in connection with the determination of compensation for our executive officers; and
- Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

- Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; Adjusted EBITDA does not reflect any cash requirements for these replacements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense; and
- Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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The following table presents a reconciliation of net loss, the most comparable GAAP measure, to Adjusted EBITDA for each of the years indicated:

	Year Ended		
	December 31, 2011	December 31, 2012	December 31, 2013
	(in thousands)		
Financial Measure:			
Net loss	\$ (15,409)	\$ (2,362)	\$ (9,249)
Add back (deduct):			
Depreciation and amortization expense	5,538	6,857	8,438
Stock-based compensation expense	2,268	3,044	6,352
Acquisition and related items	500	503	313
Interest (income) expense, net	252	343	273
Change in fair value of preferred stock warrant liabilities	304	515	4,121
Foreign currency (gain) loss, net	216	171	728
Other income	(503)	—	—
Provision for income taxes	136	134	247
Adjusted EBITDA	<u>\$ (6,698)</u>	<u>\$ 9,205</u>	<u>\$ 11,223</u>

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. These risks include, but are not limited to, those described below, each of which may be relevant to decisions regarding an investment in or ownership of our stock. You should carefully consider the risks described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes, before investing in our common stock. The realization of any of these risks could have a significant adverse effect on our reputation, business, financial condition, results of operations, growth, and ability to accomplish our strategic objectives. In that event, the price of our common stock could decline, and you could lose part or all of your investment.*

### **Risks Relating to Our Business, Growth Prospects and Operating Results**

***We must grow rapidly to remain a market leader and to accomplish our strategic objectives. If we fail to grow, or fail to manage our growth effectively, the value of our company may decline.***

The advertising technology market is dynamic, and our success depends upon the continued adoption of advertising automation and our ability to develop innovative new technologies and solutions for the evolving needs of sellers of advertising, including websites, applications and other digital media property owners, and buyers of advertising. We also need to grow significantly to develop the market reach and scale necessary to compete effectively with large competitors. This growth depends to a significant degree upon the quality of our strategic vision and planning. The advertising market is evolving rapidly, and if we make strategic errors, there is a significant risk that we will lose our competitive position and be unable to recover and achieve our objectives. Our ability to grow requires access to, and prudent deployment of, capital for hiring, expansion of physical infrastructure to run our solution, acquisition of companies or technologies, and development and integration of supporting sales, marketing, finance, administrative, and managerial infrastructure. Further, the rapid growth we are pursuing will itself strain the organization and our ability to continue that growth and to maintain the quality of our operations. If we are not able to innovate and grow successfully, the value of the company may be adversely affected.

***In order to meet our growth objectives, we will need to rely upon our ability to innovate, the continued adoption of our solution by buyers and sellers for higher value advertising inventory, the extension of the reach of our solution into evolving digital media, and growth into new geographic markets.***

Historically, lower value display advertising has been the largest portion of the business transacted through our solution. Our growth plans depend upon our ability to innovate, attract buyers and sellers to our solution for purposes of buying and selling higher value inventory, expand the use of our solution by buyers and sellers utilizing other digital media platforms, including mobile and video, further increase our business in new international markets, and effectively drive the increasing automation in the advertising industry. In order to innovate successfully, we must hire, train, motivate and retain talented engineers in a competitive recruiting environment, and we must deploy them based on the development priorities we establish in light of our view of the future of our industry. In mobile, video, and other emerging digital platforms, there are competitors with a significant head start in terms of technology and buyer or seller relationships. Our business model may not translate well into higher-value advertising due to market resistance or other factors, and we may not be able to innovate successfully enough to compete effectively on new platforms, or to adapt our solution and infrastructure to international markets.

***Our technology development efforts may be inefficient or ineffective, which may harm our ability to attract buyers and sellers.***

Our future success will depend in part upon our ability to enhance our existing solution and to develop and introduce competing new solutions in a timely manner with features and pricing that meet changing client and market requirements. We schedule and prioritize these development efforts according to a variety of factors, including our perceptions of market trends, client requirements, and resource availability. We face intense

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competition in the marketplace and are confronted by rapidly changing technology, evolving industry standards and consumer needs and the frequent introduction of new solutions by our competitors that we must adapt and respond to. Our solution is complex and requires a significant investment of time and resources to develop, test, introduce into use, and enhance. These activities can take longer than we expect. We may encounter unanticipated difficulties that require us to re-direct or scale-back our efforts and we may need to modify our plans in response to changes in buyer and seller requirements, market demands, resource availability, regulatory requirements, or other factors. If development of our solution becomes significantly more expensive due to changes in regulatory requirements or industry practices, or other factors, we may find ourselves at a disadvantage to larger competitors with more resources to devote to development. These factors place significant demands upon our engineering organization, require complex planning and decision making, and can result in acceleration of some initiatives and delay of others. If we do not manage our development efforts efficiently and effectively, we may fail to produce, or timely produce, solutions that respond appropriately to the needs of buyers and sellers, and competitors may develop offerings that more successfully anticipate market evolution and address market expectations. If our solution is not responsive and competitive, buyers and sellers can be expected to shift their business to competing solutions.

***We must scale our technology infrastructure to support our growth and transaction volumes. If we fail to do so, we may lose buyers, sellers and revenue from transactions.***

When a user visits a website or uses an application where our technology is integrated, our technology must process a transaction for that seller and conduct an auction, often among hundreds of buyers and tens of thousands of advertiser brands, within milliseconds. Our technology must scale to process all of the advertising impressions from the collection of all of the visitors of all of the websites and applications offered on our platform combined. Additionally, for each individual advertising impression, our technology must be able to send bid requests to all of the appropriate and available buyers on our platform. It must perform these transactions end-to-end at speeds often faster than the page or application loads for the user. In short, our technology needs to process the combined volume of every website and application and all of the buyers' bidding technologies, which evolve over time, at speeds that are often faster than their capabilities. We must be able to continue to increase the capacity of our platform in order to support substantial increases in the number of buyers and sellers, to support an increasing variety of advertising formats and to maintain a stable service infrastructure and reliable service delivery, all to support the network effect of our solution. If we are unable to effectively increase the scale of our platform to support and manage a substantial increase in the number of transactions, as well as a substantial increase in the amount of data we process, on a cost effective basis, while also maintaining a high level of performance, the quality of our services could decline and our reputation and business could be seriously harmed. In addition, if we are not able to continue processing these transactions at fast enough speeds or if we are unable to support emerging advertising formats or services preferred by advertisers, we may be unable to obtain new buyers or sellers, we may lose existing buyers or sellers or we could lose revenue from failure to process transactions in a timely manner, any of which could cause our revenue to decline. We expect to continue to invest in our platform in order to meet increasing demand. Such investment may negatively affect our profitability and results of operations.

***We have a history of losses and may not achieve and sustain profitability in the future.***

We incurred net losses of \$15.4 million, \$2.4 million and \$9.2 million, during the years ended December 31, 2011, 2012 and 2013, respectively. As of December 31, 2013, we had an accumulated deficit of \$62.0 million. We may not be able to sustain the revenue growth we have experienced in recent periods, and revenue may decrease due to competitive pressures, maturation of our business or other factors. Our expenses have increased with our revenue growth, primarily due to substantial investments in our business during 2012 and 2013. You should not consider our historical revenue growth as indicative of our future performance. We expect our expenses to continue to increase substantially in the foreseeable future as we continue to expand our business, including by hiring engineering, sales, marketing and related support employees in existing and new territories, investing in our technology and developing additional digital media platforms, such as mobile and video.

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Accordingly, we may not be able to achieve or sustain profitability in the future. If our revenue growth declines or our expenses exceed expectations, our financial performance will be adversely affected.

***Our limited operating history makes it difficult to evaluate our business and prospects and may increase the risks associated with your investment.***

We were incorporated in 2007 and consequently have only a limited operating history upon which our business and future prospects may be evaluated. We may not be able to sustain the rate of growth we have achieved to date, or even maintain our current revenue levels. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly evolving industries, including challenges related to recruiting; allocating and making effective use of our limited resources; achieving market acceptance of our existing and future solutions; competing against companies with greater financial and technical resources; integrating, motivating, and retaining qualified employees; developing relationships with buyers and sellers; developing new solutions; and establishing and maintaining our corporate infrastructure, including internal controls relating to our financial and information technology systems. We must improve our current operational infrastructure and technology to support significant growth and to respond to the evolution of our market and competitors' developments. Our business prospects depend in large part on our ability to:

- build and maintain our reputation for innovation and solutions that meet the evolving needs of buyers and sellers;
- distinguish ourselves from the wide variety of solutions available in our industry;
- maintain and expand our relationships with buyers and sellers;
- respond to evolving industry standards and government regulations that impact our business, particularly in the areas of data collection and consumer privacy;
- prevent or otherwise mitigate failures or breaches of security or privacy;
- attract, hire, integrate and retain qualified employees;
- effectively execute upon our international expansion plans;
- maintain our cloud-based technology solution continuously without interruption 24 hours a day, seven days a week; and
- anticipate and respond to varying product life cycles, regularly enhance our existing advertising solutions and introduce new advertising solutions on a timely basis.

There is no assurance that we will meet these and other challenges, and failure to meet one or more of these objectives or otherwise adequately address the risks and difficulties that we face will have an adverse effect on our business and may result in revenue loss and inability to sustain profitability or achieve further growth.

***Our operating results may fluctuate significantly depending upon various factors, which could make our future operating results difficult to predict and cause our operating results to fall below analysts' and investors' expectations.***

Our operating results are difficult to predict due to a number of factors, particularly because we generally do not have long-term arrangements with buyers or sellers. We have from time to time experienced significant variations in revenue and operating results from period to period. Our operating results may continue to fluctuate and be difficult to predict due to a number of factors, including:

- seasonality in demand for digital advertising;
- changes in pricing of advertising inventory or pricing for our solution and our competitors' offerings;
- the addition or loss of buyers or sellers;



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- changes in the advertising strategies or budgets or financial condition of advertisers;
- the performance of our technology and the cost, timeliness and results of our technology innovation efforts;
- advertising technology and digital media industry conditions and the overall demand for advertising, or changes and uncertainty in the regulatory environment for us or buyers or sellers, including with respect to privacy regulation;
- the introduction of new technologies or service offerings by our competitors and market acceptance of such technologies or services;
- our level of expenses, including investment required to support our technology development, scale our technology infrastructure and business expansion efforts, including acquisitions, hiring and capital expenditures, or expenses related to litigation;
- the impact of changes in our stock price on valuation of stock-based compensation, warrants or other instruments that are marked to market;
- the effect of our efforts to maintain the quality of transactions on our platform, including the blocking of non-human inventory and traffic, which could cause a reduction in our revenue if there are fewer transactions consummated through our platform even though the overall quality of the transactions may have improved;
- the effectiveness of our financial and information technology infrastructure and controls; and
- changes in accounting policies and principles and the significant judgments and estimates made by management in the application of these policies and principles.

Because significant portions of our expenses are relatively fixed, variation in our quarterly revenue could cause significant variations in operating results and resulting stock price volatility from quarter to quarter. Our business has evolved significantly since our founding, and we expect the business to continue to evolve rapidly. Accordingly, period-to-period comparisons of our historical results of operations are not necessarily meaningful, and historical operating results may not be indicative of future performance. If our revenue or operating results fall below the expectations of investors or securities analysts, or below any guidance we may provide to the market, the price of our common stock could decline substantially.

***Our revenue and operating results are highly dependent on the overall demand for advertising. Factors that affect the amount of advertising spending, such as economic downturns, particularly in the fourth quarter of our fiscal year, can make it difficult to predict our revenue and could adversely affect our business.***

Our business depends on the overall demand for advertising and on the economic health of our current and prospective sellers and advertisers. If advertisers reduce their overall advertising spending, our revenue and results of operations are directly affected. Many advertisers devote a disproportionate amount of their advertising budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing, and buyers may spend more in the fourth quarter for budget reasons. As a result, if any events occur to reduce the amount of advertising spending during the fourth quarter, or reduce the amount of inventory available to advertisers during that period, it could have a disproportionate adverse effect on our revenue and operating results for that fiscal year. Economic downturns or instability in political or market conditions generally may cause current or new advertisers to reduce their advertising budgets. Reductions in inventory due to loss of sellers would make our solution less robust and attractive to buyers. Adverse economic conditions and general uncertainty about economic recovery are likely to affect our business prospects. In particular, uncertainty regarding the budget crisis in the United States may cause general business conditions in the United States and elsewhere to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel purchases of our solution, and expose us to increased credit risk on advertiser orders. Moreover, any changes in the favorable tax treatment of advertising expenses and the deductibility thereof would likely cause a reduction in advertising

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demand. In addition, concerns over the sovereign debt situation in certain countries in the European Union as well as continued geopolitical turmoil in many parts of the world have and may continue to put pressure on global economic conditions, which could lead to reduced spending on advertising.

***Seasonal fluctuations in digital advertising activity, which may historically have been less apparent due to our historical revenue growth, could adversely affect our cash flows and operating results.***

Our managed revenue, revenue, cash flow from operations, operating results and other key operating and financial measures may vary from quarter to quarter due to the seasonal nature of advertiser spending. For example, many advertisers devote a disproportionate amount of their advertising budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. Moreover, advertising inventory in the fourth quarter may be more expensive due to increased demand for advertising inventory. Seasonal fluctuations historically have been less apparent due to our historical revenue growth, but if our growth rate declines or seasonal spending becomes more pronounced, seasonality could result in material fluctuations of our revenue, cash flow, operating results and other key operating and financial measures from period to period.

***Our corporate culture has contributed to our success, and if we cannot successfully maintain our culture as we assimilate new employees, we could lose the innovation, creativity and teamwork fostered by our culture.***

We are undergoing rapid growth, including in our employee headcount. As of December 31, 2013, we had 344 employees, including 160 who were hired in 2013. A significant portion of our management team joined us in 2013. We expect that significant additional hiring will be necessary to support our strategic plans, including increased hiring in other countries. We have in the past added significant numbers of employees through acquisitions, and we may continue to do so. This rapid influx of large numbers of people from different business backgrounds may make it difficult for us to maintain our corporate culture. We believe our culture has contributed significantly to our ability to attract and retain talent, to acquire companies and to innovate and grow successfully. If our culture is negatively affected, our ability to support our growth and innovation may diminish.

### **Risks Related to the Advertising Technology Industry, Market and Competition**

***The digital advertising market is relatively new and dependent on growth in various digital advertising channels. If this market develops more slowly or differently than we expect, our business, growth prospects and financial condition would be adversely affected.***

The digital advertising market is relatively new and our solution may not achieve or sustain high levels of demand and market acceptance. While display advertising has been used successfully for many years, marketing via new digital advertising channels, such as mobile and social media and digital video advertising, is not as well established. The future growth of our business could be constrained by the level of acceptance and expansion of emerging digital advertising channels, as well as the continued use and growth of existing channels, such as digital display advertising, in which our capabilities are more established. In addition, as we push for the expansion and adoption of increased automation in the advertising industry, it will be important for the success of any such expansion for personnel at buyers and sellers to adopt our solution in lieu of their traditional use of manual operations for order placement. It is difficult to predict adoption rates, demand for our solution, the future growth rate and size of the digital advertising solutions market or the entry of competitive solutions. Any expansion of the market for digital advertising solutions depends on a number of factors, including the growth of the digital advertising market, the growth of social, mobile and video as advertising channels and the cost, performance and perceived value associated with digital advertising solutions. If demand for digital display advertising and adoption of automation does not continue to grow, or if digital advertising solutions or advertising automation do not achieve widespread adoption, or there is a reduction in demand for digital advertising caused by weakening economic conditions, decreases in corporate spending or otherwise, or if we fail to develop capabilities to meet the needs of buyers and sellers of mobile and video advertising, our competitive position will be weakened and our revenue and results of operations could be harmed.

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### ***We operate in an intensely competitive market that includes companies that have greater financial, technical and marketing resources than we do.***

We face intense competition in the marketplace. We are confronted by rapidly changing technology, evolving user needs and the frequent introduction by our competitors of new and enhanced solutions. We compete for advertising spending against competitors, including Google, who, in some cases, are also buyers on our platform. We also compete for supply of advertising inventory against a variety of competitors, including Google. Some of our existing and potential competitors are better established, benefit from greater name recognition, and have significantly more financial, technical, sales, and marketing resources than we do. In addition, some competitors, particularly those with a more diversified revenue base, may have greater flexibility than we do to compete aggressively on the basis of price and other contract terms. Some buyers that use our solution have their own relationships with sellers and can directly connect advertisers with sellers. Our business may suffer to the extent that buyers and sellers purchase and sell advertising inventory directly from one another or through intermediaries other than us. In addition, as a result of solutions introduced by us or our competitors in the rapidly evolving and fluid advertising market, our marketplace will experience disruptions and changes in business models, which may result in our loss of buyers or sellers. New competitors may emerge through acquisitions or through development of disruptive technologies. Strong and evolving competition could lead to a loss of our market share or compel us to reduce our prices and could make it more difficult to grow our business profitably.

We anticipate continued consolidation in the advertising technology industry, increasing the capabilities and competitive posture of larger companies and enabling new competitors to emerge. Many buyers and sellers are large consolidated organizations that may need to acquire other companies in order to grow. Smaller buyers and sellers may need to consolidate in order to compete effectively. There is a finite number of large buyers and sellers in our target markets, and as technology continues to improve and market factors continue to compel investment by others in the business, market saturation may change the competitive landscape in favor of larger competitors with greater scale. Moreover, any consolidation of buyers or sellers may give the resulting enterprises greater bargaining power or result in the loss of buyers and sellers that use our platform, and thus reduce our potential base of buyers and sellers, each of which would lead to erosion of our revenue.

### ***Our business depends on our ability to collect and use data to deliver advertisements, and to disclose data relating to the performance of advertisements. Any limitation imposed on our collection, use or disclosure of this data could significantly diminish the value of our solution and cause us to lose sellers, buyers and revenue.***

When advertisements are placed through our solution, we are able to collect anonymous information about the placement of the advertisement and the interaction of the device user with the advertisement, such as whether the user visited a landing page or watched a video. We are also able to collect information about pricing of advertisements, historical clearing prices, bid responses, what types of advertisements are allowed on a particular website, which websites a buyer prefers, what ad formats are available to be served, advertisement size and location, where a user is located, how many advertisements has the user seen, browser or device information and sellers' proprietary data about users. As we collect and aggregate this data provided by trillions of advertising impressions, we analyze it in order to facilitate optimization of the pricing, placement and scheduling of advertisements purchased by buyers across the advertising inventory provided by sellers.

Sellers or Internet users might decide not to allow us to collect some or all of the data we collect or might limit our use of it. For example, a seller might not agree to provide us with data generated by interactions with the content on its applications, or device users might not consent to share their information about device usage. Any limitation on our ability to collect data about user behavior and interaction with content could make it more difficult for us to deliver effective solutions that meet the needs of sellers and advertisers. This in turn could hurt our revenue and impair our business.

Although our contracts with sellers generally permit us to aggregate data from advertising placements, sellers in the future may prohibit the collection or use of this data or request that we discontinue using data

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obtained from their transactions that has already been aggregated with other data. It would be difficult, if not impossible, and costly to comply with these requests. Interruptions, failures or defects in our data collection, mining, analysis and storage systems, as well as privacy concerns and regulatory obligations regarding the collection, use and processing of data, could also limit our ability to aggregate and analyze the data from transactions effected through our solution. Restrictions or limitations on our use of data could reduce the utility and value of our solution, resulting in loss of volume and reduced pricing.

***If the use of “third party cookies” is restricted or otherwise subject to unfavorable regulation, our performance may decline and we may lose advertisers and revenue.***

We use “cookies,” or small text files, to gather data to enable our solution to be more effective. Cookies that we place are generally regarded as “third party cookies” because they are placed on individual browsers when Internet users visit a website owned by a seller, advertiser or other first party that has given us permission to place cookies. These cookies are placed through an Internet browser on an Internet user’s computer and correspond with a data set that we keep on our servers. Our cookies record non-personal information, such as when an Internet user views an advertisement, clicks on an advertisement, where a user is located, how many advertisements the user has seen and browser or device information. We may also receive information from cookies placed by advertisers or other parties who give us permission to use their cookies. We use data from cookies to help buyers decide whether to bid on, and how to price, an opportunity to place an advertisement in a certain location, at a given time, in front of a particular Internet user. Without cookie data, transactions occurring through our solution would be executed with less insight into activity that has taken place through an Internet user’s browser, reducing the ability of buyers to make accurate decisions about which inventory to purchase for an advertiser’s campaign. This could make placement of advertising through our solution less valuable, with commensurate reduction in pricing. In addition to cookies, we sometimes place pixels on seller websites to track data regarding users’ visits to such websites. We may use such information internally to optimize our services, and may provide such data, or analyses based on such data, to buyers or sellers as part of our services. If sellers restrict our ability to place such pixels on their websites, or if the use of such tracking mechanisms is restricted by laws in the future, it may diminish the value of our services.

In addition, in the European Union, or EU, Directive 2009/136/EC, commonly referred to as the “Cookie Directive,” directs EU member states to ensure that accessing information on an Internet user’s computer, such as through a cookie, is allowed only if the Internet user has given his or her consent. In response, some member states have adopted and implemented, and may continue to adopt and implement legislation that negatively impacts the use of cookies for digital advertising.

Limitations on the use or effectiveness of cookies, whether imposed by regulation or otherwise, may impact the performance of our solution. We may be required to, or otherwise may determine that it is advisable to, develop or obtain additional applications and technologies to compensate for the lack of cookie data, which may require substantial investment on our part. However, we may not be able to develop or implement additional applications that compensate for the lack of cookie data. Moreover, even if we are able to do so, such additional applications may be subject to further regulation, time consuming to develop or costly to obtain, and less effective than our current use of cookies.

***Prominent sellers have announced plans to replace cookies with alternative mechanisms, and if cookies are discontinued in favor of proprietary tracking mechanisms, our costs to develop alternatives could increase, our ability to optimize advertisements may suffer, and we may be placed at a competitive disadvantage to others that utilize proprietary user tracking mechanisms.***

Google and Microsoft have announced intentions to discontinue the use and deployment of cookies, and to develop alternative methods and mechanisms for tracking web users. There are also reports that other prominent web sellers, such as Amazon, Facebook, and Apple, are also developing alternative web tracking technologies to displace the use of cookies. These alternative mechanisms have not been described in technical detail, and have not been announced with any specific stated time line. It is possible that these companies may rely on proprietary

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algorithms or statistical methods to track web users without the deployment of cookies, or may utilize log-in credentials entered by users into other web properties owned by these companies, such as their digital email services, to track web usage without deploying third party cookies. Alternatively, such companies may build alternative and potentially proprietary user tracking methods into their widely-used web browsers.

If cookies are effectively replaced by proprietary alternatives, any continued attempt by us to use cookie-based methods may face negative consumer sentiment and otherwise place us at a competitive disadvantage. If cookies are replaced, in whole or in part, by proprietary alternatives, we would need to develop alternative proprietary tracking methodologies, which would require substantial investment from us, or which may not be commercially feasible given our relatively small size and the fact that development of such technologies may require technical skills that differ from our core engineering competencies. If we find that the development of alternative tracking methodologies is not feasible, we may be effectively obligated to license proprietary tracking mechanisms and data from companies that have developed them, which also compete with us as advertising networks, and we may only be able to obtain such licenses on economically and operationally unfavorable terms. If such proprietary web tracking standards are owned by companies that compete with us they may be unwilling to make such technology available to us. Further, if such proprietary web tracking standards are owned by sellers or browser operators that have access to user information by virtue of their popular consumer-oriented websites or browsers and have the technology designed for use in conjunction with the types of user information collected from their websites, we may still be at a competitive disadvantage even if we license their technology.

If cookies are effectively replaced by tracking technologies that are adopted as open industry-wide standards rather than proprietary standards, we may still incur substantial costs to replace cookie-based tracking mechanisms with these new tracking technologies. This may impose substantial re-engineering costs, and may also diminish the quality or value of our services to advertisers, if such new web-tracking technologies do not provide us with the quality or timeliness of the tracking data that we currently generate from cookies.

***If the use of “third party cookies” or digital advertising generally is rejected by Internet users, our performance may decline and we may lose advertisers and revenue.***

Cookies may easily be deleted or blocked by Internet users. All of the most commonly used Internet browsers (Chrome, Firefox, Internet Explorer, and Safari) allow Internet users to modify their browser settings to prevent first party or third party cookies from being accepted by their browsers. Most browsers also now support temporary privacy modes that allow the user to suspend, with a single click, the placement of new cookies or reading or updates of existing cookies. Internet users can also delete cookies from their computers at any time. Some Internet users also download free or paid “ad blocking” software that prevents third party cookies from being stored on a user’s computer. If more Internet users adopt these ad blocking settings, utilize privacy modes when browsing seller websites, or delete their cookies more frequently than they currently do, our business could be harmed. In addition, the Safari browser blocks third party cookies by default, as do Apple’s iPad and iPhones. Many applications and other devices offer paid subscriptions or other paid downloads to users who do not wish to receive advertisements. The browser manufacturer, Mozilla, which publishes Firefox, recently announced an intention to block third party cookies by default in the next iteration of the Firefox browser. Mobile devices based upon the Android operating system use cookies only in their web browser applications, so that cookies do not track Android users while they are using other applications on the device. As a consequence, fewer of our cookies or sellers’ cookies may be set in browsers or accessible in mobile devices, which adversely affects our business.

***“Do Not Track” options in web browsers, as well as emerging government disclosure obligations and other potential regulations, could negatively impact our business by limiting our access to the anonymous user data that informs the advertising campaigns transacted through our solution, and as a result may degrade our performance for our advertisers or sellers.***

Current versions of the most widely used web browsers such as Chrome, Firefox, Internet Explorer and Safari allow users to send “Do Not Track” messages, whereby users indicate that they do not wish to have their

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web usage tracked. However, there are currently no definitions of “tracking” and no standards regarding how to respond to a “Do Not Track” preference that are accepted or standardized in the industry. The World Wide Web Consortium chartered a “Tracking Protection Working Group” in 2011 to convene a multi-stakeholder group of academics, thought leaders, companies, industry groups and consumer advocacy organizations, to create a voluntary “Do Not Track” standard for the web, but this effort appears to be disbanding, without having agreed upon a standard. The Federal Trade Commission, or FTC, has previously stated that it will pursue a legislative solution if the industry does not agree to a standard.

Effective January 1, 2014, amendments to the California Online Privacy Protection Act of 2003, California Business and Professional Code § 22575 et seq., require operators of websites or online services to disclose how the operator responds to “Do Not Track” signals regarding the collection of personally identifiable information about an individual consumer’s online activities over time and across third-party Web sites or online services, as well as to disclose whether third parties may collect personally identifiable information about an individual consumer’s online activities over time and across different Web sites or online services. It is possible that other states could adopt legislation similar to California’s. The “Do-Not-Track Online Act of 2013” was introduced in the United States Senate in February 2013, and it is possible that the federal government may adopt Do Not Track legislation. We may be subject to disclosure requirements such as California’s, and while we do not collect data that is traditionally considered personally identifiable information in the United States, we may nonetheless elect to respond by adopting a policy to discontinue profiling or web tracking in response to “Do Not Track” requests, and it is possible that we could in the future be prohibited from using non-personal consumer data by industry standards or state or federal legislation, which may diminish our ability to optimize and target advertisements, and the value of our services.

***Legislation and regulation of digital businesses, including privacy and data protection regimes, could create unexpected additional costs, subject us to enforcement actions for compliance failures, or cause us to change our technology solution or business model, which may have an adverse effect on the demand for our solution.***

In the course of our business, we collect, store, transmit, and use information (including geo-location information) related to computing and communications devices (mobile and stationary), user activity on devices, and advertisements placed through our solution. U.S. and foreign governments have enacted or are considering legislation related to digital advertising and we expect to see an increase in legislation and regulation related to digital advertising, the use of geo-location data to inform advertising, the collection and use of anonymous Internet user data and unique device identifiers, such as IP address or mobile unique device identifiers, and other data protection and privacy regulation. Such legislation could affect the costs of doing business online, and may adversely affect the demand for or effectiveness and value of our solution.

We strive to comply with all applicable laws and regulations relating to privacy and data collection, processing, use and disclosure, but these laws and regulations are continually evolving, not always clear, and not always consistent across the jurisdictions in which we do business. We are aware of several ongoing lawsuits filed against companies in the digital advertising industry alleging various violations of consumer protection and computer crime laws, asserting various privacy-related theories. Any such proceedings brought against us could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, adversely affect the demand for our services and ultimately result in the imposition of monetary liability or restrictions on our ability to conduct our business. We may also be contractually liable to indemnify and hold harmless buyers or sellers from the costs or consequences of litigation resulting from using our services or from the disclosure of confidential information, which could damage our reputation among our current and potential sellers, buyers or advertisers, require significant expenditures of capital and other resources and cause us to lose business and revenue.

A wide variety of local, state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of data collected from and about consumers and devices, and the regulatory framework for privacy issues is evolving worldwide. Various government and consumer agencies and public advocacy groups have called for new regulation and changes in industry practices,

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including some directed at the digital advertising industry in particular. Some of our competitors may have more access to lobbyists or governmental officials and may use such access to effect statutory or regulatory changes in a manner that commercially harm us while favoring their solutions. It is possible that new laws and regulations will be adopted in the United States and internationally, or existing laws and regulations may be interpreted in new ways, that would affect our business, particularly with regard to collection or use of data to target advertisements and communication with consumers through mobile devices and/or using location and the collection of data from apps and websites that are targeted to children. The U.S. government, including the FTC and the Department of Commerce, has announced that it is reviewing the need for greater regulation of the collection of consumer information, including regulation aimed at restricting some targeted advertising practices. The FTC has also adopted revisions to the Children's Online Privacy Protection Act that expand liability for the collection of information (including certain anonymous information such as persistent identifiers) by operators of websites and other online services that are directed to children or that otherwise use information collected from or about children. In addition, the European Union has adopted the EU e-Privacy Directive and is in the process of proposing reforms to its existing data protection legal framework, which may result in a greater compliance burden for us in the course of delivering our solution in Europe. Complying with any new regulatory requirements could force us to incur substantial costs or require us to change our business practices in a manner that could reduce our revenue or compromise our ability to effectively pursue our growth strategy.

We take measures to protect the security of information that we collect, use and disclose in the operation of our business, and to offer certain privacy protections with respect to such information, but such measures may not always be effective. Our failure to comply with applicable laws and regulations or industry standards applicable to personal data or other data relating to consumers, or to protect such data, could result in enforcement action against us, including fines, imprisonment of our officers and public censure, claims for damages by consumers and other affected individuals, damage to our reputation and loss of goodwill. Even the perception of concerns relating to our collection, use, disclosure, and retention of data, including our security measures applicable to the data we collect, whether or not valid, may harm our reputation and inhibit adoption of our solution by current and future buyers and sellers.

***The European Parliament is considering revocation of the EU—U.S. Safe Harbor Framework, under which personal data of EU residents may be transferred to the United States, and this revocation, if implemented, could hamper our plans to expand our business in Europe.***

The use and transfer of personal data in EU member states is currently governed under Directive 95/46/EC (which is commonly referred to as the Data Protection Directive) as well as legislation adopted in the member states to implement the Data Protection Directive. The transfer of what is deemed to be personal data of EU subjects is currently permitted under a process agreed to by the EU and the United States known as the EU—U.S. Safe Harbor Framework, pursuant to which U.S. businesses commit to treat the personal data of EU residents in accordance with privacy principles promulgated by the Data Protection Directive, and may self-certify their compliance with the Safe Harbor Framework. The EU is currently considering adoption of a General Data Protection Regulation, to supersede the Data Protection Directive, and a European Parliament Inquiry has recently indicated that it will recommend suspension of the Safe Harbor Framework as part of the General Data Protection Regulation. Meanwhile, the European Commission recently published its analysis of the Safe Harbor Framework and concluded that it should be revised to include greater transparency and active enforcement. If restrictions are adopted by the EU that prohibit the transfer of our data regarding EU subjects to our computer servers in the U.S., we may have to create duplicative, and potentially expensive, information technology infrastructure and business operations in Europe, which may hinder our expansion plans in Europe, or render such plans commercially infeasible.

***Changes to the definition of personal information or personal data, as well as jurisdictional variances regarding what constitutes personal information or personal data, may require us to change our business practices, which may inhibit our ability to conduct our business.***

Although we do not collect data that is traditionally considered personal data in the United States, such as names, email addresses, addresses, phone numbers, social security numbers, credit card numbers, financial or

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health data in the ordinary course of providing our solution (except to the limited extent personal data is voluntarily submitted by a user with knowledge and consent through our website), we typically do collect and store IP addresses, geo-location information, and other device identifiers that are or may be considered personal data in some jurisdictions or otherwise may be the subject of legislation or regulation. For example, the EU generally regards IP addresses as personal data.

Evolving definitions of personal data, within the EU, the United States and elsewhere, especially relating to the classification of IP addresses, machine or device identifiers, location data and other such information, may cause us in the future to change our business practices, diminish the quality of our data and the value of our solution, and hamper our ability to expand our offerings into the EU or other jurisdictions outside of the United States.

***If mobile connected devices or any other devices, their operating systems, Internet browsers or content distribution channels, including those controlled by our competitors, develop in ways that prevent advertisements from being delivered to their users, our ability to grow our business will be impaired.***

Our success in the mobile channel depends upon the ability of our technology solution to provide advertising for most mobile connected devices, as well as the major operating systems or Internet browsers that run on them and the thousands of applications that are downloaded onto them. The design of mobile devices and operating systems or Internet browsers is controlled by third parties with whom we do not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or Internet browsers or modify existing ones. Network carriers may also impact the ability to access specified content on mobile devices. If our solution is unable to work on these devices, operating systems or Internet browsers, either because of technological constraints or because a maker of these devices or developer of these operating systems or Internet browsers wished to impair our ability to provide advertisements on them or our ability to fulfill advertising inventory from developers whose applications are distributed through their controlled channels, our ability to generate revenue could be significantly harmed.

***Changes in tax laws affecting us and other market participants could have a material adverse effect on our business.***

U.S. legislative proposals have been made that, if enacted, would limit or delay the deductibility of advertising costs for U.S. federal income tax purposes. Any such proposals, if enacted, will likely cause advertisers to reduce their advertising spending in order to mitigate or offset any loss resulting from a change in the tax treatment of such costs. Accordingly, any such changes would likely have a negative impact on the advertising industry and us by reducing the aggregate amount of money spent on advertising.

U.S. legislation has also been proposed that would limit the ability to defer taxation for U.S. federal income tax purposes of earnings outside the United States until those earnings are repatriated. Any changes in the taxation of our non-U.S. earnings could increase our tax expense and harm our financial position and results of operations.

***We generally do not have privity with Internet users who view advertisements that we place, and we may not be able to disclaim liabilities from such Internet users or consumers.***

Advertisements on websites, applications and other digital media properties of sellers purchased through our solution are viewed by Internet users visiting these digital media properties. Sellers often have terms of use in place with their users that disclaim or limit their potential liabilities to such users, or pursuant to which users waive rights to bring class-actions against the sellers. Certain of our competing advertisement networks are also prominent sellers, and may be able to include protections in their website terms of use that also limit liability to users for their advertising services. We generally do not have terms of use in place with such users. As a consequence, we generally cannot disclaim or limit potential liabilities to such users through terms of use, which may expose us to greater liabilities than competing advertising networks that are also prominent sellers.



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***Changes in market standards applicable to our solution could require us to incur substantial additional development costs.***

Market forces, competitors' initiatives, regulatory authorities, industry organizations, seller integration revisions and security protocols are causing the emergence of demands and standards that are or could be applicable to our solution. For example, in 2013, changes to the Children's Online Privacy Protection Act required us to change our system to stop user tracking on some seller websites. In addition, German law required us to make engineering changes to stop tracking IP addresses in that country. Consensus or law on a "do not track" standard could require us to stop tracking of many Internet users. Similar dynamics are evolving in international markets.

We expect compliance with these kinds of standards to become increasingly important to buyers and sellers, and conforming to these standards is expected to consume a substantial and increasing portion of our development resources. If our solution is not consistent with emerging standards, our market position and sales could be impaired. If we make the wrong decisions about compliance with these standards, or are late in conforming, or if despite our efforts our solution fails to conform, our offerings will be at a disadvantage in the market to the offerings of competitors who have complied.

***Failure to comply with industry self-regulation could harm our brand, reputation and our business.***

In addition to compliance with government regulations, we voluntarily participate in trade associations and industry self-regulatory groups that promulgate best practices or codes of conduct addressing privacy and the provision of Internet advertising. For example, we have undertaken to comply with the Network Advertising Initiative's Code of Conduct and the Digital Advertising Alliance's Self-Regulatory Principles for Online Behavioral Advertising in the United States, as well as similar self-regulatory principles in Europe adopted by the Interactive Advertising Bureau—Europe and the European Digital Advertising Alliance. On our website, we offer Internet users the ability to opt out of receiving interest-based advertisements based on a cookie we place. However, in the past, some of these guidelines have not comported with our business practices, making them difficult for us to implement. If we encounter difficulties in the future, or our opt-out mechanisms fail to work as designed, or if Internet users misunderstand our technology or our commitments with respect to these principles, we may, as a result, be subject to investigation and litigation by governmental authorities, self-regulatory bodies or other accountability groups, buyers, sellers, or other private parties, in addition to experiencing negative publicity. Any such action against us could be costly and time consuming, require us to change our business practices, cause us to divert management's attention and our resources, and be damaging to our reputation and our business. In addition, we could be adversely affected by new or altered self-regulatory guidelines that are inconsistent with our practices or in conflict with applicable laws and regulations in the United States and other countries where we do business. As a result of such inconsistencies or conflicts, or other business or legal considerations, we may choose not to comply with some self-regulatory guidelines. If we fail to abide by or are perceived as not operating in accordance with applicable laws and regulations and industry best practices or any industry guidelines or codes with regard to privacy or the provision of Internet advertising, our reputation may suffer and we could lose relationships with buyers and sellers.

***The forecasts of market growth, as described in this prospectus, may prove to be inaccurate, and even if the market in which we compete achieves 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 that may prove to be inaccurate. The forecasts in this prospectus relating to the expected growth in the digital advertising market and parts of that market (including display, mobile and digital video advertising), as well as the forecasted trend towards automation of analog and print advertising markets may prove to be inaccurate. Moreover, the anticipation that the advertising industry will continue to shift from analog and print media to digital advertising at the rate forecasted or the anticipation of the shift in advertising spending from analog to digital may not come to fruition. Further, we may not succeed in our plans to enter or increase our presence in various markets for various reasons, including possible shortfall or misallocation of resources or superior technology development or marketing by competitors.

## **Risks Related to Our Relationships with Buyers and Sellers and Other Strategic Relationships**

***We depend on owners of digital media properties for advertising inventory to deliver advertisers' advertising campaigns, and any decline in the supply of advertising inventory from these sellers could hurt our business.***

We depend on digital media properties to provide us with advertising inventory within their websites and applications. The sellers that supply their advertising inventory to us typically do so on a non-exclusive basis and are not required to provide any minimum amounts of advertising inventory to us, or provide us with a consistent supply of advertising inventory. Sellers may seek to change the terms at which they offer inventory to us, or they may elect to make advertising inventory available to our competitors who offer advertisements to them on more favorable economic terms. Supply of advertising inventory is also limited for some sellers, such as special sites or new technologies, and sellers may request higher prices, fixed price arrangements or guarantees. In addition, sellers sometimes place significant restrictions on the sale of their advertising inventory. These restrictions may include restrictive security requirements, prohibit advertisements from specific advertisers or specific industries, or restrict the use of specified creative content or format. In addition, sellers or competitors could pressure us to increase the prices for inventory, which may reduce our operating margins, or otherwise block our access to that inventory, without which we would be unable to deliver advertisements using our solution.

If sellers decide not to make advertising inventory available to us, decide to increase the price of inventory, or place significant restrictions on the sale of their advertising inventory, we may not be able to replace this with inventory from other sellers that satisfies our requirements in a timely and cost-effective manner. In addition, significant sellers in the industry may enter into exclusivity arrangements with our competitors, which could limit our access to a meaningful supply of advertising inventory. If any of this happens, the value of our solution to buyers could decrease and our revenue could decline or our cost of acquiring inventory could increase, lowering our operating margins.

***Our contracts with buyers are generally not exclusive and generally do not require minimum volumes or long-term commitments. If a buyer, or group of buyers, representing a significant portion of our business decides to materially reduce the use of our solution we could experience an immediate and significant decline in our revenue and profitability and harm our business.***

Generally, buyers conduct business with our competitors as well as with us, and are not obligated to provide us with any minimum volumes of business. Most of our business with buyers originates pursuant to "insertion orders," which are often limited in scope and can be reduced or canceled by the buyer without penalty. Accordingly, our business is highly vulnerable to changes in the macro environment and development of new or more compelling offerings by our competitors, which could reduce business generally or motivate buyers to migrate to competitors' offerings. Further, if our relationship with a buyer becomes strained due to service failures or other reasons, it is very easy for that buyer to reduce or terminate its business with us. Because we do not have long-term contracts, our future revenue may be difficult to predict and there is no assurance that our current buyers will continue to use our solution or that we will be able to replace lost buyers with new ones. Additionally, if we overestimate future usage, we may incur additional expenses in adding infrastructure, without a commensurate increase in revenue, which would harm our profitability and other operating results. If a buyer or group of buyers representing a significant portion of our business decides to materially reduce use of our solution, it could cause an immediate and significant decline in our revenue and profitability and harm our business.

***Loss of business associated with large buyers or sellers could have significant negative impact on our results of operations and overall financial condition.***

Certain large buyers and sellers have accounted for and will continue to account for a disproportionate share of business transacted through our solution. Consequently, the retention of large buyers and sellers is important to our operating results as well as the robustness of our exchange. Our contracts with buyers and sellers generally do not provide for any minimum volumes or may be terminated on relatively short notice. Buyer and seller needs

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and plans can change quickly, and buyers or sellers may reduce volumes or terminate their arrangements with us for a variety of reasons, including financial issues or other changes in circumstances, new offerings by or strategic relationships with our competitors, change in control (including consolidations through mergers and acquisitions), or declining general economic conditions (including those resulting from dissolutions of companies). Technical issues could also cause a decline in spending. The number of large media buyers in the market is finite, and it could be difficult for us to replace revenue loss from any buyers whose relationships with us diminish or terminate. Similarly, it could be difficult for us to replace inventory loss from any large sellers whose relationships with us diminish or terminate. Just as growth in our inventory strengthens buyer activity in a network effect, loss of inventory or buyers could have the opposite effect. Loss of revenue from significant buyers or failure to collect accounts receivable, whether as a result of buyer payment default, contract termination, or other factors, or significant reductions in inventory, could have a significant negative impact on our results of operation and overall financial condition.

***We rely on buyers to use our solution to purchase advertising on behalf of advertisers. Such buyers may have or develop high-risk credit profiles, which may result in credit risk to us.***

Our revenue is generated from advertising spending transacted over our platform using our technology solution. We invoice and collect from the buyer the full purchase price for impressions they have purchased, retain our fees, and remit the balance to the sellers. However, in some cases, we may be required to pay sellers for impressions delivered even if we are unable to collect from the buyer of those impressions. There can be no assurances that we will not experience bad debt in the future. Any such write-offs for bad debt could have a materially negative effect on our results of operations for the periods in which the write-offs occur.

***Our sales efforts with buyers and sellers may require significant time and expense.***

Attracting new buyers and sellers and increasing our business with existing buyers and sellers involves substantial time and expense, and we may not be successful in establishing new relationships or in maintaining or advancing our current relationships. We may spend substantial time and effort educating buyers and sellers about our offerings, including providing demonstrations and comparisons against other available solutions. This process can be costly and time-consuming, and is complicated by us having to spend time integrating our solution with software of buyers and sellers. Because our solution may be less familiar in some markets outside the United States, the time and expense involved with attracting, educating and integrating new markets may be even greater in other markets. If we are not successful in targeting, supporting and streamlining our sales processes, our ability to grow our business may be adversely affected.

***If we are unable to maintain or expand our sales and marketing capabilities, we may not be able to generate anticipated revenue.***

Increasing our base of buyers and sellers and achieving broader market acceptance of our solution will depend to a significant extent on our ability to expand our sales and marketing operations and activities. We are substantially dependent on our sales force to obtain new buyers and sellers and to drive sales to our existing buyers. We currently plan to expand our sales team in order to increase revenue from new and existing buyers and sellers and to further penetrate our existing markets and expand into new markets, such as mobile, digital video and international markets. Our solution requires a sophisticated sales force with specific sales skills and specialized technical knowledge that takes time to develop. Competition for qualified sales personnel is intense, and we may not be able to retain our existing sales personnel or attract, integrate or retain sufficient highly qualified sales personnel. In particular, it may be difficult to find qualified sales personnel in international markets, or sales personnel with experience in emerging segments of the market, such as mobile and digital video. Our ability to achieve revenue growth in the future will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel. These new employees require significant training and experience before they achieve full productivity. We estimate that it takes approximately six months before a newly hired domestic sales representative is fully trained and productive in selling our solution, and often longer

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in the case of foreign sales representatives and sales personnel focused on new geographies or specific market segments. As a result, the cost of hiring and carrying new representatives cannot be offset by the revenue they produce for a significant period of time. Our recent hires and planned hires may not become productive as quickly as we would like, and we may not be able to hire or retain sufficient numbers of qualified individuals in the markets where we do business. Our business will be seriously harmed if these expansion efforts do not generate a corresponding significant increase in revenue.

***Legal claims resulting from the actions of buyers or sellers could expose us to liabilities, damage our reputation, and be costly to defend.***

The buyers and sellers engaging in transactions through our platform impose various requirements upon each other, and they and the underlying advertisers are subject to regulatory requirements by governments and standards bodies applicable to their activities. We assume responsibility for satisfying or facilitating the satisfaction of some of these requirements through the contracts we enter into with buyers and sellers. In addition, we may have responsibility for some acts or omissions of buyers or sellers transacting business through our solution under applicable laws or regulations or as a result of common law duties, even if we have not assumed responsibility contractually. These responsibilities could expose us to significant liabilities, perhaps without the ability to impose effective mitigating controls upon or to recover from buyers and sellers. Moreover, for those third parties who are both a buyer and seller on our platform, it is feasible that they could use our platform to buy and sell advertisements in an effort to inflate their own revenue. While we do not believe we would have legal liability in connection with such a scheme, we could still nevertheless be subject to litigation as a result of such actions, and, if we were sued, we would incur legal costs in our defense and cannot guarantee that a court would not attribute some liability to us.

We generally attempt to obtain representations from buyers that the advertising they place through our solution complies with applicable laws and regulations and does not violate third-party intellectual property rights, and from sellers about the quality and characteristics of the impressions they provide. We also generally receive representations from buyers and sellers about their privacy practices and compliance with applicable laws and regulations, including their maintenance of adequate privacy policies that disclose and permit our data collection practices. However, we are not always able to verify or control their compliance with their obligations under their agreements with or to consumers or other third parties, and the acts or omissions of sellers, buyers or advertisers may subject us to regulatory action, legal claims, and liability that would be difficult and costly to defend and expose us to significant costs and reputational harm. We may not have adequate indemnity to protect us against, and our policies of insurance may not cover such claims and losses.

***Our business relationships expose us to risk of substantial liability for contract breach, violation of laws and regulations, intellectual property infringement and other losses, and our contractual indemnities and limitations of liability may not protect us adequately.***

Our agreements with sellers, buyers, and other third parties typically obligate us to provide indemnity and defense for losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally these indemnity and defense obligations relate to our own business operations, obligations, and acts or omissions. However, under some circumstances, we agree to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. For example, because our business interposes us between buyers and sellers in various ways, buyers often require us to indemnify them against acts and omissions of sellers, and sellers often require us to indemnify them against acts and omissions of buyers. In addition, our agreements with sellers, buyers, and other third parties typically include provisions limiting our liability to the counterparty, and the counterparty's liability to us. These limits sometimes do not apply to certain liabilities, including indemnity obligations. These indemnity and limitation of liability provisions generally survive termination or expiration of the agreements in which they appear.

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We have limited ability to control acts and omissions of buyers and sellers or other third parties that could trigger our indemnity obligations, and our policies of insurance may not cover us for acts and omissions of others. We attempt to obtain indemnity from buyers and sellers (as well as other third parties), to protect us in case we become liable for their acts and omissions, but because we contract with many buyers and sellers and those contracts are individually negotiated with different scopes of indemnity and different limits of liability, it is possible that in any case our obligation to provide indemnity for the acts or omissions of a third party such as a buyer or seller may exceed what we are able to recover from that party. Further, contractual limits on our liability may not apply to our indemnity obligations, contractual limits on our counterparties' liability may limit what we can recover from them, and contract counterparties may be unable to meet their obligations to indemnify and defend us as a result of insolvency or other factors. Large indemnity obligations, or obligations to third parties not adequately covered by the indemnity obligations of our contract counterparties, could expose us to significant costs.

In addition to the effects on indemnity described above, the limitation of liability provisions in our contracts may, depending upon the circumstances, be too high to protect us from significant liability for our own acts or omissions, or so low as to prevent us from recovering fully for the acts or omissions of our counterparties.

***Our solution relies on third-party open source software components. Failure to comply with the terms of the underlying open source software licenses could expose us to liabilities, and the combination of certain open source software with code that we develop could compromise the proprietary nature of our solution.***

Our solution utilizes software licensed to us by third-party authors under "open source" licenses. The use of open source software may entail greater risks than the 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 requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. 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. This would allow our competitors to create similar solutions with lower development effort and time and ultimately put us at a competitive disadvantage.

Although we monitor our use of open source software in an effort to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on us. Moreover, we cannot guarantee that our processes for controlling our use of open source software 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 operating using our solution on terms that are not economically feasible, to re-engineer our solution or the supporting computational infrastructure to discontinue use of certain code, or to make generally available, in source code form, portions of our proprietary code.

### **Risks Relating to Our Operations**

***Real or perceived errors or failures in the operation of our solution could damage our reputation and impair our sales.***

Our solution processes more than 2.5 million peak queries per second and approximately 3 trillion bid requests per month and must operate without interruption to support the needs of sellers and buyers. Because our software is complex, undetected errors and failures may occur, especially when new versions or updates are made to our software or network infrastructure or changes are made to sellers' or buyers' software interfacing with our solution. Errors or bugs in our software, faulty algorithms, technical or infrastructure problems, or updates to our systems could lead to an inability to process data to place advertisements or price inventory effectively, or cause advertisements to display improperly or be placed in proximity to inappropriate content.

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Despite testing by us, errors or bugs in our software have in the past, and may in the future, not be found until the software is in our live operating environment. For example, changes to our solution have in the past caused errors in the reporting and analytics applications for buyers, resulting in delays in their spending on our platform. Errors or failures in our solution, even if caused by the implementation of changes by buyers or sellers to their systems, could also result in negative publicity, damage to our reputation, loss of or delay in market acceptance of our solution, increased costs or loss of revenue, loss of competitive position or claims by advertisers for losses sustained by them.

We may make errors in the measurement of transactions conducted through our solution, causing discrepancies with the measurements of buyers and sellers, which can lead to a lack in confidence in us and require us to reduce our fees or provide refunds to buyers and sellers. Alleviating problems resulting from errors in our software could require significant expenditures of capital and other resources and could cause interruptions, delays or the cessation of our business.

### ***Various risks could interrupt access to our network infrastructure or data, exposing us to significant costs and other liabilities.***

Our revenue depends on the technological ability of our solution to deliver and measure advertising impressions, and the operation of our exchange and our ability to place impressions depend on the continuing and uninterrupted performance of our IT systems. Our platform operates on our data processing equipment that is housed in third-party commercial data centers that we do not control. In addition, our systems interact with systems of buyers and sellers and their contractors. All of these facilities and systems are vulnerable to interruption and/or damage from a number of sources, many of which are beyond our control, including, without limitation: (i) power loss, loss of adequate cooling and telecommunications failures; (ii) fire, flood, earthquake, hurricane and other natural disasters; (iii) software and hardware errors, failures or crashes; (iv) financial insolvency; and (v) computer viruses, hacking, terrorism, and similar disruptive problems. In particular, intentional cyber-attacks present a serious issue because of the difficulty associated with prevention and remediation of intentional attacks and sabotage, and because they can be used to steal confidential or proprietary data from us or our users. Further, because our Los Angeles headquarters and San Francisco office and our California and Japan data center sites are in seismically active areas, earthquakes present a particularly serious risk of business disruption. These vulnerabilities may increase with the complexity and scope of our systems and their interactions with buyer and seller systems.

We attempt to mitigate these risks to our business through various means, including redundant infrastructure, disaster recovery plans, separate test systems and change control and system security measures, but our precautions may not protect against all problems, and our ability to mitigate risks to related third-party systems is limited. In addition, we rely to a significant degree upon security and business continuity measures of our data center operators, which may be ineffective. Our disaster recovery and business continuity plans rely upon third-party providers of related services, and if those vendors fail us, we could be unable to meet the needs of buyers and sellers. Any steps we take to increase the reliability and redundancy of our systems may be expensive and may not be successful in preventing system failures. Inaccessibility of our data would have a significant adverse effect upon the operation of our solution. Any failures with our solution or delays in the execution of transactions through our system may result in the loss of advertising placements on impressions and, as a result, the loss of revenue. Our facilities would be costly to repair or replace, and any such efforts would likely require substantial time.

Buyers may perceive any technical disruption or failure in the performance of advertisements on seller's digital media properties to be attributable to us, and our reputation could similarly suffer, or buyers may seek to avoid payment or demand future credits for disruptions or failures, any of which could harm our business and results of operations. If we are unable to operate our exchange and deliver advertising impressions successfully, our ability to attract potential buyers and sellers and retain and expand business with existing buyers and sellers could be harmed and our business, financial condition and operating results could be adversely affected.

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Malfunction or failure of our systems, or other systems that interact with our systems, could disrupt our operations and negatively impact our business and results of operations to a level in excess of any applicable business interruption insurance. Interruption in the operation of our solution would result in a loss of revenue and potential liability to buyers and sellers, and any significant instances of system downtime could negatively affect our reputation and ability to sell our solution.

***Any breach of confidential data in our possession could expose us to significant expense and liabilities and harm our reputation.***

We must maintain facility and systems security measures to preserve the confidentiality of certain data belonging or related to sellers and buyers and their clients that is transmitted through or stored on our systems or is otherwise in our possession. Additionally, we maintain our own confidential information, and confidential information received from other third parties, in our facilities and systems. We take steps to protect the security, integrity, and confidentiality of this data, but there is no guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties will not gain unauthorized access to this data despite our efforts. Security breaches, computer malware and computer hacking attacks may occur on our systems or those of our information technology vendors in the future. Any security breach with respect to this information, whether caused by hacking, the inadvertent transmission of computer viruses or other harmful software code, or otherwise, could result in the unauthorized disclosure, misuse, or loss of information, legal claims and litigation, indemnity obligations, regulatory fines and penalties, contractual obligations and liabilities, other liabilities, and significant costs for remediation and re-engineering to prevent future occurrences. In addition, if our security measures or those of our vendors are breached or unauthorized access to consumer data otherwise occurs, our solution may be perceived as not being secure, and sellers and buyers may reduce or cease the use of our solution. Additionally, buyers and sellers typically have security measures in place, but we typically do not have means for controlling the adequacy or efficacy of their security measures.

Despite our security measures, and those of buyers and sellers, we are subject to ongoing threats and, therefore, these security measures may be breached as a result of employee error, failure to implement appropriate processes and procedures, malfeasance, third-party action, including cyber-attacks or other international misconduct by computer hackers or otherwise. This could result in third parties obtaining unauthorized access to sellers' or advertisers' data or our data, including personally identifiable information, intellectual property and other confidential business information. Third parties may also attempt to fraudulently induce employees into disclosing sensitive information such as user names, passwords or other information in order to gain access to our advertisers' data or our data, including intellectual property and other confidential business 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. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our network infrastructure or otherwise to maintain the confidentiality, security, and integrity of data that we store or otherwise maintain may harm our reputation and our relationships with advertisers and sellers or harm our ability to retain and attract new buyers and sellers. Any of these could harm our business, financial condition and results of operations.

If any such unauthorized disclosure or access does occur, we may be required to notify buyers and sellers or those persons whose information was improperly used, disclosed or accessed. We may also be subject to claims of breach of contract for such use or disclosure, investigation and penalties by regulatory authorities and potential claims by persons whose information was improperly used or disclosed. The unauthorized use or disclosure of information in our control may result in the termination of one or more of our commercial relationships or a reduction in the confidence of buyers, sellers, or Internet users and usage of our solution. We may also be subject to litigation and regulatory action alleging the improper use, transmission or storage of confidential information,

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which could damage our reputation among our current and potential buyers, sellers, or Internet users, require significant expenditures of capital and other resources and cause us to lose business and revenue.

***Failure to maintain the brand security features of our solution could harm our reputation and expose us to liabilities.***

Advertising is bought and sold through our solution in automated transactions that occur in milliseconds. It is important to sellers that the advertising placed on their media be of high quality, consistent with applicable seller standards, not conflict with existing seller arrangements, and compliant with applicable legal and regulatory requirements. It is important to buyers that their advertisements are placed on appropriate media, in proximity with appropriate content, that the impressions for which they are charged are legitimate, and that their advertising campaigns yield their desired results. We use various measures, including proprietary technology, in an effort to store, manage and process rules set by buyers and sellers and to ensure the quality and integrity of the results delivered to sellers and advertisers through our solution. If we fail to properly implement or honor rules established by buyers and sellers, improper advertisements may be placed through our platform, which can result in harm to our reputation as well as the need to pay refunds and other potential legal liabilities.

***If we fail to detect fraud or other actions that impact advertisement performance, sellers, advertisers or buyers could lose confidence in our solution, which would cause our business to suffer. If we terminate relationships with sellers as a result of our screening efforts, our volume of paid impressions may decline.***

We have in the past, and may in the future, be subject to fraudulent and malicious activities undertaken by persons seeking to use our platform to divert or artificially inflate the purchases by buyers through our platform. Examples of such activities include the use of bots, or other automated or manual mechanisms to generate fraudulent impressions that are delivered through our platform, which could overstate the performance of advertising impressions. We use proprietary technology to identify non-human inventory and traffic. During the year ended December 31, 2013, as a result of our screening and detection efforts, we terminated relationships with over 50 sellers that appeared to be engaging in such activities, resulting in fewer paid impressions in the year than would have otherwise occurred. Because buyers will frequently re-allocate campaigns to other sellers, it is difficult to measure the precise impact on paid impressions and revenue from the loss of these sellers. Although we assess the quality and performance of advertising on sellers' digital media properties, it may be difficult to detect fraudulent or malicious activity because we do not own content and we rely in part on sellers for controls with respect to such activity. Further, perpetrators of fraudulent impressions change their tactics and may become more sophisticated, requiring us to improve over time our processes for assessing the quality of seller's inventory and controlling fraudulent activity. If fraudulent or other malicious activity is perpetrated by others, and we fail to detect or prevent it, the affected advertisers may experience or perceive a reduced return on their investment resulting in dissatisfaction with our solution, refusals to pay, refund demands or loss of confidence of buyers or sellers or withdrawal of future business. We could experience similar consequences if inventory sold through our platform is not be viewable by the consumer for technical or other reasons.

***Any acquisitions we undertake may disrupt our business, adversely affect operations, and dilute stockholders.***

Acquisitions have been an important element of our business strategy, and we have completed four acquisitions in the last four years. We may continue to pursue acquisitions in an effort to increase revenue, expand our market position, add to our technological capabilities, respond to dynamic market conditions, or for other strategic or financial purposes. Historically, our acquisitions have been to acquire talent and technological capabilities. In the future, there is no assurance that we will identify suitable acquisition candidates or complete any acquisitions on favorable terms, or at all. Further, any acquisitions we do complete would involve a number of risks, including the following:

- The identification, acquisition and integration of acquired businesses require substantial attention from management. The diversion of management's attention and any difficulties encountered in the transition process could hurt our business.



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- The identification, acquisition and integration of acquired businesses requires significant investment, including to harmonize service offerings, expand management capabilities and market presence, and improve or increase development efforts and technology features and functions.
- The anticipated benefits from the acquisition may not be achieved, including as a result of loss of customers or personnel of the target, other difficulties in supporting and transitioning the target's customers, the inability to realize expected synergies from an acquisition or negative culture effects arising from the integration of new personnel.
- We may face difficulties in integrating the technologies, solutions, operations, and existing contracts of the acquired business.
- We may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, technology, or solution, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues.
- To pay for future acquisitions, we could issue additional shares of our common stock or pay cash. Issuance of shares would dilute stockholders. Use of cash reserves could diminish our ability to respond to other opportunities or challenges. Borrowing to fund cash purchase price would result in increased fixed obligations and could also include covenants or other restrictions that would impair our ability to manage our operations.
- Acquisitions expose us to the risk of assumed known and unknown liabilities for which indemnity obligations, escrow arrangements or insurance are not available or not sufficient to provide coverage.
- New business acquisitions can generate significant intangible assets that result in substantial related amortization charges and possible impairments.

***If we fail to attract, motivate, train, and retain highly qualified engineering, marketing, sales and management personnel, our ability to execute our business strategy could be impaired.***

We rely to a significant degree upon our founder, Chief Executive Officer and Chief Product Architect, Frank Addante; our President, Gregory R. Raifman; and our Chief Operating Officer and Chief Financial Officer, Todd Tappin, for their strategic vision, industry knowledge, management execution, and leadership. The loss of any of them would have a significant adverse effect upon our business.

In addition, our success depends significantly upon our ability to recruit, train, motivate, and retain key technology, engineering, sales and management personnel. We are a technology-driven company and the innovation and delivery of complex solutions at massive scale upon which our success depends are technological and engineering problems. It is imperative that we have highly skilled mathematicians, computer scientists, engineers and engineering management, and appropriately qualified personnel can be difficult to recruit and retain. In addition, as we execute on our international expansion strategy, we will encounter staffing challenges that are unique to a particular country or region, such as recruiting and retaining qualified personnel in foreign countries and difficulty managing such personnel and integrating them into our culture. Skilled and experienced management is critical to our ability to execute against our strategic vision and maintain our performance through the growth and change we anticipate. For certain of our employees, including our CEO, all or a significant portion of their equity ownership is vested. As a result, it may be more difficult, and require additional equity awards, for us to continue to retain and motivate these persons.

Competition for employees with experience in our industry can be intense, particularly in California, New York, and London, where our operations and the operations of other digital media companies are concentrated and where other technology companies compete for management and engineering talent. Other employers may be able to provide better compensation, more diverse opportunities, and better chances for career advancement.

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None of our founders or other key employees has an employment agreement for a specific term, and any of our employees may terminate his or her employment with us at any time.

It can be difficult, time-consuming, and expensive to recruit personnel with the combination of skills and attributes required to execute our business strategy, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. New hires require significant training and it may take significant time before they achieve full productivity. As a result, we may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training. Moreover, new employees may not be or become as productive as we expect, and we may face challenges in adequately or appropriately integrating them into our workforce and culture. In addition, as we move into new geographies, we will need to attract and recruit skilled employees in those areas. We have little experience with recruiting in geographies outside of the United States, and may face additional challenges in attracting, integrating and retaining international employees.

Even if we are successful in hiring qualified new employees, we may be subject to allegations that we have improperly solicited such employees while they remained employed by our competitors, that such employees have improperly solicited other colleagues of theirs employed by the same competitors, or that such employees have divulged proprietary or other confidential information to us in violation of their agreements with such competitors.

***Our proprietary rights may be difficult to enforce, which could enable others to copy or use aspects of our solution without compensating us, thereby eroding our competitive advantages and harming our business.***

Our success depends, in part, on our ability to protect proprietary methods and technologies that we develop or otherwise acquire, so that we can prevent others from using our inventions and proprietary information. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology, and our business might be adversely affected. We rely on trademark, copyright, trade secret laws, confidentiality procedures and contractual provisions to protect our proprietary methods and technologies. Our patent strategy is still in its early stages and, while we have three issued patents, six pending U.S. patent applications and three pending patent applications in other jurisdictions, valid patents may not be issued from our pending applications, and the claims of our issued patents or the claims eventually allowed on any pending applications may not be sufficiently broad to protect our technology or offerings and services. Any issued patents may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide adequate defensive protection or competitive advantages to us. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Additional uncertainty may result from changes to intellectual property legislation enacted in the United States, including the recent America Invents Act, and other national governments and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to obtain adequate patent protection, or to prevent third parties from infringing upon or misappropriating our intellectual property.

Unauthorized parties may attempt to copy aspects of our technology or obtain and use information that we regard as proprietary. We generally enter into confidentiality and/or license agreements with our employees, consultants, vendors and advertisers, and generally limit access to and distribution of our proprietary information. However, we cannot assure you that any steps taken by us will prevent misappropriation of our technology and proprietary information or infringement of our intellectual property rights. Policing unauthorized use of our technology and intellectual property is difficult. Effective trade secret, copyright, trademark, domain name and patent protection are expensive to develop and maintain, both in terms of obtaining and maintaining such rights as well as the costs of defending our rights. We may be required to protect our intellectual property in an

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increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We may, over time, increase our investment in protecting our intellectual property through additional patent filings which could be expensive and time-consuming. Our competitors and others could attempt to capitalize on our brand recognition by using domain names or business names similar to ours, and we may be unable to prevent third parties from acquiring or using domain names and other trademarks that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks. In addition, the laws of some foreign countries may not be as protective of intellectual property rights as those of the United States, and mechanisms for enforcement of our proprietary rights in such countries may be inadequate. Also, despite the steps we have taken to protect our proprietary rights, it may be possible for unauthorized third parties to copy or reverse engineer aspects of our technology or otherwise obtain and use information that we regard as proprietary, or to develop technologies similar or superior to our technology or design around our proprietary rights.

From time to time, legal action by us may be necessary or appropriate to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. Such litigation could result in substantial costs and the diversion of limited resources and could negatively affect our business, operating results and financial condition. If we are unable to protect our proprietary rights (including aspects of our technology solution) we may find ourselves at a competitive disadvantage to others who have not incurred the same level of expense, time and effort to create and protect their technology and intellectual property.

***We may be subject to intellectual property rights claims by third parties, which are costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies and intellectual property.***

The digital advertising industry is characterized by the existence of large numbers of patents, copyrights, trademarks, trade secrets and other intellectual property and proprietary rights. Companies in this industry are often 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.

Third parties may assert claims of infringement or misappropriation of intellectual property rights in proprietary technology against us or against buyers for which we may be liable or have an indemnification obligation. We cannot assure you that we are not infringing or violating any third-party intellectual property rights. From time to time, we or buyers and sellers may be subject to legal proceedings relating to our solution or underlying technology and the intellectual property rights of others, particularly as we expand the complexity and scope of our business. As a result of disclosure of information in filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties.

Regardless of whether claims that we are infringing patents or infringing or misappropriating other intellectual property rights have any merit, these claims are time-consuming and costly to evaluate and defend, and can impose a significant burden on management and employees. The outcome of any litigation is inherently uncertain, and we may receive unfavorable interim or preliminary rulings in the course of litigation. There can be no assurances that favorable final outcomes will be obtained in all cases. We may decide to settle lawsuits and disputes on terms that are unfavorable to us. Some of our competitors have substantially greater resources than we do and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could.

Although third parties may offer a license to their technology or intellectual property, the terms of any offered license may not be acceptable and the failure to obtain a license or the costs associated with any license could cause our business, results of operations or financial condition to be materially and adversely affected. In

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addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology or intellectual property licensed to us. Alternatively, we may be required to develop non-infringing technology or to make other changes, such as to our branding, which could require significant effort and expense and ultimately may not be successful. Furthermore, a successful claimant could secure a judgment or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages, including treble damages if we are found to have willfully infringed such claimant's patents or copyrights, royalties or other fees. Claims of intellectual property infringement or misappropriation also could result in injunctive relief against us, or otherwise result in delays or stoppages in providing all or certain aspects of our solution. Any of the foregoing could adversely affect our relationships with current or future buyers and sellers.

### ***We are subject to government regulations concerning our employees, including wage-hour laws and taxes.***

We are subject to applicable rules and regulations relating to our relationship with our employees, including health benefits, unemployment and similar taxes, overtime and working conditions, immigration status and classification of employee benefits for tax purposes. Legislated increases in additional labor cost components, such as employee benefit costs, workers' compensation insurance rates, compliance costs and fines, as well as the cost of litigation in connection with these regulations, would increase our labor costs. Moreover, we are subject to various laws and regulations in federal, state and foreign jurisdictions that impose varying rules and obligations on us with respect to the classification of employee benefits for income tax and other purposes and that require us to report and/or withhold in respect of such items. In addition, many employers nationally have been subject to actions brought by governmental agencies and private individuals under wage-hour laws on a variety of claims, such as improper classification of workers as exempt from overtime pay requirements and failure to pay overtime wages properly, with such actions sometimes brought as class actions, and these actions can result in material liabilities and expenses. Should we be subject to employment litigation, such as actions involving wage-hour, overtime, break and working time, it may distract our management from business matters and result in increased labor costs.

### **Risks Related to Our International Business Strategy**

***Our international operations and expansion plans require increased expenditures and impose additional risks and compliance imperatives, and failure successfully to execute our international plans will adversely affect our growth and operating results.***

We have numerous operations outside of the United States, and we expect our international operations to contribute significantly to our future growth. While we currently conduct business in Northern Europe, Australia and Japan, our expansion plans are also focused on the rest of Asia, Brazil and other Latin American countries, and other countries in Europe. However, our experience operating outside the United States is still limited, and our international employees currently represent a modest portion of our headcount. Achievement of our international objectives will require a significant amount of attention from our management, finance, analytics, operations, sales and engineering teams, as well as significant investment in developing the technology infrastructure necessary to deliver our solution and establishing sales, delivery, support, and administrative capabilities in the countries where we operate. Attracting new buyers and sellers outside the United States may require more time and expense than in the United States, in part due to the need to educate such buyers and sellers about our solution, and we may not be successful in establishing and maintaining these relationships. In addition, our international operations will require us to develop and administer our internal controls and legal and compliance practices in countries with different cultural norms and different business practices than the United States.

International operations also impose risks and challenges in addition to those faced in the United States, including management of a distributed workforce; the need to adapt our offering to satisfy local requirements and standards; laws and business practices that may favor local competitors; longer accounts receivable payment

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cycles and other collection difficulties; the effect of global and regional recessions and economic and political instability; potentially adverse tax consequences in the United States and abroad; staffing challenges, including difficulty in recruiting and retaining qualified personnel as well as managing such a diversity in personnel; reduced or ineffective protection of our intellectual property rights in some countries; and costs and restrictions affecting the repatriation of funds to the United States.

One or more of these requirements and risks may make our international operations more difficult and expensive or less successful than we expect, and may preclude us from operating in some markets. There is no assurance that our international expansion efforts will be successful, and we may not generate sufficient revenue or margins from international business to cover our expenses or contribute to growth.

### ***Operating in multiple countries requires us to comply with different legal and regulatory requirements.***

Our international operations subject us to laws and regulations of multiple jurisdictions, as well as U.S. laws governing international operations. These various laws and regulations are often evolving and sometimes conflict. For example, the Foreign Corrupt Practices Act, or FCPA, and comparable foreign laws and regulations (including the U.K. Bribery Act) prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. and other business entities for the purpose of obtaining or retaining business. Other laws and regulations prohibit bribery of private parties and other forms of corruption. As we expand our international operations, there is some risk of unauthorized payment or offers of payment or other inappropriate conduct by one of our employees, consultants, agents or other contractors, which could constitute a violation of by us various laws including the FCPA, even though such parties are not always subject to our control. Safeguards we implement to discourage these practices may prove to be less than effective and violations of the FCPA and other laws may result in severe criminal or civil sanctions, or other liabilities or proceedings against us, including class action law suits and enforcement actions from the SEC, Department of Justice and international regulators. Other laws applicable to our international business include local employment, tax, privacy, data security, and intellectual property protection laws and regulations. In some cases, buyers and sellers operating in non-U.S. markets may impose additional requirements on our non-U.S. business in efforts to comply with their interpretation of their own or our legal obligations. These requirements may differ significantly from the requirements applicable to our business in the United States and may require engineering and other costly resources to accommodate. As these laws continue to evolve and we expand to more jurisdictions, compliance will become more complex and expensive, and the risk of non-compliance will increase.

Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business abroad, and violation of these laws or regulations may interfere with our ability to offer our solution competitively in one or more countries, expose us or our employees to fines and penalties, and result in the limitation or prohibition of our conduct of business.

### ***We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.***

Our operations are subject to U.S. export controls, specifically the Export Administration Regulations, or EAR, and economic sanctions enforced by the Office of Foreign Assets Control. These regulations provide that encryption technology may be exported outside of the United States only with the required export authorizations, including by license, license exception or other appropriate government authorizations, which may require the filing of an encryption registration and classification request. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments, and persons targeted by U.S. sanctions. We incorporate encryption technology into the servers that operate our solution. As a result of locating some servers in data centers outside of the United States, we may have exported encryption technology prior to obtaining the required export authorizations and/or submitting the required requests, including a classification request and/or request for an encryption registration number, resulting in a possible

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inadvertent violation of U.S. export control laws. As a result, in January 2014, we filed a Voluntary Self Disclosure with the U.S. Department of Commerce's Bureau of Industry and Security, or BIS, concerning these potential violations. While the potential penalties for violations of the EAR include a monetary fine of up to \$250,000 or twice the value of the transaction, whichever is greater, per violation and/or a denial of export privileges under the EAR, we do not expect a penalty to be assessed against us in connection with our Voluntary Self Disclosure and, if one is assessed, we do not expect it to be material.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to deploy our technology or could limit our customers' ability to use our solution in those countries. Changes in our technology or changes in export and import regulations may create delays in the introduction of our solution or the deployment of our technology in international markets, prevent our customers with international operations from using our solution globally or, in some cases, prevent the export or import of our technology to certain countries, governments or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solution by, or in our decreased ability to export our technology to, international markets. Any decreased use of our solution or limitation on our ability to export our technology or sell our solution would likely adversely affect our business, financial condition and results of operations.

### ***Fluctuations in the exchange rates of foreign currencies could result in currency transaction losses that negatively impact our financial results.***

We currently have transactions denominated in U.S. Dollars, British Pounds, Euros, Australian Dollars, Swedish Kronas, Danish Kroner, Norwegian Kroner, Brazilian Reals and Japanese Yen and may, in the future, have sales denominated in the currencies of additional countries in which we establish or have established sales offices. In addition, we incur a portion of our expenses in many of these same currencies, as well as other currencies, and to the extent we need to convert U.S. Dollars or a different foreign currency to pay expenses, we are exposed to unfavorable changes in exchange rates and added transaction costs. We expect international sales and transactions to become an increasingly important part of our business. Such sales and transactions may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of these foreign currencies may negatively impact our business, financial condition and results of operations. We have not previously engaged in foreign currency hedging. If we decide to hedge our foreign currency exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide us from foreign currency fluctuations and can themselves result in losses.

### **Risks Related to Our Internal Controls and Finances**

***We have identified certain material weaknesses in our internal control over financial reporting. Failure to maintain effective internal controls could cause our investors to lose confidence in us and adversely affect the market price of our common stock. If our internal controls are not effective, we may not be able to accurately report our financial results or prevent fraud.***

Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, requires that we maintain internal control over financial reporting that meets applicable standards. We may err in the design or operation of our controls, and all internal control systems, no matter how well designed and operated, can provide only reasonable assurance that the objectives of the control system are met. Because there are inherent limitations in all control systems, there can be no absolute assurance that all control issues have been or will be detected. If we are unable, or are perceived as unable, to produce reliable financial reports due to internal control deficiencies, investors could lose confidence in our reported financial information and operating results, which could result in a negative market reaction.

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Following our initial public offering, we will be required, pursuant to Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. We will need to disclose any material weaknesses identified by our management in our internal control over financial reporting, and, when we are no longer an “emerging growth company,” we will need to provide a statement that our independent registered public accounting firm has issued an opinion on our internal control over financial reporting, provided that our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the Securities and Exchange Commission, or SEC, following the later of the date we are deemed to be an “accelerated filer” or a “large accelerated filer,” each as defined in the Securities Exchange Act of 1934, as amended, or the Exchange Act, or the date we are no longer an “emerging growth company,” as defined in the Jumpstart Our Businesses Act of 2012, or the JOBS Act.

We have identified certain material weaknesses in our internal controls resulting from:

- a historical lack of qualified personnel within our accounting function that possessed an appropriate level of expertise to perform certain functions;
- absence of formalized and documented policies and procedures;
- absence of appropriate review and oversight responsibilities;
- lack of an effective and timely financial close process;
- lack of general information technology controls over financially significant applications, including inadequate segregation of duties; and
- lack of regular evaluations of the effectiveness of internal controls over financial reporting.

While we have designed and implemented, or expect to implement, measures that we believe address these control weaknesses, we continue to develop our internal controls, processes and reporting systems by, among other things, hiring qualified personnel with expertise to perform specific functions, implementing software systems to manage our revenue and expenses and to allow us to budget, undertaking multi-year financial planning and analyses and designing and implementing improved processes and internal controls, including ongoing senior management review and audit committee oversight. We commenced measures to remediate the identified material weaknesses during the third quarter of 2013 and expect that such remediation will be completed by the end of 2014. We have incurred significant costs to remediate these weaknesses, primarily personnel costs, external consulting fees, system implementation costs, and related indirect costs including the use of facilities and technology, and we expect to incur additional costs to remediate these weaknesses. Because some of the personnel costs and systems resources also support our general operations and the scale and growth of our business, we cannot precisely separate costs related to our material weakness remediation from costs associated with our overall internal control efforts. However, we estimate that the incremental costs of our internal audit employees and external consultants who are primarily focused on material weakness remediation and internal control testing were approximately \$0.3 million for the year ended December 31, 2013. We expect such costs will approximate \$0.9 million for the year ended December 31, 2014. We may not be successful in implementing these systems or in developing other internal controls, which may undermine our ability to provide accurate, timely and reliable reports on our financial and operating results. Further, we will not be able to fully assess whether the steps we are taking will remediate the material weaknesses in our internal control over financial reporting until we have completed our implementation efforts and sufficient time passes in order to evaluate their effectiveness. In addition, if we identify additional errors that result in material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. Moreover, in the future we may engage in business transactions, such as acquisitions, reorganizations or implementation of new information systems that could negatively affect our internal control over financial reporting and result in material weaknesses.

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If we identify new material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, we may be late with the filing of our periodic reports, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. As a result of such failures, we could also become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, and become subject to litigation from investors and stockholders, which could harm our reputation, financial condition or divert financial and management resources from our core business.

### ***Impairment of intangible assets could increase our expenses.***

A portion of our assets consists of capitalized software development costs, goodwill and other intangible assets acquired in connection with acquisitions. Current accounting standards require us to evaluate goodwill on an annual basis and other intangibles if certain triggering events occur, and adjust the carrying value of these assets to net realizable value when such testing reveals impairment of the assets. Various factors, including regulatory or competitive changes, could affect the value of our intangible assets. If we are required to write-down the value of our goodwill or intangible assets due to impairment, our reported expenses will increase, resulting in a corresponding decrease in our reported profit.

### ***If our estimates or judgments relating to our critical accounting policies are erroneous or based on assumptions that change or prove to be incorrect, our operating results could fall below the expectations of securities analysts and investors, resulting in a decline in our stock price.***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States, or GAAP, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on our best judgment, historical experience, information derived from third parties, and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our judgments prove to be wrong, assumptions change or actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, stock-based compensation and income taxes.

### ***We report revenue on a net basis. If, in the future, we engage in transactions for which revenue is recorded on a gross basis, we may have significant increases in our revenue and decreases in our GAAP margins that do not necessarily correspond with changes in our underlying business, which could cause comparisons with prior periods to be less meaningful and make it more difficult for investors to evaluate our performance.***

The recognition of our revenue is governed by certain criteria that must be met and that determine whether we report revenue either on a gross basis, as a principal, or net basis, as an agent, depending upon the nature of the sales transaction. Our revenue is currently recognized on a net basis. In the future we may engage in transactions for which revenue is recorded on a gross basis, due to substantive changes in our business, such as through acquisitions, changes to the commercial terms with buyers and sellers or structural changes to our existing business. In the latter case, we may have significant increases in our revenue and decreases in our GAAP margins that do not necessarily correspond with changes in our underlying activity. We may experience significant fluctuations in revenue and margins in future periods depending upon, in part, the nature of our sales and our recognition of such revenue.



***Our tax liabilities may be greater than anticipated.***

The U.S. and non-U.S. tax laws applicable to our business activities are subject to interpretation. We are subject to audit by the Internal Revenue Service and by taxing authorities of the state, local and foreign jurisdictions in which we operate. Our tax obligations are based in part on our corporate operating structure, including the manner in which we develop, value, and use our intellectual property and sell our solutions, the jurisdictions in which we operate, how tax authorities assess revenue based taxes such as sales and use taxes, the scope of our international operations and the value we ascribe to our intercompany transactions. Taxing authorities may challenge our tax positions and methodologies for valuing developed technology or intercompany arrangements, as well as our positions regarding jurisdictions in which we are subject to certain taxes, which could expose us to additional taxes and increase our worldwide effective tax rate. Any adverse outcomes of such challenges to our tax positions could result in additional taxes for prior periods, interest, and penalties as well as higher future taxes. In addition, our future tax expense could increase as a result of changes in tax laws, regulations or accounting principles, or as a result of earning income in jurisdictions that have higher tax rates. An increase in our tax expense could have a negative effect on our financial position and results of operations. Moreover, the determination of our provision for income taxes and other tax liabilities requires significant estimates and judgment by management, and the tax treatment of certain transactions is uncertain. Although we believe we will make reasonable estimates and judgments, the ultimate outcome of any particular issue may differ from the amounts previously recorded in our financial statements and any such occurrence could materially affect our financial position and results of operations.

***Our ability to use our net operating losses and tax credit carryforwards to offset future taxable income may be subject to certain limitations which could result in higher tax liabilities.***

The ability to fully utilize our net operating loss and tax credit carryforwards to offset future taxable income may be limited. At December 31, 2013, we had U.S. federal net operating loss carryforwards, or NOLs, of approximately \$36.7 million, state NOLs of approximately \$43.3 million, federal research and development tax credit carryforwards, or credit carryforwards, of approximately \$3.0 million, and state credit carryforwards of approximately \$2.4 million. A lack of future taxable income would adversely affect our ability to utilize these NOLs and credit carryforwards. In addition, under Section 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, and comparable state income tax laws, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its NOLs and credit carryforwards to offset future taxable income following the ownership change. As a result, future changes in our stock ownership, including this or future offerings, as well as other direct or indirect changes in our ownership that may be outside of our control, could result in limitations on our ability to fully utilize our NOLs and credit carryforwards. The Company had an ownership change in January 2008 and \$2.3 million of federal and state NOLs are already subject to limitation under Section 382. Additionally, approximately \$3.4 million of our federal NOLs and approximately \$3.4 million of our state NOLs were generated by corporations that we acquired during the pre-acquisition period, and thus those NOLs already are subject to limitation under Section 382 of the Code and comparable state income tax laws. In addition, depending on the level of our taxable income, all or a portion of our NOLs and credit carryforwards may expire unutilized, which could prevent us from offsetting future taxable income by the entire amount of our current and future NOLs and credit carryforwards. We have recorded a full valuation allowance related to our NOLs, credit carryforwards and other net deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets. To the extent we determine that all, or a portion of, our valuation allowance is no longer necessary, we will reverse the valuation allowance and recognize income tax benefit in the reported financial statement earnings in that period. Once the valuation allowance is eliminated or reduced, its reversal will no longer be available to offset our current financial statement tax provision in future periods.

***We may require additional capital to support growth, and such capital might not be available on terms acceptable to us, if at all. Inability to obtain financing could limit our ability to conduct necessary operating activities and make strategic investments.***

We intend to continue to make investments in pursuit of our strategic objectives and to support our business growth. Various business challenges may require additional funds, including the need to respond to competitive

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threats or market evolution by developing new solutions and improving our operating infrastructure, either through additional hiring or acquisition of complementary businesses or technologies, or both. In addition, we could incur significant expenses or shortfalls in anticipated cash generated as a result of unanticipated events in our business or competitive, regulatory, or other changes in our market.

Our available cash and cash equivalents including the net proceeds of this offering, the cash we anticipate generating from operations, and our available line of credit under our credit facility may not be adequate to meet our capital needs, and therefore we may need to engage in equity or debt financings to secure additional funds. 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 on terms satisfactory to us when we require it, our ability to continue to support our business growth and respond to business challenges could be significantly impaired, and our business may be adversely affected.

If we do raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, including the ability to pay dividends. This may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, if we issue debt, the holders of that debt would have prior claims on the company's assets, and in case of insolvency, the claims of creditors would be satisfied before distribution of value to equity holders, which would result in significant reduction or total loss of the value of our equity.

***Our credit facility subjects us to operating restrictions and financial covenants that impose risk of default and may restrict our business and financing activities.***

On September 27, 2011, we entered into a loan and security agreement with Silicon Valley Bank that, as amended to date, provides a senior secured revolving credit facility in the aggregate principal amount of \$40 million. As of December 31, 2013, we had \$3.8 million outstanding under this loan and security agreement. Borrowings under this agreement are secured by substantially all of our tangible personal property assets and all of our intangible assets are subject to a negative pledge in favor of Silicon Valley Bank. This credit facility is subject to certain financial ratio and liquidity covenants, as well as restrictions that limit our ability, among other things, to:

- dispose of or sell our assets;
- make material changes in our business or management;
- consolidate or merge with other entities;
- incur additional indebtedness;
- create liens on our assets;
- pay dividends;
- make investments;
- enter into transactions with affiliates; and
- pay off or redeem subordinated indebtedness.

These covenants may restrict our ability to finance our operations and to pursue our business activities and strategies. Our ability to comply with these covenants may be affected by events beyond our control. In the past, we were not compliant with certain administrative covenants. Although the bank waived such noncompliance or agreed to amend certain covenants in the past, there is no guarantee it will do so in the future. If a default were to occur and is not waived, such default could cause, among other remedies, all of the outstanding indebtedness

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under our loan and security agreement to become immediately due and payable. In such an event, our liquid assets might not be sufficient to meet our repayment obligations, and we might be forced to liquidate collateral assets at unfavorable prices or our assets may be foreclosed upon and sold at unfavorable valuations.

Our ability to renew our existing credit facility, which matures in September 2018, or to enter into a new credit facility to replace or supplement the existing facility may be limited due to various factors, including the status of our business, global credit market conditions, and perceptions of our business or industry by sources of financing. In addition, if credit is available, lenders may seek more restrictive covenants and higher interest rates that may reduce our borrowing capacity, increase our costs, and reduce our operating flexibility.

If we do not have or are unable to generate sufficient cash available to repay our debt obligations when they become due and payable, either upon maturity or in the event of a default, we may not be able to obtain additional debt or equity financing on favorable terms, if at all. Our inability to obtain financing may negatively impact our ability to operate and continue our business as a going concern.

### **Risks Related to this Offering, the Securities Markets and Ownership of our Common Stock**

*The price of our common stock may be volatile and the value of your investment could decline.*

Technology stocks have historically experienced high levels of volatility. The trading price of our common stock following this offering may fluctuate substantially. Following the completion of this offering, the market price of our common stock may be higher or lower than the price you pay in the offering, depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- announcements of new offerings, products, services or technologies, commercial relationships, acquisitions or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes or fluctuations in our results of operations;
- actual or anticipated changes in the expectations of investors or securities analysts, and whether our results of operations meet these expectations;
- litigation involving us, our industry, or both;
- regulatory developments in the United States, foreign countries, or both;
- general economic conditions and trends;
- major catastrophic events;
- sales of large amounts of our common stock or the perception that such sales could occur, as a result of lockup releases or other factors;
- departures of key employees; or
- an adverse impact on the company resulting from other causes, including any of the other risks described in this prospectus.

In addition, if the market for technology stocks or the stock market, in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business,

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results of operations or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past volatility in the market price of a company's securities has often resulted in securities class action litigation been brought against that company. If our stock price is volatile, we may become the target of securities litigation, which would result in substantial costs and divert our management's attention and resources from our business.

***Sales of substantial amounts of our common stock in the public markets, including when the "lock-up" or "market standoff" period ends, or the perception that sales might occur, could reduce the price of our common stock and may dilute your voting power and your ownership interest in us.***

Sales of a substantial number of shares of our common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. Based on the total number of outstanding shares of our common stock as of March 18, 2014, upon completion of this offering, we will have 34,723,658 shares of common stock outstanding, excluding shares of common stock issuable upon exercise of outstanding stock options and a warrant to purchase 12,587 shares of our common stock. All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our "affiliates" as defined in Rule 144 under the Securities Act.

Subject to certain exceptions described under the caption "Underwriting," all of our directors and officers and substantially all of our stockholders have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of common stock without the permission of the representatives of the underwriters for a period of 180 days from the date of this prospectus. When the lockup period expires, our locked-up security holders will be able to sell shares in the public market. In addition, the underwriters may, in their sole discretion, release all or some portion of the shares subject to lock-up agreements prior to the expiration of the lock-up period. For certain of our employees, a substantial portion of their equity is vested and eligible for sale upon expiration of the lock-up arrangements. See the section of this prospectus entitled "Shares Eligible for Future Sale" for more information. Sales of a substantial number of such shares upon expiration, or the perception that such sales may occur, or early release of the lock-up, could cause our share price to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

In addition, promptly following the completion of this offering, we intend to file one or more registration statements on Form S-8 registering the issuance of approximately 10,709,284 million shares of common stock subject to options or other equity awards issued or reserved for issuance under our equity incentive plans. We also intend to register the offer and sale of all other shares of common stock that may be authorized under our current or future equity compensation plans. Shares registered under these registration statements on Form S-8 will be available for sale in the public market subject to vesting arrangements and exercise of options, the lock-up agreements described above and the restrictions of Rule 144 in the case of our affiliates.

Based on shares outstanding as of March 18, 2014, holders of up to approximately 18,119,158 shares, or 52.2%, of our common stock after giving effect to this offering, will have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

We may issue our shares of common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

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***Insiders will continue to have substantial control over us after this offering, which could limit your ability to influence the outcome of key transactions, including a change of control.***

Our directors, executive officers and each of our stockholders who own greater than 5% of our outstanding common stock, in the aggregate, will beneficially own approximately 57.2% of the outstanding shares of our common stock after this offering, based on the number of shares outstanding as of March 18, 2014. As a result, these stockholders will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a manner that is adverse to your interests. This concentration of ownership may have the effect of deterring, delaying or preventing a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and might ultimately affect the market price of our common stock.

***There is no assurance that a market will develop for our common stock or what the market price of our common stock will be.***

We cannot assure you that an active trading market for our common stock will develop or, if developed, that any market will be sustained. We cannot predict the prices at which our common stock will trade. The initial public offering price of our common stock will be determined by negotiations with the underwriters and may not bear any relationship to the market price at which our common stock will trade after this offering or to any other established criteria of the value of our business.

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

Campaigns by stockholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term stockholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases or sales of assets or the entire company. If we become engaged in a proxy contest with an activist stockholder in the future, our business could be adversely affected as such contests could be costly and time-consuming, disrupt our operations and divert the attention of management and our employees from executing our strategic plan. Additionally, perceived uncertainties as to our future direction as a result of stockholder activism or changes to the composition of our board of directors may lead to the perception of a change in the direction of our business, instability or lack of continuity which may be exploited by our competitors, cause concern to current or potential buyers and sellers on our platform, and make it more difficult to attract and retain qualified personnel. If buyers and/or sellers choose to delay, defer or reduce transactions with us or through our platform or transact with our competitors instead of us because of any such issues, then our revenue, earnings and operating cash flows could be adversely affected.

***We have broad discretion in the use of net proceeds that we receive in this offering, and if we do not use those proceeds effectively, your investment could be harmed.***

The principal purposes of this offering are to create a public market for our common stock, obtain additional capital, and facilitate our future access to the public equity markets, as well as to increase market awareness of our company and our standing among buyers and sellers and improve our competitive position. We have not yet determined the specific allocation of the net proceeds that we receive in this offering. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, sales and marketing activities, engineering initiatives, including enhancement of our solution and investment in technology and development, general and administrative expenses and capital expenditures. We also may use a portion of the net proceeds from this offering to acquire or invest in technologies, solutions or businesses that complement our business, although we have no present commitments to complete any such transactions. Our management will have broad discretion over the specific use of the net proceeds that we receive in this offering and we have not yet determined how these proceeds will be used, so investors in this offering will need to rely upon the judgment of our management with respect to the use of proceeds. If we do not use the net proceeds that we receive in this offering effectively, we might not be able to obtain a significant return, if any, on investment of these net proceeds.

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

As a public company, we will be subject to the reporting requirements of the Exchange Act, and will be required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the New York Stock Exchange, and other applicable securities rules and regulations. Among other things, we must file annual, quarterly and current reports with respect to our business and results of operations, maintain effective disclosure controls and procedures and internal control over financial reporting, and comply with various requirements regarding the composition and operation of our board of directors. Compliance with these rules and regulations will require significant resources and management oversight, increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. As a result, management's attention and company resources may be diverted from other business concerns. Although we have already hired additional employees to help us comply with these requirements, we may need to hire even more employees in the future, which would increase our costs and expenses.

We also expect that the risks and costs associated with being a public company and complying with related 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 and expensive for us to attract and retain qualified members of our board of directors, particularly to serve on our Audit Committee and Compensation Committee, and qualified executive officers.

### ***We are an "emerging growth company," and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

For as long as we remain an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain exemptions from various requirements that are applicable to public companies that are not "emerging growth companies." For example, we are not required to comply with the independent auditor attestation requirements of Section 404, we may provide reduced disclosure regarding executive compensation in this prospectus and in our periodic reports and proxy statements, and we are exempt from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions for so long as we are an "emerging growth company," which could be as long as five years following the completion of this offering, although, if we have more than \$1.0 billion in annual revenue, if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of June 30 of any year, or we issue more than \$1.0 billion of non-convertible debt over a three-year period before the end of that five-year period, we would cease to be an "emerging growth company" as of the following December 31. Investors may find our common stock less attractive because we rely on these exemptions, which could contribute to a less active trading market for our common stock, and increased volatility or reduction in our stock price.

In addition, the JOBS Act also provides that an "emerging growth company" can take advantage of an extended transition period for complying with new or revised accounting standards. However, we have chosen to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

### ***Because the initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of our outstanding common stock following this offering, new investors will experience immediate and substantial dilution.***

The initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of our common stock immediately following this offering based on the total value

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of our tangible assets less our total liabilities. Therefore, if you purchase shares of our common stock in this offering, you will experience immediate dilution of \$12.97 per share, the difference between the price per share you pay (based on the midpoint of the price range on the cover of this prospectus) for our common stock and the pro forma net tangible book value per share of our common stock as of December 31, 2013, after giving effect to the issuance of shares of our common stock in this offering. See the section entitled “Dilution.”

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

The trading market for our common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrades our shares or changes their opinion of our business prospects, our share price could decline. If one or more of these analysts decreases or ceases coverage of our company, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

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

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases. In addition, our credit facility contains restrictions on our ability to pay dividends.

***Provisions of our charter documents and Delaware law may inhibit potential acquisition of the company and limit the ability of stockholders to cause changes in company management.***

Our amended and restated certificate of incorporation and amended and restated bylaws, as in effect upon completion of this offering, include provisions, as described below, that could delay or prevent a change in control of the company, and make it difficult for stockholders to elect directors who are not nominated by the current members of our board of directors or take other actions to change company management.

- Our certificate of incorporation gives our board of directors the authority to issue shares of preferred stock in one or more series, and to establish from time to time the number of shares in each series and to fix the price, designations, powers, preferences and relative, participating, optional or other rights, if any, and the qualifications, limitations, or restrictions of each series of the preferred stock without any further vote or action by stockholders. The issuance of shares of preferred stock may discourage, delay or prevent a merger or acquisition of company, and significantly dilute the ownership of a hostile acquirer, resulting in the loss of voting power and reduced ability to cause a takeover or effect other changes.
- Our certificate of incorporation provides that our board of directors is classified, with only one of its three classes elected each year, and directors may be removed only for cause and only with the vote of 66 2/3% of the voting power of stock outstanding and entitled to vote thereon. Further, the number of directors is determined solely by our board of directors, and because we do not allow for cumulative voting rights, holders of a majority of shares of common stock entitled to vote may elect all of the directors standing for election. These provisions could delay the ability of stockholders to change the membership of a majority of our board of directors.
- Under our bylaws, only the board of directors or a majority of remaining directors, even if less than a quorum, may fill vacancies resulting from an increase in the authorized number of directors or the resignation, death or removal of a director.
- Our certificate of incorporation prohibits stockholder action by written consent, so any action by stockholders may only be taken at an annual or special meeting.

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- Our certificate of incorporation provides that a special meeting of stockholders may be called only by the board of directors. This could delay any effort by stockholders to force consideration of a proposal or to take action, including the removal of directors.
- Under our bylaws, advance notice must be given to nominate directors or submit proposals for consideration at stockholders' meetings. This gives our board of directors time to defend against takeover attempts and could discourage or deter a potential acquiror from soliciting proxies or making proposals related to an unsolicited takeover attempt.
- The provisions of our certificate of incorporation noted above may be amended only with the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the company's voting stock, voting together as a single class. The same two-thirds vote is required to amend the provision of our certificate of incorporation imposing these supermajority voting requirements. Further, our bylaws may be amended only by our board of directors or by the same percentage vote of stockholders noted above as required to amend our certificate of incorporation. These supermajority voting requirements may inhibit the ability of a potential acquiror to effect such amendments to facilitate an unsolicited takeover attempt.
- Our board of directors may amend our bylaws by majority vote. This could allow the board to use bylaws amendments to delay or prevent an unsolicited takeover, and limits the ability of an acquiror to amend the bylaws to facilitate an unsolicited takeover attempt.

We are also subject to Section 203 of the Delaware General Corporation Law, or the DGCL, which prohibits us from engaging in any business combination with an interested stockholder for a period of three years from the date the person became an interested stockholder, unless certain conditions are met. These provisions make it more difficult for stockholders or potential acquirers to acquire the company without negotiation and may apply even if some of our stockholders consider the proposed transaction beneficial to them. For example, these provisions might discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer were to be at a premium over the then current market price for our common stock. These provisions could also limit the price that investors are willing to pay in the future for shares of our common stock.



## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are contained principally in “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” In some cases, you can identify forward-looking statements by terms such as “may,” “might,” “will,” “objective,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “design,” “estimate,” “predict,” “potential,” “plan” or the negative of these terms, and similar expressions. These statements reflect our current views with respect to future events and are based on assumptions and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from current expectations. These risks include, but are not limited to:

- our ability to grow rapidly and to manage our growth effectively;
- our ability to develop innovative new technology and remain a market leader;
- our ability to attract and retain buyers and sellers and increase our business with them;
- our ability to use our solution to purchase and sell higher value advertising and to expand the use of our solution by buyers and sellers utilizing evolving digital media platforms, including mobile and video;
- our ability to introduce new solutions and bring them to market in a timely manner;
- our ability to maintain a supply of advertising inventory from sellers;
- our limited operating history and history of losses;
- our ability to continue to expand into new geographic markets;
- the effects of increased competition in our market and our ability to compete effectively;
- the effects of seasonal trends on our results of operations;
- costs associated with defending intellectual property infringement and other claims;
- our ability to attract and retain qualified employees and key personnel;
- our ability to consummate future acquisitions of or investments in complementary companies or technologies;
- our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and consumer privacy; and
- our ability to develop and maintain our corporate infrastructure, including our finance and information technology systems and controls.

We discuss many of these risks in this prospectus in greater detail under the heading “Risk Factors.” Also, these forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. Unless required by federal securities laws, we do not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statements are made. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

## MARKET AND INDUSTRY DATA AND OTHER INFORMATION

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, including those listed below, on assumptions based on such data and other similar sources, and on our knowledge of the markets for our solution. The market and industry information included in this prospectus involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such information. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors,” “Special Note Regarding Forward-Looking Statements” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Certain information in the text of the prospectus is contained in independent industry publications. The sources of these independent industry publications are provided below.

- PwC Entertainment and Media Global Outlook: 2013-2017, published in June 2013.
- eMarketer, U.S. Total Media Ad Spending by Media, 2011-2017 (August 2013) and Share of Time Spent Per Day with Major Media by U.S. Adults, 2010-2013 (July 2013).
- International Data Corporation, White Paper, Real Time Bidding in the United States and Worldwide, 2010-2017, published in September 2013.
- QuickPlay Media, 2013 Customer Survey, published June 10, 2013.
- comScore Display Ad Ecosystem, February 2014 and comScore Key Measures, U.S. top 100 properties.
- Over 600 million Internet users globally per month as of December 2013 (Source: Quantcast. [www.quantcast.com](http://www.quantcast.com)).
- NextMark—Digital Media Planning Workflow Cost Calculator originally presented December 2011 (current calculator available at [www.nextmark.com](http://www.nextmark.com)).

“The Rubicon Project” is our primary registered trademark. The prospectus contains this trademark and some of our other trademarks, trade names and service marks. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its respective holder.

Certain monetary amounts, percentages and other figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them. In this prospectus, “Rubicon Project,” “we,” “us” and the “company” refer to The Rubicon Project, Inc. and, where appropriate, its subsidiaries, unless expressly indicated or the context otherwise requires. In this prospectus, references to our common stock prior to the offering refer to our Class A common stock and our Class B common stock together, unless expressly indicated or the context otherwise requires, and references to our common stock after the offering refer to the single class of common stock that we will have outstanding upon consummation of this offering.

## USE OF PROCEEDS

We estimate that the net proceeds we receive from this offering will be approximately \$77.2 million based on the assumed initial public offering price of \$16.00 per share, which is the midpoint of the range included on the cover page of this prospectus, after deducting the estimated underwriting discount and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares in this offering from us is exercised in full, our estimated net proceeds will be approximately \$92.3 million after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. A \$1.00 increase or decrease in the assumed initial public offering price of \$16.00 per share would increase or decrease the net proceeds we receive from this offering by approximately \$5.0 million, assuming the number of shares offered by us as set forth on the cover page of this prospectus remains the same and after deducting the estimated underwriter discounts and commissions and estimated offering expenses payable by us. We will not receive any of the net proceeds from the sale of shares of our common stock in this offering by the selling stockholders.

The principal purposes of this offering are to create a public market for our common stock, obtain additional working capital, and facilitate our future access to the public equity markets, as well as to increase market awareness of our company and our standing among buyers and sellers and improve our competitive position. Our management will have broad discretion in the application of the net proceeds to us from this offering, and investors will be relying on the judgment of our management regarding the application of the proceeds. Pending their use, we plan to invest our net proceeds from this offering in short-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

We intend to use the net proceeds from this offering for general corporate purposes, including working capital, sales and marketing activities, engineering initiatives including enhancement of our solution and investment in technology and development, general and administrative expenses and capital expenditures. We expect to use a portion of the net proceeds from this offering to hire additional personnel in connection with the activities described in the previous sentence. We also may use a portion of the net proceeds from this offering to acquire or invest in technologies, solutions or businesses that complement our business, although we have no present commitments to complete any such transactions.

## **DIVIDEND POLICY**

We have never declared or paid any dividends on our common stock, and we do not anticipate paying any cash dividends in the future. We currently intend to retain any earnings to finance the operation and expansion of our business. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then-existing conditions, including our earnings, capital requirements, results of operations, financial condition, business prospects and other factors that our board of directors considers relevant. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information regarding our financial condition. In addition, our credit facility contains restrictions on our ability to pay dividends.

## CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2013:

- on an actual basis, except to the extent it has been adjusted to give effect to a 1-for-2 reverse split of our common stock and a proportional adjustment to the conversion ratio of our preferred stock;
- on a pro forma basis, giving effect to the following events, which will occur in connection with and effective upon the consummation of this offering, as if such events occurred on December 31, 2013: (i) the automatic conversion of each outstanding share of convertible preferred stock into one-half of a share of Class A common stock; (ii) the automatic conversion of each outstanding share of Class B common stock into one share of Class A common stock; (iii) the effectiveness of our amended and restated certificate of incorporation, providing for the conversion of our Class A common stock (including all shares of Class A common stock issued upon conversion of our convertible preferred stock and Class B common stock as described above) into a single class of common stock; (iv) the automatic conversion of an outstanding warrant exercisable for 25,174 shares of our convertible preferred stock into a warrant exercisable for 12,587 shares of common stock; and (v) the net exercise of an outstanding warrant for 845,867 shares of our convertible preferred stock resulting in the issuance of 294,610 shares of common stock; and
- on a pro forma as adjusted basis to reflect, in addition, our sale of 5,416,796 shares of common stock in this offering at an initial public offering price of \$16.00 per share, the midpoint of the price range set forth on the cover of this prospectus.

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You should read the following table in conjunction with the sections entitled “Use of Proceeds,” “Selected Consolidated Financial and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included in this prospectus.

	As of December 31, 2013		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share data)		
Cash and cash equivalents	<u>\$ 29,956</u>	<u>\$ 29,956</u>	<u>\$ 107,672</u>
Debt and capital lease arrangements, including current portion:			
Capital leases	393	393	393
Credit facility	<u>3,788</u>	<u>3,788</u>	<u>3,788</u>
Total debt and capital leases, including current portion	4,181	4,181	4,181
Convertible preferred stock, \$0.00001 par value per share (29,691,524 shares authorized and 28,820,481 shares issued and outstanding, actual; no shares issued and outstanding, pro forma and pro forma as adjusted)	52,571	—	—
Stockholders Equity (Deficit):			
Preferred stock, \$0.00001 par value per share (no shares authorized or issued and outstanding, actual; 10,000,000 shares authorized, and no shares issued and outstanding, pro forma and pro forma as adjusted)	—	—	—
Class A common stock, \$0.00001 par value per share (32,500,000 shares authorized and 7,664,844 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted)	—	—	—
Class B common stock, \$0.00001 par value per share (4,190,063 shares authorized and 4,190,063 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted)	—	—	—
Common stock, \$0.00001 par value per share (no shares authorized or issued and outstanding, actual; 500,000,000 shares authorized and 26,559,750 shares issued and outstanding, pro forma; and 500,000,000 shares authorized and 31,976,546 shares issued and outstanding, pro forma as adjusted)	—	—	—
Additional paid-in capital	25,532	83,554	160,774
Accumulated other comprehensive income	96	96	96
Accumulated deficit	<u>(62,039)</u>	<u>(62,039)</u>	<u>(62,039)</u>
Total stockholders’ equity (deficit)	<u>(36,411)</u>	<u>21,611</u>	<u>98,831</u>
Total capitalization	<u>\$ 20,341</u>	<u>\$ 25,792</u>	<u>\$ 103,012</u>

The number of shares of our common stock to be outstanding after this offering on a pro forma as adjusted basis giving effect to our sale of 5,416,796 shares of common stock in this offering is based on 26,559,750 shares of our common stock outstanding on a pro forma basis as noted above as of December 31, 2013, and excludes:

- 7,584,284 shares of common stock issuable upon exercise of stock options outstanding at December 31, 2013 that remain outstanding as of March 18, 2014, consisting of (i) 8,359,589 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2013 with a weighted average exercise price of \$6.13 per share, less (ii) a reduction as of March 18, 2014 of 775,305 in the number of shares issuable upon exercise of stock options that were outstanding as of December 31, 2013 as a result of option exercises, forfeitures and cancellations, which will effectively be extinguished as of the date of the offering;
- 12,587 shares of common stock issuable upon exercise of an outstanding warrant with an exercise price of \$3.11 per share as of December 31, 2013 and as of March 18, 2014;

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- 546,741 shares of common stock issued upon exercise of outstanding stock options between January 1, 2014 and March 18, 2014;
- 500,000 shares of common stock issuable upon the exercise of new stock options granted between January 1, 2014 and March 18, 2014 with a weighted average exercise price of \$16.22 per share;
- 2,200,371 shares of restricted stock issued between January 1, 2014 and March 18, 2014;
- 2,100,000 shares of our common stock reserved for future issuance under our 2014 Equity Incentive Plan, which takes effect upon consummation of this offering; and
- 525,000 shares of our common stock reserved for issuance under our 2014 Employee Stock Purchase Plan, which also takes effect as of the consummation of this offering.

Our 2014 Equity Incentive Plan and our 2014 Employee Stock Purchase Plan also provide for automatic annual increases in the number of shares reserved thereunder as more fully described in “Executive Compensation – Employee Benefit Plans.”

## DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma as adjusted net tangible book value per share of common stock immediately after the completion of this offering.

As of December 31, 2013, our pro forma net tangible book value was approximately \$19.6 million, or \$0.74 per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of December 31, 2013, assuming the conversion of all outstanding shares of our convertible preferred stock into shares of common stock, the net exercise of an outstanding warrant for 845,867 shares of our convertible preferred stock resulting in the issuance of 294,610 shares of common stock, based upon an assumed initial public offering price of \$16.00 per share (the midpoint of the price range set forth on the cover page of the prospectus), and the reclassification of the preferred stock warrant liability to additional paid-in capital, each immediately prior to the completion of this offering.

After giving effect to our sale in this offering of shares of our common stock at an assumed initial public offering price of \$16.00 per share, the midpoint of the price range reflected on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2013 would have been approximately \$96.8 million, or \$3.03 per share of our common stock. This represents an immediate increase in pro forma as adjusted net tangible book value of \$2.29 per share to our existing stockholders and an immediate dilution of \$12.97 per share to investors purchasing shares in this offering.

The following table illustrates this per share dilution in net tangible book value to new investors after giving effect to this offering:

Assumed initial public offering price per share		\$16.00
Pro forma net tangible book value per share as of December 31, 2013	\$ 0.74	
Increase in pro forma net tangible book value per share attributable to new investors	<u>2.29</u>	
Pro forma as adjusted net tangible book value per share after this offering	3.03	
Dilution per share to new investors in this offering		<u>\$12.97</u>

A \$1.00 increase (decrease) in the assumed initial public offering price of \$16.00 per share would increase (decrease) our pro forma as adjusted net tangible book value by \$5.0 million, the pro forma as adjusted net tangible book value per share after this offering by \$0.16, and the dilution per share to new investors by \$0.84, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, on a pro forma as adjusted basis as of December 31, 2013 after giving effect to (i) the automatic conversion of each outstanding share of our convertible preferred stock into one-half of a share of Class A common stock, (ii) the automatic conversion of each outstanding share of Class B common stock into one share of Class A common stock, (iii) the effectiveness of our amended and restated certificate of incorporation, providing for the conversion of our Class A common stock (including all shares of Class A common stock issued upon conversion of our convertible preferred stock and Class B common stock as described above) into a single class of common stock, (iv) the automatic conversion of an outstanding warrant exercisable for 25,174 shares of our convertible preferred stock into a warrant exercisable for 12,587 shares of common stock, (v) the net exercise of an outstanding warrant for 845,867 shares of our convertible preferred stock resulting in the issuance of 294,610 shares of common stock, based upon an assumed initial public offering price



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of \$16.00 per share (the midpoint of the price range set forth on the cover page of the prospectus), and (vi) the completion of this offering at the initial public offering price of \$16.00 per share, the midpoint of the range set forth on the cover of this prospectus, the difference between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid, before deducting underwriting discounts and commissions and estimated offering expenses:

	<u>Shares Purchased</u>		<u>Total Consideration</u>		<u>Average Price Per Share</u>
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
	<small>(in thousands, except percentages and per share data)</small>				
Existing stockholders	26,560	83.1%	\$ 66,775	43.5%	\$ 2.51
New public investors	5,417	16.9	86,669	56.5	16.00
Total	<u>31,977</u>	<u>100.0%</u>	<u>\$153,444</u>	<u>100.0%</u>	\$ 4.80

To the extent that the outstanding warrant or any of our outstanding options are exercised, investors will experience further dilution.

Except as otherwise indicated, the above discussion and tables assumes no exercise by the underwriters of their option to purchase up to an additional 1,015,649 shares from us. If the underwriters exercise their over-allotment option in full, our existing stockholders would own 80.5% and our new investors would own 19.5% of the total number of shares of our common stock outstanding upon the completion of this offering.

The number of shares of our common stock to be outstanding after this offering is based on 26,559,750 shares of our common stock outstanding as of December 31, 2013, and excludes:

- 7,584,284 shares of common stock issuable upon exercise of stock options outstanding at December 31, 2013 that remain outstanding as of March 18, 2014, consisting of (i) 8,359,589 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2013 with a weighted average exercise price of \$6.13 per share, less (ii) a reduction as of March 18, 2014 of 775,305 in the number of shares issuable upon exercise of stock options that were outstanding as of December 31, 2013 as a result of option exercises, forfeitures and cancellations, which will effectively be extinguished as of the date of the offering;
- 12,587 shares of common stock issuable upon exercise of an outstanding warrant with an exercise price of \$3.11 per share as of December 31, 2013 and as of March 18, 2014;
- 546,741 shares of common stock issued upon exercise of outstanding stock options between January 1, 2014 and March 18, 2014;
- 500,000 shares of common stock issuable upon the exercise of new stock options granted between January 1, 2014 and March 18, 2014 with a weighted average exercise price of \$16.22 per share;
- 2,200,371 shares of restricted stock issued between January 1, 2014 and March 18, 2014;
- 2,100,000 shares of our common stock reserved for future issuance under our 2014 Equity Incentive Plan, which takes effect upon consummation of this offering; and
- 525,000 shares of our common stock reserved for issuance under our 2014 Employee Stock Purchase Plan, which also takes effect as of the consummation of this offering.

Our 2014 Equity Incentive Plan and our 2014 Employee Stock Purchase Plan also provide for automatic annual increases in the number of shares reserved thereunder as more fully described in “Executive Compensation – Employee Benefit Plans.”

**SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

The following table sets forth our selected consolidated historical financial and operating data for the periods indicated. The consolidated statements of operations data for the years ended December 31, 2011, 2012 and 2013 and the consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements included elsewhere in this prospectus.

The historical results presented below are not necessarily indicative of the results to be expected for any future period and our interim results are not necessarily indicative of the results to be expected for the full year or any other period. This information should be read in conjunction with “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended		
	December 31, 2011	December 31, 2012	December 31 2013
	(in thousands, except per share data)		
Revenue	\$ 37,059	\$ 57,072	\$ 83,830
Expenses:			
Costs of revenue <sup>(1)</sup>	12,893	12,367	15,358
Sales and marketing <sup>(1)</sup>	17,748	20,458	25,811
Technology and development <sup>(1)</sup>	12,496	13,115	18,615
General and administrative <sup>(1)</sup>	8,926	12,331	27,926
Total expenses	<u>52,063</u>	<u>58,271</u>	<u>87,710</u>
Loss from operations	(15,004)	(1,199)	(3,880)
Other expense, net	269	1,029	5,122
Loss before income taxes	(15,273)	(2,228)	(9,002)
Provision for income taxes	136	134	247
Net loss	\$ (15,409)	\$ (2,362)	\$ (9,249)
Cumulative preferred stock dividends <sup>(2)</sup>	(4,244)	(4,255)	(4,244)
Net loss attributable to common stockholders	<u>\$ (19,653)</u>	<u>\$ (6,617)</u>	<u>\$ (13,493)</u>
Basic and diluted net loss per share attributable to common stockholders <sup>(3)(4)</sup>	<u>\$ (1.95)</u>	<u>\$ (0.60)</u>	<u>\$ (1.17)</u>
Basic and diluted weighted-average shares used to compute net loss per share attributable to common stockholders <sup>(4)</sup>	<u>10,099</u>	<u>11,096</u>	<u>11,488</u>
Pro forma net loss per share—basic and diluted <sup>(3)(4)</sup>			<u>\$ (0.20)</u>
Pro forma weighted-average common shares outstanding—basic and diluted <sup>(4)</sup>			<u>25,898</u>

(1) Stock-based compensation expense included in our expenses was as follows:

	Year Ended		
	December 31, 2011	December 31, 2012	December 31, 2013
Cost of revenue	\$ 270	\$ 78	\$ 87
Sales and marketing	309	1,039	1,105
Technology and development	858	828	1,645
General and administrative	831	1,099	3,515
Total	<u>\$ 2,268</u>	<u>\$ 3,044</u>	<u>\$ 6,352</u>

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- (2) The holders of our convertible preferred stock are entitled to cumulative dividends prior and in preference to common stock. Because the holders of our convertible preferred stock are entitled to participate in dividends, net loss attributable to common stockholders is equal to net loss adjusted for cumulative preferred stock dividends for the period. Immediately upon the closing of this offering, each outstanding share of convertible preferred stock will be automatically converted into one-half of a share of our common stock and these holders will not be entitled to the cumulative dividends. See Note 11 to our consolidated financial statements for a description of our convertible preferred stock.
- (3) See Note 2 to our consolidated financial statements for a description of the method used to compute basic and diluted net loss per share attributable to common stockholders and pro forma basic and diluted net loss per share attributable to common stockholders.
- (4) All share, per-share and related information have been retroactively adjusted, where applicable, to reflect the impact of a 1-for-2 reverse stock split, including an adjustment to the preferred stock conversion ratio, which was effected on March 18, 2014.

## Consolidated Balance Sheet Data

	At December 31	
	2012	2013
	(in thousands)	
Cash and cash equivalents	\$ 21,616	\$ 29,956
Accounts receivable, net	\$ 67,335	\$ 94,722
Property, equipment and capitalized software, net	\$ 12,697	\$ 15,916
Total assets	\$108,014	\$149,887
Debt and capital lease obligations, current and non-current	\$ 5,215	\$ 4,181
Total liabilities	\$ 90,005	\$133,727
Convertible preferred stock	\$ 52,571	\$ 52,571
Common stockholders' deficit	\$ (34,562)	\$ (36,411)

## Operational and Financial Measures

	Year Ended		
	December 31, 2011	December 31, 2012	December 31, 2013
Operational Measures:			
Managed revenue (in thousands)	\$ 238,838	\$ 338,918	\$ 485,080
Paid impressions (in billions)	980	1,431	1,336
Average CPM	\$ 0.24	\$ 0.24	\$ 0.36
Take rate	15.5%	16.8%	17.3%
Financial Measures:			
Revenue (in thousands)	\$ 37,059	\$ 57,072	\$ 83,830
Adjusted EBITDA (in thousands)	\$ (6,698)	\$ 9,205	\$ 11,223

### Managed Revenue

Managed revenue is an operational measure that represents the advertising spending transacted on our platform, and would represent our revenue if we were to record our revenue on a gross basis instead of a net basis. Managed revenue does not represent revenue reported on a GAAP basis. We review managed revenue for internal management purposes to assess market share and scale. Many companies in our industry record revenue on a gross basis, so tracking our managed revenue allows us to compare our results to the results of those companies. Our managed revenue is influenced by the volume and characteristics of paid impressions, and average CPM.

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### ***Paid Impressions***

We define a paid impression as an impression sold to an advertiser and subsequently displayed on a website or mobile application, which is transacted via our platform through either direct or indirect relationships between us and buyers and sellers or between buyers and sellers directly. We use paid impressions as one measure to assess the performance of our platform, including the effectiveness and efficiency at which buyers and sellers are trading via our platform and using our solution, and to assist us in tracking our revenue generating performance and operational efficiencies. The number of paid impressions may fluctuate based on various factors, including the number and spend of buyers using our solution, the number of sellers, their allocation of advertising inventory using our solution, our traffic control initiatives and the seasonality in our business. Because of the volatility of this metric, we believe that paid impressions are useful to review on an annual basis.

### ***Average CPM***

Pricing is generally expressed as average cost per thousand impressions, or “average CPM.” Average CPM is an operational measure that represents the average price at which paid impressions are sold. We review average CPM for internal management purposes to assess buyer spend, liquidity in the marketplace, inventory quality and integrity of our algorithms. Average CPM may be influenced by our inventory placements and demand for such inventory facilitated by our relationships with both buyers and sellers, as well as by a variety of other factors, including the precision of matching of an advertisement to an audience, changes in our algorithms, seasonality, quality of inventory provided by sellers, penetration of various channels and advertising units and changes in buyer spend levels. We expect average CPM to increase with the continued adoption of our solution by premium buyers and sellers, resulting in a higher quantity of premium advertising inventory available to advertisers. Because of the volatility of this metric, we believe that average CPM is useful to review on an annual basis. We compute average CPM by dividing managed revenue by total paid impressions and multiplying by 1,000.

### ***Take Rate***

Take rate is an operational measure that represents our share of managed revenue. We review take rate for internal management purposes to assess the development of our marketplace with buyers and sellers. Our take rate can be affected by a variety of factors, including the terms of our arrangements with buyers and sellers active on our platform in a particular period, the scale of a buyer or seller’s activity on our platform, the implementation of new products, platforms and solution features, and the overall development of the digital advertising ecosystem.

### ***Adjusted EBITDA***

Adjusted EBITDA is a non-GAAP financial measure defined by us as net loss adjusted for stock-based compensation expense, depreciation and amortization, interest (income) expense, net, change in fair value of convertible preferred stock warrant liabilities, and other income or expense, net, which mainly consists of foreign exchange gains and losses, net, certain other non-recurring income or expenses such as acquisition and related costs, and provision for income taxes. Adjusted EBITDA should not be considered as an alternative to net income, operating income or any other measure of financial performance calculated and presented in accordance with GAAP. Adjusted EBITDA eliminates the impact of items that we do not consider indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reason we consider them appropriate. We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company’s operating performance without regard to items such as stock-based compensation expense, depreciation and amortization, interest (income) expense, net, change in fair value of preferred stock warrant liabilities, foreign exchange gains and losses, net, certain other non-recurring income or expenses such

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as acquisition and related costs, and provision for income taxes that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;

- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance;
- Adjusted EBITDA is sometimes used by the compensation committee of our board of directors in connection with the determination of compensation for our executive officers; and
- Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

- Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; Adjusted EBITDA does not reflect any cash requirements for these replacements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense; and
- Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of net loss, the most comparable GAAP measure, to Adjusted EBITDA for each of the periods indicated:

	Year Ended		
	December 31, 2011	December 31, 2012	December 31, 2013
	(in thousands)		
Financial Measure:			
Net loss	\$ (15,409)	\$ (2,362)	\$ (9,249)
Add back (deduct):			
Depreciation and amortization expense	5,538	6,857	8,438
Stock-based compensation expense	2,268	3,044	6,352
Acquisition and related items	500	503	313
Interest (income) expense, net	252	343	273
Change in fair value of preferred stock warrant liabilities	304	515	4,121
Foreign currency (gain) loss, net	216	171	728
Other income	(503)	—	—
Provision for income taxes	136	134	247
Adjusted EBITDA	<u>\$ (6,698)</u>	<u>\$ 9,205</u>	<u>\$ 11,223</u>

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

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the related notes to the consolidated financial statements included later in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs and expectations that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors" and "Special Note Regarding Forward-Looking Statements."*

### Overview

We are a technology company on a mission to automate the buying and selling of advertising. Our Advertising Automation Cloud is a highly scalable software platform that powers and optimizes a leading marketplace for the real time trading of digital advertising between buyers and sellers. Through the speed and big data analytics of our algorithm-based solution, we have transformed the cumbersome, complex process of buying and selling digital advertising into a seamless automated process that optimizes results for both buyers and sellers. Buyers of digital advertising use our platform to reach 97% of Internet users in the United States and over 600 million Internet users globally on some of the world's leading websites and applications. Sellers of digital advertising use our platform to maximize revenue from advertising, decrease costs and protect their brands and user experience, while accessing a global market of buyers representing over 100,000 brands since our inception. The benefits we provide to both buyers and sellers, and the time and effort spent by both buyers and sellers to integrate with our platform and associated applications, give us a critical position in the digital advertising ecosystem.

Our Advertising Automation Cloud incorporates proprietary machine-learning algorithms, sophisticated data processing, high volume storage, detailed analytics capabilities, and a distributed infrastructure. We analyze billions of data points in real time to enable our solution to make approximately 300 data-driven decisions per transaction in milliseconds, and to execute up to 2.5 million peak queries per second, approximately 25 billion transactions per week and 3 trillion bid requests per month. Our Advertising Automation Cloud features applications for digital advertising sellers, including websites, applications and other digital media properties, to sell their advertising inventory; applications for buyers, including demand side platforms, or DSPs, ad networks and advertising agencies, to buy advertising inventory; and an exchange over which such transactions are executed. Together, these features power and optimize a comprehensive, transparent, independent advertising marketplace that brings buyers and sellers together and facilitates intelligent decision-making and automated transaction execution for the advertising inventory we manage on our platform. We believe we help increase the volume and effectiveness of advertising, increasing revenue for sellers and improving return on advertising investment for buyers.

We have direct relationships built on technical integration with over 700 sellers of digital advertising, including approximately 40% of the U.S. comScore 100. We believe that our direct relationships and integration with sellers, which differentiate us from many other participants in the advertising ecosystem, make us a vital participant in the digital advertising industry. Our integration of sellers into our platform gives sellers the ability to monetize a full variety and volume of inventory. At the same time, buyers leverage our platform to manage their advertising spending, simplify order management and campaign tracking, obtain actionable insights into audiences for their advertising and access impression level purchasing from hundreds of sellers. We believe buyers need our platform because of our powerful solution and our direct relationships and integration with some of the world's largest websites and applications. Our solution is constantly self-optimizing based on our ability to analyze and learn from vast volumes of data. The additional data we obtain from the volume of transactions on our platform help make our machine-learning algorithms more intelligent, leading to higher quality matching

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between buyers and sellers, better return on investment for buyers and higher revenue for sellers. As a result of that high quality matching, we attract even more sellers which in turn attracts more buyers and vice versa. We believe this self-reinforcing dynamic creates a strong platform for growth. The historical and real time data we derive from the over 700 seller integrations, 25 billion transactions per week, 3 trillion bid requests per month and 600 million Internet users globally that interact with our platform per month inform our machine-learning algorithms and thereby create a size, scale and capability that is difficult to replicate.

Since our incorporation in April 2007, we have invested in our solution to meet the complex needs of buyers and sellers of digital advertising. We have achieved significant growth as we have scaled our solution, including the functionality of our Advertising Automation Cloud and its applications for buyers and sellers. During our early stages, our solution helped sellers to automate their existing advertising network relationships to match the right buyer with each impression as well as increase their revenue and decrease their costs. Between 2008 and 2009, we developed direct relationships with buyers and created applications to assist buyers to increase their return on investment. During 2010, we added real time bidding, or "RTB," capabilities, allowing sellers' inventory to be sold in an auction to buyers, specifically, DSPs, creating a real time unified auction where buyers compete to purchase sellers' advertising inventory. During 2012, we launched our private marketplace, which allows sellers to connect directly with pre-approved buyers to execute direct sales of previously unsold advertising inventory.

The automation of buying and selling of advertising, and in particular, RTB, has grown significantly and is projected to continue to grow. According to IDC, RTB spending was \$2.7 billion in 2012, \$4.5 billion in 2013 and is expected to reach \$20.8 billion by 2017. We believe this trend will directly benefit us and our prospects for continued growth.

Large agencies, DSPs and ad networks, many of which are already established in size and scale, compose the majority of automated digital advertising spend. Accordingly, we believe our growth will be less affected by an increase in buyers than by increases in the amount of spend per buyer as more advertising shifts from traditional to automated buying and selling. We currently have over 700 sellers on our platform and believe that growth in the number of sellers may contribute to a larger marketplace and increased advertising spending.

Another industry trend is the expansion of automated buying and selling of advertising through new channels, such as mobile, and the expansion to new advertising units, such as video. We have only recently expanded our solution to include the mobile platform and have not yet expanded our advertising units to include video. If we are unable to effectively expand our offerings in these areas, our competitive position may weaken and our growth may be adversely affected. The growth of automated buying and selling advertising is also expanding into new markets, and in some markets the adoption of automated digital advertising is greater than in the United States. We intend to expand our business in existing territories served as well as new territories. If we are unable to localize our offerings and provide our solution in new territories, our growth may be impeded and our competitive position may weaken.

In addition to our continuous investment in our solution, we have incorporated functionalities into our solution through acquisitions. In 2009, we acquired Others Online, Inc., a digital advertising analytics company. In 2010 we acquired SiteScout Corporation, a malware and advertisement protection software company for digital display advertising. Also in 2010, we acquired Fox Audience Network, Inc., an advertising technology platform company, from News Corporation. In May 2012, we acquired MobSmith, Inc., a technology company focused on delivery of advertisements to mobile devices.

We generate revenue from buyers and sellers who use our solution for the purchase and sale of advertising inventory. Buyers use our solution to reach their intended audiences by purchasing advertising inventory that we make available from sellers through our solution. We recognize revenue upon the completion of a transaction, which is when an impression has been delivered to the consumer viewing a website or application, subject to satisfying all other revenue recognition criteria. We are responsible for the completion of the transaction. We bill

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and collect the full purchase price of impressions from buyers. We report revenue net of amounts we pay sellers for the impressions they provide. In some cases, we generate revenue directly from sellers who maintain the primary relationship with buyers and utilize our solution to transact and optimize their activities.

For the years ended December 31, 2011, 2012 and 2013 our revenue was \$37.1 million, \$57.1 million, and \$83.8 million, respectively, representing a year over year increase of 54% and 47% during 2012 and 2013, respectively. For the years ended December 31, 2011, 2012 and 2013, our net loss was \$15.4 million, \$2.4 million and \$9.2 million, respectively. For the years ended December 31, 2011, 2012 and 2013 our Adjusted EBITDA was \$(6.7) million, \$9.2 million and \$11.2 million, respectively. Adjusted EBITDA is a non-GAAP financial measure. For information on how we compute Adjusted EBITDA, and a reconciliation of Adjusted EBITDA to net loss on a GAAP basis, please refer to “Selected Consolidated Financial and Other Data.”

Substantially all of our revenue is U.S. revenue, determined based on the location of our legal entity that is a party to the relevant transaction.

### Key Operational and Financial Measures

We regularly review our key operational and financial performance measures, including those set forth below, to help us evaluate our business, measure our performance, identify trends affecting our business, establish budgets, measure the effectiveness of investments in our technology and development and sales and marketing, and assess our operational efficiencies. In addition to revenue, we also review managed revenue, and Adjusted EBITDA, which are discussed immediately following the table below. Revenue is discussed under the headings “—Components of Our Results of Operations” and “—Results of Operations.” We report our financial results as one operating segment. Our consolidated operating results, together with the following operating and financial measures, are regularly reviewed by our chief operating decision maker, principally to make decisions about how we allocate our resources and to measure our consolidated operating performance.

	Year Ended		
	December 31, 2011	December 31, 2012	December 31, 2013
Operational Measures:			
Managed revenue (in thousands)	\$ 238,838	\$ 338,918	\$ 485,080
Paid impressions (in billions)	980	1,431	1,336
Average CPM	\$ 0.24	\$ 0.24	\$ 0.36
Take rate	15.5%	16.8%	17.3%
Financial Measures:			
Revenue (in thousands)	\$ 37,059	\$ 57,072	\$ 83,830
Adjusted EBITDA (in thousands)	\$ (6,698)	\$ 9,205	\$ 11,223

### Managed Revenue

Managed revenue is an operational measure that represents the advertising spending transacted on our platform, and would represent our revenue if we were to record our revenue on a gross basis instead of a net basis. Managed revenue does not represent revenue reported on a GAAP basis. We review managed revenue for internal management purposes to assess market share and scale. Many companies in our industry record revenue on a gross basis, so tracking our managed revenue allows us to compare our results to the results of those companies. Our managed revenue is influenced by the volume and characteristics of paid impressions and average CPM.

Our managed revenue has increased period over period as a result of increased adoption of our solution by buyers and sellers and increases in average CPM. We expect managed revenue to continue to grow with



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increases in the volume of transactions on our platform or pricing, which can result from increases in the number of buyers or in advertising spending, and improvements in our auction algorithms. This increase may fluctuate due to seasonality and increases or decreases in average CPM and paid impressions. In addition, we generally experience higher managed revenue during the fourth quarter of a given year, resulting from higher advertising spending and more bidding activity, which may drive higher volumes of paid impressions or average CPMs.

### ***Paid Impressions***

We define a paid impression as an impression sold to an advertiser and subsequently displayed on a website or mobile application, which is transacted via our platform through either direct or indirect relationships between us and buyers and sellers or between buyers and sellers directly. We use paid impressions as one measure to assess the performance of our platform, including the effectiveness and efficiency at which buyers and sellers are trading via our platform and using our solution, and to assist us in tracking our revenue generating performance and operational efficiencies. The number of paid impressions may fluctuate based on various factors, including the number and spend of buyers using our solution, the number of sellers, their allocation of advertising inventory using our solution, our traffic control initiatives and the seasonality in our business. Because of the volatility of this metric, we believe that paid impressions are useful to review on an annual basis.

### ***Average CPM***

Pricing is generally expressed as average cost per thousand impressions, or “average CPM.” Average CPM is an operational measure that represents the average price at which paid impressions are sold. We review average CPM for internal management purposes to assess buyer spend, liquidity in the marketplace, inventory quality and integrity of our algorithms. Average CPM may be influenced by our inventory placements and demand for such inventory facilitated by our relationships with both buyers and sellers, as well as by a variety of other factors, including the precision of matching of an advertisement to an audience, changes in our algorithms, seasonality, quality of inventory provided by sellers, penetration of various channels and advertising units and changes in buyer spend levels. We expect average CPM to increase with the continued adoption of our solution by premium buyers and sellers, resulting in a higher quantity of premium advertising inventory available to advertisers. Because of the volatility of this metric, we believe that average CPM is useful to review on an annual basis. We compute average CPM by dividing managed revenue by total paid impressions and multiplying by 1,000.

### ***Take Rate***

Take rate is an operational measure that represents our share of managed revenue. We review take rate for internal management purposes to assess the development of our marketplace with buyers and sellers. Our take rate can be affected by a variety of factors, including the terms of our arrangements with buyers and sellers active on our platform in a particular period, the scale of a buyer or seller’s activity on our platform, the implementation of new products, platforms and solution features, and the overall development of the digital advertising ecosystem.

### ***Adjusted EBITDA***

Adjusted EBITDA is a non-GAAP financial measure defined by us as net loss adjusted for stock-based compensation expense, depreciation and amortization, interest (income) expense, net, change in fair value of convertible preferred stock warrant liabilities, and other income or expense, net, which mainly consists of foreign exchange gains and losses, net, certain other non-recurring income or expenses such as acquisition and related costs, and provision for income taxes. Our Adjusted EBITDA will be impacted by the rate at which our revenues increase and the timing of our investments in our operations. Please see “Selected Consolidated Financial and Other Data—Financial Measure” for information regarding the limitations of using Adjusted EBITDA as a financial measure and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated in accordance with GAAP.

## Components of Our Results of Operations

### *Revenue*

We generate revenue from buyers and sellers who use our solution for the purchase and sale of advertising inventory. Buyers use our solution to reach their intended audiences by buying advertising inventory that we make available from sellers through our solution. Our solution enables buyers and sellers to purchase and sell advertising inventory, matches buyers and sellers and establishes rules and parameters for open and transparent auctions of advertising inventory. We recognize revenue upon the completion of a transaction, that is, when an impression has been delivered to the consumer viewing a website or application, subject to satisfying all other revenue recognition criteria. We are responsible for the completion of the transaction. We generally bill and collect the full purchase price of impressions from buyers. We report revenue net of amounts we pay sellers for the impressions they provide. In some cases, we generate revenue directly from sellers who maintain the primary relationship with buyers and utilize our solution to transact and optimize their activities. Our accounts receivable are recorded at the amount of gross billings to buyers, net of allowances, for the amounts we are responsible to collect, and our accounts payable are recorded at the net amount payable to sellers. Accordingly, both accounts receivable and accounts payable appear large in relation to revenue reported on a net basis.

Our revenue, cash flow from operations, operating results and key operational and financial performance may vary from quarter to quarter due to the seasonal nature of advertiser spending or from other events that cause a spike in advertising activity. For example, many advertisers devote a disproportionate amount of their advertising budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing. Moreover, advertising inventory in the fourth quarter may be more expensive due to increased demand. Historically, the fourth quarter of the year reflects our highest level of revenue, and the first quarter reflects the lowest level of our revenue.

We expect revenue to continue to grow. However, revenue may be impacted by seasonality, the amounts we pay sellers and other factors such as changes in the market, our execution of the business, and competition.

Our revenue recognition policies are discussed in more detail under “—Critical Accounting Policies and Estimates.”

### *Expenses*

We classify our expenses into the following four categories:

*Cost of Revenue.* Our cost of revenue consists primarily of data center costs, bandwidth costs, depreciation expense of hardware supporting our revenue producing platform, amortization of software costs for the development of our revenue producing platform, amortization expense associated with acquired developed technologies, personnel costs, and facilities related costs. Personnel costs include salaries, bonuses, stock-based compensation, and employee benefit costs, and are primarily attributable to personnel in our network operations group, who support our platform. We capitalize costs associated with software that is developed or obtained for internal use and amortize the costs associated with our revenue producing platform in cost of revenue over their estimated useful lives. Many of these expenses are fixed and do not increase or decrease proportionately with increases or decreases in our revenue. We expect cost of revenue to increase as we continue to invest additional capital into our data centers, hire additional personnel to continue to build and maintain our data centers, and invest in our internal use software. As a percentage of revenue, cost of revenue may fluctuate based on revenue levels and the timing of these investments.

*Sales and Marketing.* Our sales and marketing expenses consist primarily of personnel costs, including stock-based compensation and the sales bonuses paid to our sales organization, and marketing expenses such as brand marketing, travel expenses, trade shows and marketing materials, professional services, and to a lesser extent, facilities related costs, and depreciation and amortization. Our sales organization focuses on marketing

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our solution to increase the adoption of our solution by existing and new buyers and sellers. We are also focused on expanding our international business, primarily by growing our sales team in certain countries in which we currently operate and establishing a presence in additional countries. As a result, we expect sales and marketing expenses to increase in absolute dollars in future periods. Sales and marketing expense as a percentage of revenue may fluctuate from period to period based on revenue levels and the timing of our investments in our sales and marketing functions as these investments may vary in scope and scale over periods and are impacted by the seasonality in our industry and business.

*Technology and Development.* Our technology and development expenses consist primarily of personnel costs, including stock-based compensation, and professional services, associated with the ongoing development and maintenance of our solution, and to a lesser extent, facilities related costs, and depreciation and amortization. These expenses include costs incurred in the development, implementation and maintenance of internal use software, including platform and related infrastructure. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with internal use software development that qualifies for capitalization which are then recorded as internal use software development costs, net on our consolidated balance sheet. We amortize internal use software development costs that relate to our revenue producing activities or our platform to cost of revenue and amortize other internal use software development costs to technology and development costs or general and administrative expenses, depending on the nature of the related project. We believe that continued investment in our solution, including its technologies and functionalities, is critical to attaining our strategic objectives and long-term growth. We therefore expect technology and development expense to increase as we continue to invest in technology infrastructure to support an increased volume of advertising spending on our platform and international expansion, as well as to expand our engineering and technology teams to maintain and support our technology and development efforts. We also intend to invest in technology and development to enhance our solution, including in new and enhanced technologies and functionalities, and to further automate our business processes. Technology and development expense as a percentage of revenue may fluctuate from period to period based on revenue levels and the timing of these investments.

*General and Administrative.* Our general and administrative expenses consist primarily of personnel costs, including stock-based compensation, associated with our executive, finance, legal, human resources, compliance and other administrative personnel, as well as accounting and legal professional services fees, facilities related costs and depreciation, and other corporate related expenses. General and administrative expenses also include amortization of internal use software development costs that relate to general and administrative functions. We expect to continue to invest in corporate infrastructure and incur additional expenses associated with transition and operation as public company, including increased legal and accounting costs, investor relations costs, higher insurance premiums and compliance costs associated with developing the requisite infrastructure required to comply with Section 404 in the future. As a result, we expect general and administrative expenses to increase in absolute dollars in future periods.

### ***Other Expense, Net***

*Interest (Income) Expense, Net.* Interest expense is mainly related to our credit facilities and capital lease arrangements. Interest income consists of interest earned on our money market accounts and was insignificant during the years ended December 31, 2011, 2012 and 2013.

*Change in Fair Value of Convertible Preferred Stock Warrant Liability.* We have two outstanding warrants to purchase shares of our preferred stock. The convertible preferred stock warrants are subject to re-measurement to fair value at each balance sheet date, and any change in fair value is recognized as a component of other expense, net. In connection with the closing of this offering, the warrants will either expire, be exercised for shares of common stock or convert into warrants to purchase shares of common stock and we will no longer be required to re-measure the converted common stock warrants to fair value.

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*Foreign Currency Exchange (Gain) Loss, Net.* Foreign currency exchange (gain) loss, net consists primarily of gains and losses on foreign currency transactions. We have foreign currency exposure related to our accounts receivable and accounts payable that are denominated in currencies other than the U.S. Dollar, principally the British Pound and Euro.

### Provision for Income Taxes

Provision for income taxes consists primarily of federal, state and foreign income taxes. Due to uncertainty as to the realization of benefits from our domestic deferred tax assets, including net operating loss carryforwards and research and development tax credits, we have a full valuation allowance reserved against such assets. We expect to maintain this full valuation allowance in the near term.

### Results of Operations

The following tables set forth our consolidated results of operations and our consolidated results of operations as a percentage of revenue for the periods presented.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands)		
Revenue	\$ 37,059	\$57,072	\$83,830
Expenses:			
Costs of revenue	12,893	12,367	15,358
Sales and marketing	17,748	20,458	25,811
Technology and development	12,496	13,115	18,615
General and administrative	8,926	12,331	27,926
Total expenses	52,063	58,271	87,710
Loss from operations	(15,004)	(1,199)	(3,880)
Other expense, net	269	1,029	5,122
Loss before income taxes	(15,273)	(2,228)	(9,002)
Provision for income taxes	136	134	247
Net loss	<u>\$ (15,409)</u>	<u>\$ (2,362)</u>	<u>\$ (9,249)</u>
	December 31,*		
	2011	2012	2013
Revenue	100%	100%	100%
Cost of revenue	35	22	18
Sales and marketing	48	36	31
Technology and development	34	23	22
General and administrative	24	22	33
Total expenses	140	102	105
Loss from operations	(40)	(2)	(5)
Other expense, net	1	2	6
Loss before income taxes	(41)	(4)	(11)
Provision for income taxes	—	—	—
Net loss	<u>(42)%</u>	<u>(4)%</u>	<u>(11)%</u>

\* Certain figures may not sum due to rounding.

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[Table of Contents](#)**Comparison of the Years Ended December 31, 2011, 2012 and 2013****Revenue**

	Year Ended December 31,		
	2011	2012	2013
	(in thousands)		
Revenue	\$37,059	\$57,072	\$83,830

Revenue increased \$26.8 million, or 47%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase in revenue was due to an increase in the amount of advertising spending on our platform during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily attributable to an increase of \$0.12, or 50%, in average CPM during the year ended December 31, 2013 compared to the year ended December 31, 2012, representing an increase in revenue of approximately \$30.5 million after consideration of our take rate. This increase in average CPM during the period was due to better targeting and other improved capabilities of our solution and, to a lesser extent, to an increase in the value of advertising inventory available from sellers. The increase in average CPM was partially offset by a decrease of 7% in paid impressions during the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily attributable to our traffic quality control initiatives to maintain a high standard of quality advertising inventory and reduce lower quality traffic. These efforts resulted in a decrease in overall advertising inventory. The decrease in paid impressions reduced revenue by approximately \$3.8 million after consideration of our take rate. The overall increase in revenue during the period reflects the continued adoption of our solution by buyers and sellers and the increasing efficiency and effectiveness of our solution.

Revenue increased \$20.0 million, or 54%, during the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to an increase of 451 billion, or 46%, in paid impressions transacted on our platform during the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase in paid impressions was primarily attributable to increased bidding from buyers due to better matching, seller security features and other capabilities offered by our solution, in addition to the continued adoption of our solution by buyers and sellers and the increasing efficiency and effectiveness of our matching capabilities. Our take rate increased to 16.8% in 2012 from 15.5% in 2011, primarily due to the implementation and increased adoption of our real-time bidding and matching auctions.

**Cost of Revenue**

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except percentages)		
Costs of revenue	\$12,893	\$12,367	\$15,358
Percent of revenue	35%	22%	18%

Cost of revenue increased by \$3.0 million, or 24%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily due to an increase in data center, hosting, and bandwidth costs of \$1.4 million, an increase of \$1.1 million in depreciation and amortization expense, including amortization of capitalized internal use software, and an increase in personnel costs of \$0.4 million, each during the year ended December 31, 2013 compared to the year ended December 31, 2012. The increases in data center, hosting, and bandwidth costs were primarily attributable to data center locations added during the year ended December 31, 2013 in order to support the increase in bidding volume on our platform and resulting additional hardware, software, and maintenance expenses. The increase in depreciation and amortization was primarily attributable to increase in depreciation of computer equipment and network hardware and amortization of capitalized internal use software due to our continued investment in our revenue producing platform. The increase in personnel costs was primarily driven by increased headcount in order to support our growth. Average headcount attributable to cost of revenue increased by 34% during the year ended December 31, 2013 compared

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to the year ended December 31, 2012. The amortization of capitalized internal use software reflected in cost of revenue was \$1.9 million and \$2.6 million for the years ended December 31, 2012 and 2013, respectively.

Cost of revenue decreased by \$0.5 million, or 4%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. This decrease resulted primarily from data center consolidation and lease renegotiation, resulting in a decrease in data center, hosting, and bandwidth costs of \$1.1 million. This decrease was partially offset by a \$0.9 million increase in depreciation and amortization, mainly attributable to an increase in amortization of capitalized internal use software due to our continued investment in our revenue producing platform.

### *Sales and Marketing*

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except percentages)		
Sales and marketing	\$17,748	\$20,458	\$25,811
Percent of revenue	48%	36%	31%

Sales and marketing expense increased by \$5.4 million, or 26%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily due to an increase in personnel expenses, including stock-based compensation, of \$3.4 million and, to a lesser extent, an increase in marketing expenses of \$0.9 million mainly related to our participation in industry events and tradeshows and related public relations activities. The increase in personnel expense was primarily due to an increase in sales and marketing headcount. Our sales and marketing headcount increased in order to support our sales efforts and continue to develop and maintain relationships with buyers and sellers, as well as to provide information to the market with respect to our solution. Average sales and marketing headcount increased by 20% during the year ended December 31, 2013 compared to the year ended December 31, 2012.

Sales and marketing expense increased by \$2.7 million, or 15%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase was primarily due to an increase in personnel expenses, including stock-based compensation, of \$1.4 million, due to an increase in headcount to support our sales and marketing efforts. Our sales and marketing headcount increased in order to support our sales efforts and continue to develop and maintain relationships with buyers and sellers, as well as to provide information to the market with respect to our solution. Average sales and marketing headcount increased by 36% during the year ended December 31, 2011 compared to the year ended December 31, 2012. In addition, marketing and promotional expenses increased by \$0.4 million, mainly related to our participation in industry events and sponsorships and tradeshows.

Overall sales and marketing expenses increased due to our continued focus on marketing our platform and solution to increase the adoption of our platform and our solution by existing and new buyers and sellers, and to establish a presence in international markets.

### *Technology and Development*

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except percentages)		
Technology and development	\$12,496	\$13,115	\$18,615
Percent of revenue	34%	23%	22%

Technology and development expense increased by \$5.5 million, or 42%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily due to an increase in personnel expense of \$4.7 million, including an increase in stock-based compensation of \$0.8 million. The increase in personnel expense was primarily due to an increase in headcount, which reflects our continued hiring of engineers to maintain and support our technology and development efforts. Average technology and development headcount increased by 28% during the year ended December 31, 2013 compared to the year ended

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December 31, 2012. Stock-based compensation increased due to grants to new hires and higher average per share values of stock-based awards driven by the increased fair value of our stock.

Technology and development expense increased by \$0.6 million, or 5%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase was primarily due to an increase in depreciation and amortization of \$0.3 million.

We capitalize a portion of our technology and development cost for the development of internal use software. The capitalized amounts related to our revenue producing platform are amortized to cost of revenue, amounts related to general and administrative functions are amortized to general and administrative expense, and the remainder of the capitalized amounts are amortized to technology and development. The timing of our capitalizable development and enhancement projects may affect the amount of development costs expensed in any given period. We capitalized \$3.2 million, \$3.9 million and \$4.1 million of costs, primarily labor costs, during the years ended December 31, 2011, 2012 and 2013, respectively.

### *General and Administrative*

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except percentages)		
General and administrative	\$8,926	\$12,331	\$27,926
Percent of revenue	24%	22%	33%

General and administrative expense increased by \$15.6 million, or 126%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase was primarily due to an increase in personnel expense of \$8.4 million, including an increase in stock-based compensation of \$2.4 million, and an increase in professional services of \$5.2 million. The increase in personnel costs was driven primarily by increased headcount to support our growth. Average general and administrative headcount increased by 55% from December 31, 2012 to December 31, 2013. Stock-based compensation increased due to grants to new hires and higher average per share values of stock-based awards driven by the increased fair value of our stock. The increase in third-party professional services was related to accounting, audit, tax and legal services as we continued to invest in our infrastructure, processes and controls to support our growth and in preparation for this offering and becoming a public company.

General and administrative expense increased by \$3.4 million, or 38%, during the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase was primarily due to an increase in personnel expense, including stock-based compensation, of \$1.2 million and an increase in third-party professional services of \$0.7 million. The increase in personnel costs was driven primarily by increased headcount. Average general and administrative headcount increased by 39% from December 31, 2011 to December 31, 2012. The increase in third-party professional services was related to accounting and legal services as we continued to invest in our infrastructure.

### *Other Expense, Net*

	Year Ended December 31,		
	2011	2012	2013
	(in thousands)		
Interest (income) expense, net	\$ 252	\$ 343	\$ 273
Change in fair value of convertible preferred stock warrant liabilities	304	515	4,121
Foreign exchange (gain) loss, net	216	171	728
Other income	(503)	—	—
Total other expense, net	<u>\$ 269</u>	<u>\$1,029</u>	<u>\$5,122</u>

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The increase in other expense, net of \$4.1 million, during the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily related to the increase of \$3.6 million in the fair value of our convertible preferred stock warrant liabilities due to the increase in the valuation of our preferred stock from December 31, 2012 to December 31, 2013, and an increase in losses of \$0.6 million on foreign currency transactions mainly related to increased volume on foreign denominated transactions and fluctuations in the British Pound in relation to the U.S. Dollar from January 1, 2013 to December 31, 2013.

The increase in other expense, net of \$0.8 million during the year ended December 31, 2012 compared to the year ended December 31, 2011, relates to an increase of \$0.2 million in the fair value of our convertible preferred stock warrant liabilities, decrease of \$0.5 million in other income, and increase of \$0.1 million in interest (income) expense, net, partially offset by a decrease in losses of \$45,000 on foreign currency transactions. The increase in the fair value of the convertible preferred stock warrant liabilities was due to the increase in the valuation of our preferred stock from December 31, 2011 to December 31, 2012. The decrease in losses on foreign currency transactions was mainly related to fluctuations in the British Pound and Euro in relation to the U.S. Dollar from January 1, 2011 to December 31, 2012. During the year ended December 31, 2011, we recorded other income related to software development we performed for a third party, which was unrelated to our core operations.

***Provision for Income Taxes***

Our provision for income taxes during the years ended December 31, 2011, 2012 and 2013 of \$0.1 million, \$0.1 million and \$0.2 million, respectively, was primarily related to taxes due in foreign jurisdictions.

At December 31, 2013, we had U.S. federal net operating loss carryforwards, or NOLs, of approximately \$36.7 million, which will begin to expire in 2027. At December 31, 2013, we had state NOLs of approximately \$43.3 million, which will also begin to expire in 2027. At December 31, 2013, we had federal research and development tax credit carryforwards, or credit carryforwards, of approximately \$3.0 million, which will begin to expire in 2027. At December 31, 2013, we had state research and development tax credits of approximately \$2.4 million, which carryforward indefinitely. Utilization of certain NOLs and credit carryforwards may be subject to an annual limitation due to ownership change limitations set forth in the Code and similar state provisions. Any future annual limitation may result in the expiration of NOLs and credit carryforwards before utilization. A prior ownership change and certain acquisitions resulted in us having NOLs subject to insignificant annual limitations.



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**Quarterly Results of Operations and Key Operational and Financial Measures**

The following tables set forth our quarterly unaudited consolidated statements of operations data in dollars and as a percentage of total revenue for each of the eight quarters in the period ended December 31, 2013. We have prepared the quarterly unaudited consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included elsewhere in this prospectus. In the opinion of management, the financial information in these tables reflects all adjustments, consisting only of normal recurring adjustments, which management considers necessary for a fair statement of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. The results of historical periods are not necessarily indicative of the results for any future period.

	Three Months Ended							
	Mar. 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013
	(in thousands)							
Revenue	\$10,763	\$13,010	\$13,853	\$19,446	\$16,600	\$19,035	\$20,063	\$28,132
Expenses:								
Cost of revenue <sup>(1)</sup>	2,817	2,842	3,093	3,615	3,437	3,594	4,181	4,146
Sales and marketing <sup>(1)</sup>	4,627	5,261	4,939	5,631	6,195	6,167	6,405	7,044
Technology and development <sup>(1)</sup>	2,586	2,979	3,783	3,767	4,111	5,138	4,823	4,543
General and administrative <sup>(1)</sup>	2,405	2,718	3,355	3,853	4,634	5,726	7,603	9,963
Total expenses	<u>12,435</u>	<u>13,800</u>	<u>15,170</u>	<u>16,866</u>	<u>18,377</u>	<u>20,625</u>	<u>23,012</u>	<u>25,696</u>
Income (loss) from operations	(1,672)	(790)	(1,317)	2,580	(1,777)	(1,590)	(2,949)	2,436
Other (income) expense, net	60	277	164	528	335	452	1,922	2,413
Income (loss) before income taxes	(1,732)	(1,067)	(1,481)	2,052	(2,112)	(2,042)	(4,871)	23
Provision for income taxes	30	32	41	31	50	63	74	60
Net income (loss)	<u>\$ (1,762)</u>	<u>\$ (1,099)</u>	<u>\$ (1,522)</u>	<u>\$ 2,021</u>	<u>\$ (2,162)</u>	<u>\$ (2,105)</u>	<u>\$ (4,945)</u>	<u>\$ (37)</u>

(1) Stock-based compensation expense included in our expenses was as follows:

	Three Months Ended							
	Mar. 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013
	(in thousands)							
Cost of revenue	\$ 7	\$ 27	\$ 20	\$ 24	\$ 18	\$ 22	\$ 24	\$ 23
Sales and marketing	228	324	240	247	340	223	242	300
Technology and development	31	270	270	257	368	419	396	462
General and administrative	133	247	382	337	778	850	887	1,000
Total	<u>\$ 399</u>	<u>\$ 868</u>	<u>\$ 912</u>	<u>\$ 865</u>	<u>\$1,504</u>	<u>\$1,514</u>	<u>\$1,549</u>	<u>\$1,785</u>

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The following table sets forth our consolidated results of operations for the specified periods as a percentage of our revenue for those periods.

	Three Months Ended*							
	Mar. 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013
Revenue	100%	100%	100%	100%	100%	100%	100%	100%
Expenses:								
Cost of revenue	26	22	22	19	21	19	21	15
Sales and marketing	43	40	36	29	37	32	32	25
Technology and development	24	23	27	19	25	27	24	16
General and administrative	22	21	24	20	28	30	38	35
Total expenses	116	106	110	87	111	108	115	91
Income (loss) from operations	(16)	(6)	(10)	13	(11)	(8)	(15)	9
Other (income) expense, net	1	2	1	3	2	2	10	9
Income (loss) before income taxes	(16)	(8)	(11)	11	(13)	(11)	(24)	—
Provision for income taxes	—	—	—	—	—	—	—	—
Net income (loss)	<u>(16)%</u>	<u>(8)%</u>	<u>(11)%</u>	<u>10%</u>	<u>(13)%</u>	<u>(11)%</u>	<u>(25)%</u>	<u>—%</u>

\*Certain figures may not sum due to rounding.

### Key Operational and Financial Measures

	Three Months Ended							
	Mar. 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013
	(in thousands, except for percentages)							
Operational Measures:								
Managed revenue	\$66,296	\$76,365	\$84,137	\$112,120	\$96,359	\$112,743	\$117,554	\$158,424
Take rate	16.2%	17.0%	16.5%	17.3%	17.2%	16.9%	17.1%	17.8%
Financial Measures:								
Revenue	\$10,763	\$13,010	\$13,853	\$ 19,446	\$16,600	\$ 19,035	\$ 20,063	\$ 28,132
Adjusted EBITDA	\$ 201	\$ 1,732	\$ 1,596	\$ 5,676	\$ 1,976	\$ 2,089	\$ 632	\$ 6,526

For information on how we define operational metrics and financial measures see “—Key Operational and Financial Measures.” For more information as to the limitations of using non-GAAP measurements, see “Selected Consolidated Financial and Other Data—Operational and Financial Measures.”

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The following table presents a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated in accordance with GAAP:

	Three Months Ended							
	Mar. 31, 2012	June 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	June 30, 2013	Sept. 30, 2013	Dec. 31, 2013
(in thousands)								
Other Financial Data:								
Net income (loss)	\$(1,762)	\$(1,099)	\$(1,522)	\$2,021	\$(2,162)	\$(2,105)	\$(4,945)	\$ (37)
Add back (deduct):								
Depreciation and amortization expense	1,474	1,533	1,807	2,043	2,061	2,040	2,032	2,305
Stock-based compensation expense	399	868	912	865	1,504	1,514	1,549	1,785
Acquisition and related items	—	121	194	188	188	125	—	—
Interest (income) expense, net	82	86	90	85	91	69	69	44
Change in fair value of preferred stock warrant liabilities	27	25	35	428	549	428	1,090	2,054
Foreign currency (gain) loss, net	(49)	166	39	15	(305)	(45)	763	315
Provision for income taxes	30	32	41	31	50	63	74	60
Adjusted EBITDA	<u>\$ 201</u>	<u>\$ 1,732</u>	<u>\$ 1,596</u>	<u>\$5,676</u>	<u>\$ 1,976</u>	<u>\$ 2,089</u>	<u>\$ 632</u>	<u>\$6,526</u>

### Quarterly Trends and Seasonality

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, some of which are outside our control. We have experienced rapid growth since our incorporation in April 2007, which has resulted in a substantial increase in our revenue and a corresponding increase in our expenses to support our growth. This rapid growth has also led to variations in our overall operating results based on the timing of our investments and resulting headcount growth in sales and marketing, technology and development, and general and administrative expenses from quarter to quarter. Our historical results should not be considered a reliable indicator of our future results of operations.

Our quarterly revenue increased quarter-over-quarter for each period presented, except in the three months ended March 31, 2013 compared to the three months ended December 31, 2012. The increases in quarterly revenue are generally due to increases in the amount of advertising spending on our platform and increases in CPM. Our revenue also tends to be seasonal in nature, with the fourth quarter of each calendar year historically representing the largest percentage of our revenue for the year. Many advertisers spend the largest portion of their advertising budgets during the fourth quarter in preparation for the holiday shopping season, and as a result, we experience the impact of the increased spending from buyers in the fourth quarter, as reflected in our revenues for the three months ended December 31, 2012, and the impact of decreased spending from buyers in the first quarter, as reflected in our revenues in the three months ended March 31, 2013 as compared to the three months ended December 31, 2012.

Total expenses increased during every quarter presented in a given year, primarily due to increased expenses related to the continued expansion of, and investments in, our technical infrastructure, and expenses related to increases in employee headcount, including facilities related costs, depreciation and amortization, and stock-based compensation expense. Total expenses as a percentage of revenue may fluctuate quarter over quarter due to the timing of investments we make in our operations.

Our Adjusted EBITDA increased during the three months ended December 31, 2012 compared to three months ended March 31, 2012, June 30, 2012, and September 30, 2012 due to seasonal factors. Subsequently, due to seasonality, our Adjusted EBITDA decreased in the three months ended March 31, 2013 compared to the three months ended December 31, 2012. Our Adjusted EBITDA increased during the three months ended December 31, 2013 compared to the three months ended March 31, 2013, June 30, 2013, and September 30,

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2013, also due to seasonal factors, consistent with the trends during 2012. Our Adjusted EBITDA decreased during the three months ended September 30, 2013 compared to the three months ended June 30, 2013 primarily due to increased professional fees related to accounting, audit, tax and legal third-party services as we continued to invest in our infrastructure, processes and controls to support our growth and in preparation for this offering and becoming a public company.

### **Liquidity and Capital Resources**

Since our incorporation in April 2007, we have primarily financed our operations and capital expenditures through private sales of convertible preferred stock, our use of our credit facilities, and cash generated from operations. Between 2007 and 2010, we raised \$52.6 million from the sale of preferred stock.

At December 31, 2013, we had cash of \$30.0 million and restricted cash of \$1.7 million.

In March 2009, we entered into a credit facility with Silicon Valley Bank that provided for an asset based revolving credit facility and equipment term loan facilities. The credit facility was amended most recently in September 2013, among other changes to: increase the revolving loan commitment to \$40.0 million, subject to continuing availability under the borrowing base thereunder, which is currently based on a percentage of certain accounts receivable; eliminate the equipment term loan facilities; and extend the stated maturity date to September 27, 2018. The aggregate revolving loan commitment under the credit facility may be increased to \$70.0 million at the discretion of Silicon Valley Bank.

At December 31, 2013, we had \$3.8 million in debt obligations under this credit facility and \$36.2 million available for additional borrowings. We may prepay outstanding amounts under the credit facility without penalty and with nominal prepayment costs.

At our option, loans under the credit facility may bear interest based on either the LIBOR rate or the prime rate plus, in each case, an applicable margin. The applicable margins under the credit facility are (i) 2.00% or 3.50% per annum in the case of LIBOR rate loans, and (ii) 0.00% or 1.50% per annum in the case of prime rate loans (based on Silicon Valley Bank's net exposure to us after giving effect to unrestricted cash held at Silicon Valley Bank and its affiliates plus up to \$3.0 million held at other institutions). In addition, an unused revolver fee in the amount of 0.15% per annum of the average unused portion of the credit facility is payable by us to Silicon Valley Bank monthly in arrears.

Our credit facility restricts our ability to, among other things, sell assets, make changes to the nature of our business, engage in mergers or acquisitions, incur, assume or permit to exist additional indebtedness and guarantees, create or permit to exist liens, pay dividends, make distributions or redeem or repurchase capital stock or make other investments, engage in transactions with affiliates and make payments in respect of subordinated debt.

In addition, in the event that the amount available to be drawn is less than 20% of the maximum line amount of the credit facilities, or if an event of default exists, we are required to satisfy a minimum fixed charge coverage ratio test of 1.10 to 1.00. Currently, we would not satisfy this minimum fixed charge coverage ratio test, which is defined as a ratio of Adjusted EBITDA to the sum of interest accrual and principal payments required to be paid during the relevant measurement period. However, we meet the specified excess availability threshold, so we are not currently required to satisfy this test. At December 31, 2013 our fixed charge coverage ratio was (3.93) to 1.00.

The credit facility also includes customary representations and warranties and affirmative covenants. In addition, prior to amending our credit facility in September 2013, we were not compliant with an administrative covenant relating to the timing of delivery of audited financial statements, for which we have received waivers from Silicon Valley Bank in each instance. In addition to such other events of defaults as are customarily included in a credit facility, including a change of control default, our credit facility also includes an event of

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default in the event a material adverse change occurs (as defined in the credit facility). Following an event of default, Silicon Valley Bank would be entitled to, among other things, accelerate payment of amounts due under the credit facility and exercise all rights of a secured creditor. We were in compliance with the covenants under the credit facility at December 31, 2013.

We believe our existing cash and cash flow from operations, together with the undrawn balance under our credit facility with Silicon Valley Bank, will be sufficient to meet our working capital requirements for at least the next 12 months. However, our liquidity assumptions may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of this prospectus entitled "Risk Factors."

In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by the incurrence of indebtedness, we will be subject to increased fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors.

There can be no assurances that we will be able to raise additional capital or obtain such waivers or amendments on acceptable terms or at all, which would adversely affect our ability to achieve our business objectives. In addition, if our operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be adversely affected.

The following table summarizes our cash flows for the years presented:

	Year Ended		
	December 31, 2011	December 31, 2012	December 31, 2013
		(in thousands)	
Cash flows provided by operating activities	\$ 2,129	\$ 15,598	\$ 21,092
Cash flows used in investing activities	(8,140)	(9,030)	(11,862)
Cash flows provided by (used in) financing activities	1,327	(1,399)	(796)
Effects of exchange rates on cash	63	195	(94)
Increase (decrease) in cash and cash equivalents	<u>\$ (4,621)</u>	<u>\$ 5,364</u>	<u>\$ 8,340</u>

### ***Operating Activities***

Cash provided by operating activities is primarily influenced by increases in collections from buyers and the related payments to sellers, as well as our investment in personnel and infrastructure to support the anticipated growth of our business. Cash provided by operating activities has been further increased by changes in our working capital, particularly changes in accounts receivable and accounts payable. The timing of cash receipts from buyers and payments to sellers can significantly impact our cash provided by operations for any period presented. We typically collect from buyers in advance of payments to sellers by approximately 15 to 20 days. Our working capital cycle was relatively consistent for all periods presented. During the fourth quarter, our working capital needs may increase due to the seasonality in our business. In addition, we expect seasonality to impact cash flows provided by operating activities on a sequential quarter and quarter over quarter basis.

For the year ended December 31, 2011, cash provided by operating activities of \$2.1 million resulted from our net loss of \$15.4 million, offset by non-cash expenses of \$7.8 million and net changes in our working capital of \$9.8 million. The net change in working capital was primarily related to an increase in accounts payable and accrued expenses of approximately \$18.4 million offset by an increase in accounts receivable of approximately \$8.0 million, both due to the growth in our revenues, the timing of cash receipts from buyers and the timing of payments to sellers.

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For the year ended December 31, 2012, cash provided by operating activities of \$15.6 million resulted from our net loss of \$2.4 million, offset by non-cash expenses of \$10.2 million and net changes in our working capital of \$7.8 million. The net change in working capital was primarily related to an increase in accounts payable and accrued expenses of approximately \$32.3 million, and an increase in other liabilities of approximately \$1.7 million, offset by an increase in accounts receivable of approximately \$26.3 million, both due to the growth in our revenues, the timing of cash receipts from buyers, and the timing of payments to sellers.

For the year ended December 31, 2013, cash provided by operating activities of \$21.1 million resulted from our net loss of \$9.2 million offset by non-cash expenses of \$19.0 million and net changes in our working capital of \$11.4 million. The net change in working capital was primarily related to an increase in accounts payable and accrued expenses of approximately \$39.2 million, offset by an increase in accounts receivable of approximately \$27.1 million, due to the timing of cash receipts from buyers, the timing of payments to sellers, and the seasonality of our business.

### ***Investing Activities***

Our primary investing activities have consisted of purchases of property and equipment in support of our expanding headcount as a result of our growth, capital expenditures to develop our internal use software in support of creating and enhancing our technology infrastructure, and for cash used in acquisitions. Purchases of property and equipment may vary from period-to-period due to the timing of the expansion of our operations, the addition of headcount and the development cycles of our internal use software development costs. As our business grows, we expect our capital expenditures and our investment activity to continue to increase.

During the year ended December 31, 2011, we used \$8.1 million of cash in investing activities, consisting of \$3.7 million of investments in property and equipment, net of amounts reflected in accounts payable and accrued expenses at December 31, 2011, and \$3.2 million of investments in our internal use software. In addition, during the year ended December 31, 2011, we paid \$1.3 million that we had previously accrued related to an acquisition that occurred in 2010.

During the year ended December 31, 2012, we used \$9.0 million of cash in investing activities, consisting of \$3.7 million of investments in our internal use software and \$3.0 million of investments in property and equipment, net of amounts reflected in accounts payable and accrued expenses at December 31, 2012 and net of amounts financed through capital leases. In addition, during the year ended December 31, 2012, we used \$1.7 million for the acquisition of MobSmith, Inc., net of cash acquired. In conjunction with software license agreements, we reclassified \$0.6 million of cash to restricted cash.

During the year ended December 31, 2013, we used \$11.9 million of cash in investment activities, consisting of \$6.8 million of investments in property and equipment, \$3.9 million of investments in our internal use software, and \$1.2 million of cash reclassified to restricted cash in conjunction with our corporate office building lease. During the year ended December 31, 2013, we continued to invest in property and equipment and internal use software to support our growth and increased headcount, expand our data center capabilities, and increase the functionality of our solution. In addition, during the year ended December 31, 2013, we relocated our corporate headquarters, in connection with which we incurred additional leasehold improvement costs.

### ***Financing Activities***

Our financing activities have consisted primarily of net proceeds from the borrowings under our Silicon Valley Bank credit facility, including the equipment loans, and the issuance of shares of common stock upon the exercise of stock options.

During the year ended December 31, 2011, cash provided by financing activities of \$1.3 million was primarily due to borrowings of \$2.0 million from our equipment loans with Silicon Valley Bank and proceeds of \$0.2 million from stock option exercises, partially offset by payments of \$0.9 million on our equipment loan and capital lease obligations.

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During the year ended December 31, 2012, cash used in financing activities of \$1.4 million was primarily due to payments of \$1.5 million on our equipment loan and capital lease obligations, partially offset by proceeds of \$0.1 million from stock option exercises.

During the year ended December 31, 2013, cash used in financing activities of \$0.8 million was primarily due to payments of \$1.0 million on our equipment loan and capital lease obligations and payments of offering costs to our professional advisors of \$0.5 million related to our initial public offering, partially offset by proceeds of \$0.9 million from stock option exercises.

### **Off Balance Sheet Arrangements**

We do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We did not have any other off balance sheet arrangements at December 31, 2013 other than preferred stock cumulative dividends, the operating leases, and the indemnification agreements described below.

The holders of our convertible preferred stock are entitled to dividends when, as, and if declared by our board of directors, and prior and in preference to common stock. Unless declared, dividends are not payable except that cumulative dividends are payable in the event of the sale, liquidation, dissolution, or winding up of the company. No dividends have been declared or paid to date. Immediately upon the closing of this offering, each outstanding share of convertible preferred stock will be automatically converted into one-half of a share of our common stock and these holders will no longer be entitled to cumulative dividends. Cumulative undeclared preferred stock dividends as of December 31, 2013 were \$19.7 million.

### **Contractual Obligations and Known Future Cash Requirements**

Our principal commitments consist of obligations under our outstanding credit facility with Silicon Valley Bank, leases for our various office facilities, including our corporate headquarters in Los Angeles, California, and non-cancelable operating lease agreements with data centers that expire through 2018. In certain cases, the terms of the lease agreements provide for rental payments on a graduated basis.

The following table summarizes our contractual obligations at December 31, 2013:

	2014	2015	2016	2017	2018	Thereafter	Total
	(in thousands)						
Debt, including interest	\$ 141	\$ 141	\$ 141	\$141	\$3,893	\$ —	\$ 4,457
Capital lease obligations	299	106	—	—	—	—	\$ 405
Operating lease obligations	<u>3,867</u>	<u>2,026</u>	<u>2,320</u>	<u>110</u>	<u>—</u>	<u>—</u>	<u>\$ 8,323</u>
Total minimum payments	<u>\$4,307</u>	<u>\$2,273</u>	<u>\$2,461</u>	<u>\$251</u>	<u>\$3,893</u>	<u>\$ —</u>	<u>\$13,185</u>

Subsequent to December 31, 2013, we entered into new operating leases for office facilities in New York, Seattle and Berlin. Future non-cancelable minimum commitments relating to these operating leases totaling \$3.9 million are due from February 2014 through April 2019.

At December 31, 2013, liabilities for unrecognized tax benefits of \$1.5 million, which are attributable to U.S. income taxes, are not included in the table above because, due to their nature, there is a high degree of uncertainty regarding the time of future cash outflows and other events that extinguish these liabilities. In the ordinary course of business, we enter into agreements with sellers, buyers and other third parties pursuant to which we agree to indemnify buyers, sellers, vendors, lessors, business partners, lenders, stockholders, and other parties with respect to certain matters, including, but not limited to, losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally these

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indemnity and defense obligations relate to our own business operations, obligations, and acts or omissions. However, under some circumstances, we agree to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. These indemnity provisions generally survive termination or expiration of the agreements in which they appear. In addition, we have entered into indemnification agreements with our directors, executive officers and certain other officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our consolidated financial statements.

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

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

We believe that the assumptions and estimates associated with the evaluation of revenue recognition criteria, including the determination of revenue recognition as net versus gross in our revenue arrangements, internal-use software development costs, the valuation of common stock, including assumptions used in the Black-Scholes option pricing model to determine the fair value of stock options and stock-based compensation expense, the valuation of preferred stock warrant liabilities, the assumptions used in the valuation of acquired assets and liabilities in business combinations, and income taxes, including the realization of tax assets and estimates of tax liabilities, have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see the notes to our consolidated financial statements.

We have identified several material weaknesses in our internal control over financial reporting. For additional information, see the risk factor entitled *“We have identified certain material weaknesses in our internal control over financial reporting. Failure to maintain effective internal controls could cause our investors to lose confidence and adversely affect the market price of our common stock. If our internal controls are not effective, we may not be able to accurately report our financial results or prevent fraud.”*

### **Revenue Recognition**

We generate revenue from buyers and sellers who use our solution for the buying and selling of advertising inventory. We recognize revenue when four basic criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fees are fixed or determinable, and (iv) collectibility is reasonably assured. We maintain separate arrangements with each buyer and seller in the form of master agreements, which set out the terms of the relationship and access to our solution, or insertion orders which specify price and volume requests. We also generate revenue directly from sellers who maintain the primary relationship with buyers and utilize our solution. In applying the foregoing criteria, we recognize revenue upon the completion of a transaction, that is, when an impression has been delivered to the consumer viewing a website or application. We assess whether fees are fixed or determinable based on impressions delivered and the contractual terms of the arrangements. Subsequent to the delivery of an impression, the fees are generally not subject to adjustment or refund. Historically, any refunds and adjustments have not been material. We assess collectability based on a number of factors, including the creditworthiness of a buyer and seller and payment history. Our revenue arrangements do not include multiple deliverables. We generally bill buyers for the gross amount of advertising inventory they purchase plus fees, if any, and we remit to a seller the amount spent by the buyer for the advertising inventory purchased less our fees.



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We also report revenue in conformity with *Revenue Recognition-Principal Agent Considerations*. The determination of whether we are the principal or agent, and hence whether to report revenue on a gross basis for the amount of the advertising inventory buyers purchase using our platform, plus fees, if any, or on a net basis for the amount of fees charged to the buyer, if any, and fees retained from or charged to the seller, requires us to evaluate a number of indicators, none of which is presumptive or determinative. Our solution enables buyers and sellers to purchase and sell advertising inventory, matches buyers and sellers and establishes rules and parameters for advertising inventory transactions. Pricing is generally determined through our auction process. We do not purchase advertising inventory. As a result of these and other factors, we have determined we are not the principal in the purchase and sale of advertising inventory in all of our arrangements and we therefore report revenue on a net basis.

### ***Internal Use Software Development Costs***

We capitalize certain internal use software development costs associated with creating and enhancing internally developed software related to our technology infrastructure. These costs include personnel and related employee benefit expenses for employees who are directly associated with and who devote time to software projects, and external direct costs of materials and services consumed in developing or obtaining software. Software development costs that do not meet the qualification for capitalization, as further discussed below, are expensed as incurred and recorded in technology and development expenses in the results of operations.

Software development activities generally consist of three stages, (i) the planning phase, (ii) the application and infrastructure development stage, and (iii) the post implementation stage. Costs incurred in the planning and post implementation phases of development of our software technologies, including costs associated with the post-configuration training and repairs and maintenance of the developed technologies, are expensed as incurred. We capitalize costs associated with software developed for internal use when both the preliminary project stage is completed and management has authorized further funding for the completion of the project. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. Capitalization ends once a project is substantially complete and the software and technologies are ready for their intended purpose. Internal use software development costs are amortized using a straight-line method over the estimated useful life of three years, commencing when the software is ready for its intended use. We believe the straight-line recognition method approximates the manner in which the expected benefit will be derived.

We do not transfer ownership of our software to, or lease our software to, third parties.

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

Compensation expense related to employee stock-based awards is measured and recognized in the financial statements based on the fair value of the awards granted. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. Stock-based compensation expense is recognized on a straight-line basis, net of forfeitures, over the requisite service periods of the awards, which is generally four years.

Stock-based awards issued to non-employees are accounted for at fair value determined by using the Black-Scholes option-pricing model. We believe that the fair value of the stock options is more reliably measured than the fair value of the services received. The fair value of each non-employee stock-based compensation award is re-measured each period until a commitment date is reached, which is generally the vesting date.

Determining the fair value of stock-based awards at the grant date requires judgment. Our use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our

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option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions and estimates are as follows:

*Fair Value of Common Stock.* Because there is no public market for the company's common stock, our board of directors has determined the fair value of the common stock at the time of the grant of options and restricted stock awards by considering a number of objective and subjective factors discussed under "Common Stock Valuation" below.

*Risk-Free Interest Rate.* We base the risk-free interest rate used in the Black-Scholes option-pricing model on the yields of U.S. Treasury securities with maturities appropriate for the term of employee stock option awards.

*Expected Term.* The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. Given insufficient historical data relating to stock-option exercises, to determine the expected term, we apply the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award.

*Volatility.* Because we do not have a trading history for our common stock, we determine the expected volatility based on the historical volatilities of our publicly traded peer group based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of several public companies in the industry that represent similar, but alternative investment opportunities to an investment in our Company. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.

*Dividend Yield.* The dividend yield assumption is based on our history and current expectations of dividend payouts. We have never declared or paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future and, consequently, we used an expected dividend yield of zero.

The following table summarizes the weighted-average assumptions used in the Black-Scholes option-pricing model to determine the fair value of our stock options as follows:

	Year Ended December 31,		
	2011	2012	2013
Fair value of common stock	\$3.52	\$4.70	\$8.76
Risk-free interest rate	1.91%	0.94%	1.28%
Expected term (in years)	5.9	5.8	6.0
Volatility	57%	59%	58%
Dividend Yield	—%	—%	—%

In addition to the assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation expense for our awards. Our forfeiture rate is based on an analysis of our historical forfeitures and expected future forfeiture trends. We will continue to evaluate the appropriateness of the forfeiture rate based on historical forfeiture experience, analysis of employee turnover, and other factors. Quarterly changes in the estimated forfeiture rate may have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture

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estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in the consolidated financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in the consolidated financial statements.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation. Future expense amounts for any particular period could be affected by changes in our assumptions or market conditions.

Due to the full valuation allowance provided with regard to our net deferred tax assets, we have not recorded any tax benefit attributable to stock-based awards for the years ended December 31, 2011, 2012 and 2013.

### ***Common Stock Valuations***

We are required to estimate the fair value of the common stock underlying our stock-based awards when performing the fair value calculations with the Black-Scholes option-pricing model. The fair values of the common stock underlying our stock-based awards were determined by our board of directors, with input from management and contemporaneous third-party valuations. We believe that our board of directors has the relevant experience and expertise to determine the fair value of our common stock. As described below, the exercise price of our stock options was determined by our board of directors with reference to the most recent contemporaneous third-party valuation as of the grant date.

Given the absence of a public trading market of our common stock, and in accordance with the practice aid issued by the American Institute of Certified Public Accountants Practice Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation, our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock, including:

- contemporaneous valuations performed by unrelated third-party specialists;
- the prices, rights, preferences, and privileges of our convertible preferred stock relative to those of our common stock;
- the prices of our convertible preferred stock and common stock sold to outside investors in arms-length transactions;
- the lack of marketability of our common stock;
- our actual operating and financial performance;
- current business conditions and projections;
- our hiring of key personnel and the experience of our management;
- our history and the timing of the introduction of new products and services;
- our stage of development;
- the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of our Company given prevailing market conditions;
- the illiquidity of stock-based awards involving securities in a private company;
- the market performance of comparable publicly traded companies; and
- the U.S. and global capital market conditions.

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In valuing our common stock, our board of directors determined the equity value of our business using the market comparable approach valuation method and, beginning in March 1, 2013 the income approach valuation method. The market comparable approach estimates value based on a comparison of the subject company to comparable public companies in a similar line of business. From the comparable companies, a representative market value multiple is determined and then applied to the subject company's operating results to estimate the value of the subject company. To determine our peer group of companies, we considered public software and digital advertising companies and selected those that represent similar, but alternative investment opportunities to an investment in our Company. From time to time, we updated the set of comparable companies as new or more relevant information became available.

The income approach estimates value based on the expectation of future cash flows that a company will generate. These future cash flows are discounted to their present values using a discount rate derived from an analysis of the cost of capital of comparable publicly traded companies in our industry or similar lines of business as of each valuation date and is adjusted to reflect the risks inherent in our cash flows. Once we determined an equity value, we used the option pricing method, or OPM, to allocate the equity value to each of our classes of stock. The OPM values each equity class by creating a series of call options on our equity value, with exercise prices based on the liquidation preferences, participation rights, and strike prices of the equity instruments. This method is generally preferred when a discrete set of future outcomes is not transparent or are difficult to predict, and dissolution or liquidation is not imminent. Starting in March 2013, due to greater clarity on potential liquidity scenarios, we began using the Probability Weighted Expected Return Method, or PWERM, to allocate our equity value among the various outcomes. Using the PWERM, the value of our common stock is estimated based upon a probability-weighted analysis of varying values for our common stock assuming possible future events for our Company, such as:

- A "hold and build" scenario, where we would continue as a private company prior to an eventual sale;
- Strategic sale in the near term;
- Initial public offering, or IPO; or
- A downside scenario in which we sell at a lower than expected shareholder liquidation value.

Application of these approaches involves the use of estimates, judgment and assumptions, such as revenue, expenses and future cash flows and selection of comparable companies. Changes in our assumptions or the interrelationship of those assumptions impacted the valuations as of each valuation date.

In addition, we also considered an appropriate discount adjustment to recognize the lack of marketability and liquidity due to the fact that stockholders of private companies do not have access to trading markets similar to those enjoyed by stockholders of public companies. The discount for marketability was determined using a protective put option model, in which a put option is used as a proxy for measuring discounts for lack of marketability of securities.

From time to time, we updated the set of comparable companies as new or more relevant information became available. Compared to the September 30, 2012 valuation, for the March 1, 2013 valuation, we eliminated four comparable companies and added new comparable companies based on our growth rates and current size. The set of comparable companies was the same for the March 1, 2013 and June 1, 2013 valuations. For the October 1, 2013 valuation, we added four new comparable companies. Each newly added company was in the digital advertising/services industry and had recently completed its initial public offering, providing publicly available financial data from which valuation multiples could be derived. The set of comparable companies was consistent with the set used in the calculation of the non-marketability discount. The market multiples are based on key metrics of comparable publicly traded companies, including high-growth companies in the digital advertising sector.

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Between December 13, 2012 and the date of this prospectus, we granted the following stock options:

<u>Option Grant Dates</u>	<u>Number of Shares Subject to Options Granted (in thousands)</u>	<u>Exercise Price Per Share</u>	<u>Common Stock Fair Value Per Share at Grant Date</u>
December 13, 2012	242	\$ 4.70	\$ 4.70
February 22, 2013	2,197	\$ 7.80*	\$ 7.80
April 24, 2013	317	\$ 7.80	\$ 7.80
June 7, 2013	560	\$ 8.30	\$ 8.30
July 24, 2013	700	\$ 9.80	\$ 9.80
October 30, 2013	525	\$11.84	\$ 11.84
March 3, 2014	500	\$16.22	\$ 16.22

\* In light of the proximity of the February 22, 2013 grants to the valuation dated as of March 1, 2013, our board of directors reconsidered the fair value of the common stock and, on November 14, 2013, revised the exercise price of the options granted on February 22, 2013 to the revised estimated fair value of the common stock of \$7.80.

On March 3, 2014, our board of directors approved the issuance of 2,200,371 shares of restricted stock to our employees and consultants.

Based upon \$16.00 per share, the mid-point of the price range on the cover page of this prospectus, the aggregate intrinsic value of options outstanding as of December 31, 2013 was approximately \$82.5 million, of which \$37.2 million related to vested options and approximately \$45.3 million related to unvested options.

At December 31, 2013, we had unrecognized stock-based compensation related to stock options of approximately \$17.3 million which is expected to be recognized over a weighted-average period of 2.6 years.

As a result of the March 3, 2014 option grants and restricted stock issuance, we expect to recognize additional stock-based compensation expense of approximately \$40.0 million primarily over the next four years.

### **Valuation Inputs**

*December 13, 2012.* In estimating the fair value of our common stock to set the exercise price of such options, our board of directors considered a valuation analysis for our common stock dated as of September 30, 2012. The valuation analysis reflected a fair value for our common stock of \$4.58. The primary valuation considerations were an enterprise value determined from the market-based approach using an enterprise value multiple applied to our forward revenue metric for 2012 and a lack of marketability discount of 20%. The OPM utilized the following assumptions: a time to liquidity event of 1.25 years; a risk free rate of 0.19%; and volatility of 50% over the time to a liquidity event. Estimates of the volatility of our common stock were based on available information on the volatility of common stock of comparable publicly traded companies. Our board of directors considered the proximity relative to the September 30, 2012 valuation and our financial performance in establishing the fair value of the common stock and the exercise price of the options granted in December 2012 at \$4.70.

*February 22, 2013 and April 24, 2013.* Our board of directors considered the proximity relative to the September 30, 2012 valuation and our financial performance in initially establishing the fair value of the common stock and the exercise price of the options granted in February 2013 at \$5.00. However, our board of directors subsequently received another contemporaneous valuation analysis dated as of March 1, 2013. The March 1, 2013 valuation analysis reflected a fair value for our common stock of \$7.56. The primary valuation considerations were an enterprise value determined from the income approach, weighted at 75% and a market-based approach weighted at 25%. The income approach, specifically a discounted cash flow analysis, was developed based on our three year forecast and utilized a weighted average cost of capital, or WACC, of 25%. The market-based approach used a selected multiple applied to our projected 2013 and 2014 revenue. The

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multiple increased from the September 30, 2012 valuation analysis was primarily due to the adjustments to the set of comparable publicly traded companies included in the analysis to better reflect our growth rates and current size. The selected multiples for the market-based approach were below the average and median of the comparable publicly traded companies due to our smaller size. After deriving the value of total invested capital using the income approach and the market-based approach, we proceeded to estimate the value of the securities using both the OPM, weighted at 25% and the PWERM, weighted at 75%. The OPM utilized the following assumptions: a time to liquidity event of 2.0 years, a risk free rate of 0.25%, volatility of 50% over the time to a liquidity event and an 18% discount for lack of marketability. Estimates of the volatility of our common stock were based on available information on the volatility of common stock of comparable publicly traded companies. The PWERM used four scenarios: the “hold and build” scenario with an eventual sale two years after the valuation date, weighted at 15% with a discount for lack of marketability of 18%; the strategic sale scenario with a sale to a strategic buyer in the six months after the valuation date, weighted at 10% with a lack of marketability discount of 9%; an IPO scenario, with a filing one year from the valuation date, weighted at 43% with a lack of marketability discount of 12%; and a downside scenario, with a sale at a lower than expected value three years from the valuation date, weighted at 32% and a lack of marketability discount of 22%. In light of the proximity of the February 22, 2013 grants to the valuation dated as of March 1, 2013, our board of directors reconsidered the fair value of the common stock and, on November 14, 2013, revised the exercise price of the options granted on February 22, 2013 to the revised estimated fair value of the common stock of \$7.80. The increase in our fair value resulted in part from the continued growth and financial performance of our business. During the three months ended March 31, 2013, managed revenue grew by 45% and our revenue grew 54% compared to the three months ended March 31, 2012, indicating a significant increase in the adoption of our solution, and we expanded our management team by hiring our President and our Chief Financial Officer and Chief Operating Officer, each of whom has experience in management of a public company. With respect to the April 2013 grants, our board of directors considered the proximity relative to the March 1, 2013 valuation, and that there were no material changes to the business since the March 2013 valuation, in establishing the fair value of the common stock and the exercise price of the options granted in April 2013 at \$7.80.

*June 7, 2013 and July 24, 2013.* In estimating the fair value of our common stock to set the exercise price of such options, our board of directors considered a valuation analysis for our common stock dated as of June 1, 2013. The valuation analysis reflected a fair value for our common stock of \$8.30. The primary valuation considerations were an enterprise value determined from the income approach weighted at 75% and from the market-based approach weighted at 25%. The income approach, specifically a discounted cash flow analysis, was developed based on our three year forecast and utilized a WACC of 28%. The market-based approach used a selected multiple applied to our projected 2013 and 2014 revenue. The selected multiples for the market based approach were below the average and median of the comparable publicly traded companies due to our smaller size. After deriving the value of total invested capital using the income approach and the market-based approach, we proceeded to estimate the value of the securities using both the OPM, weighted at 25% and the PWERM, weighted at 75%. The OPM utilized the following assumptions: a time to liquidity event of 2.0 years, a risk free rate of 0.30%, volatility of 45% over the time to a liquidity event and a 16% discount for lack of marketability. Estimates of the volatility of our common stock were based on available information on the volatility of common stock of comparable publicly traded companies. The PWERM used four scenarios: the “hold and build” scenario with an eventual sale two years after the valuation date, weighted at 15% with a discount for lack of marketability of 16%; the strategic sale scenario with a sale to a strategic buyer in the six months after the valuation date, weighted at 10% with a lack of marketability discount of 8%; an IPO scenario, with a completion of an IPO one year from the valuation date, weighted at 43% with a lack of marketability discount of 11%; and a downside scenario, with a sale at a lower than expected value three years from the valuation date, weighted at 32% and a lack of marketability discount of 19%. Our board of directors considered the proximity relative to the June 2013 valuation and our financial performance in establishing the fair value of the common stock and the exercise price of the options granted in June 2013 at \$8.30. Our board of directors considered the proximity relative to the June 2013 valuation and our financial performance in establishing the fair value of the common stock and the exercise price of the options granted in July 2013 at \$9.80. The increase in our fair value resulted in part from the continued growth and financial performance of our business. During the three months ended

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June 30, 2013, our managed revenue grew 48% and our revenue grew 46% compared to the three months ended June 30, 2012, indicating a continuing increase in the adoption of our solution, and we expanded our management team by hiring 10 new members of senior management in the areas of engineering, legal, finance, strategy and corporate development.

*October 30, 2013.* In estimating the fair value of our common stock to set the exercise price of such options, our board of directors considered a valuation analysis for our common stock dated as of October 1, 2013. The valuation analysis reflected a fair value for our common stock of \$11.84. The primary valuation considerations were an enterprise value determined from the income approach weighted at 75% and from the market-based approach weighted at 25%. The income approach, specifically a discounted cash flow analysis, was developed based on our forecast through 2015 and utilized a WACC of 23%. The market-based approach used a selected multiple applied to our projected 2013 and 2014 revenue. The multiple increased from the July 1, 2013 valuation analysis was primarily due to the addition of four newly public companies in the digital advertising sector to the set of comparable publicly traded companies included in the analysis. The selected multiples for the market based approach were below the average and median of the comparable publicly traded companies due to the smaller size of our Company. After deriving the value of total invested capital using the income approach and the market-based approach, we proceeded to estimate the value of the securities using both the OPM, weighted at 10% and the PWERM, weighted at 90%. The OPM utilized the following assumptions: a time to liquidity event of 1.0 years, a risk free rate of 0.10%, volatility of 47% over the time to a liquidity event and a 10% discount for lack of marketability. Estimates of the volatility of our common stock were based on available information on the volatility of common stock of comparable publicly traded companies. The PWERM used four scenarios: the “hold and build” scenario with an eventual sale 1.5 years after the valuation date, weighted at 10% with a discount for lack of marketability of 13%; the strategic sale scenario with a sale to a strategic buyer in the six months after the valuation date, weighted at 5% with a lack of marketability discount of 7%; an IPO scenario, with a completion of an IPO nine months from the valuation date, weighted at 55% with a lack of marketability discount of 9%; and a downside scenario, with a sale at a lower than expected value 2.5 years from the valuation date, weighted at 30% and a lack of marketability discount of 16%. The shift in the probabilities of the various scenarios in the October 2013 valuation was a result of our commencement of preparations for our initial public offering, increasing the likelihood of an initial public offering relative to other liquidity scenarios. Our board of directors considered the proximity relative to the October 2013 valuation and our financial performance in establishing the fair value of the common stock and the exercise price of the options granted in October 2013 at \$11.84. The increase in our fair value resulted in part from the continued growth and financial performance of our business, and our commencement of preparations for our initial public offering, the increase in the probability of an initial public offering relative to other shareholder liquidation alternatives and the resulting decrease in the discount for lack of marketability.

*March 3, 2014.* In estimating the fair value of our common stock to set the exercise price of such options, our board of directors considered a valuation analysis for our common stock dated as of December 31, 2013. The valuation analysis reflected a fair value for our common stock of \$16.22. The primary valuation considerations were an enterprise value determined from the income approach weighted at 50% and from the market-based approach weighted at 50%. The income approach, specifically a discounted cash flow analysis, was developed based on our forecast through 2015 and utilized a WACC of 18%. The market-based approach used a selected multiple applied to our 2013 and projected 2014 revenue. After deriving the value of total invested capital using the income approach and the market-based approach, we proceeded to estimate the value of the securities using both the OPM, weighted at 10% and the PWERM, weighted at 90%. The OPM utilized the following assumptions: a time to liquidity event of 0.7 years, a risk free rate of 0.10%, volatility of 47% over the time to a liquidity event and an 8.4% discount for lack of marketability. Estimates of the volatility of our common stock were based on available common stock volatilities of comparable publicly traded companies. The PWERM used three scenarios: the strategic sale scenario with a sale to a strategic buyer twelve months after the valuation date, weighted at 12.5% with a lack of marketability discount of 10.1%; an IPO scenario, with an estimated completion of an IPO four months from the valuation date, weighted at 75% with a lack of marketability discount of 5.8%; and a downside scenario, with a sale at a lower than expected value 2.5 years from the valuation date,

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weighted at 12.5% and a lack of marketability discount of 15.8%. The shift in the probabilities of the various scenarios in the December 2013 valuation was a result of our progress in our preparations for our initial public offering, increasing the likelihood of an initial public offering relative to other liquidity scenarios. Our board of directors also considered information regarding a private sale of shares by a stockholder to an unaffiliated third-party in December 2013 at a price of \$12.51 per share, subject to a linear upward adjustment to a maximum of \$16.69 per share, which upward adjustment is conditioned upon our completion of, on or prior to December 31, 2014, an initial public offering or merger or sale of all or substantially all of our stock or assets based on a per share valuation of the company of \$22.25 or higher. Our board of directors considered the proximity relative to the December 31, 2013 valuation and the private sale, as well as our financial performance, in establishing the fair value of the common stock and the exercise price of the options granted in March 2014 at \$16.22. The increase in our fair value resulted in part from the continued growth and financial performance of our business, and our continued preparations for our initial public offering, the increase in the probability of an initial public offering relative to other shareholder liquidation alternatives and the resulting decrease in the discount for lack of marketability to 8.4%.

### ***Offering Price***

As discussed above, in March 2014, in consultation with the underwriters, our board of directors, our pricing committee, members of senior management, and potential investors, we determined our anticipated offering price range to be \$15.00 to \$17.00 per share.

### ***Fair Value of Preferred Stock Warrant Liabilities***

We have issued warrants to purchase preferred stock in connection with financing arrangements and we account for these warrants as liabilities at fair value because the underlying shares of convertible preferred stock are redeemable or contingently redeemable, including in the case of a deemed liquidation, which may obligate us to transfer assets to the warrant holders. The preferred stock warrants are recorded at fair value at the time of issuance and changes in the fair value of the preferred stock warrants each reporting period are recorded as part of other expense, net in the consolidated statement of operations until the earlier of the exercise or expiration of the warrants; or such time that the warrants convert to warrants to purchase common stock. The fair value of the preferred stock warrants was estimated using the Black-Scholes option-pricing model. Upon the earlier of the exercise of the warrants or the completion of a liquidation event, including the completion of an initial public offering in which the shares underlying the warrants would convert from the related shares of preferred stock into shares of common stock, the preferred stock warrant liability will be re-measured to fair value and any remaining liability will be reclassified to additional paid-in capital.

### ***Business Combinations***

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of acquisition. We allocate the purchase price, which is the sum of the consideration we provide which may consist of cash and or equity, in a business combination to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates and selection of comparable companies.

When we issue stock-based or cash awards to an acquired company's selling stockholders, we evaluate whether the awards are contingent consideration or compensation for post-business combination services. Our evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for



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vesting, the awards are treated as compensation for post-acquisition services and recognized as expense over the requisite service period.

To date, the assets acquired and liabilities assumed in our business combinations have primarily consisted of computer equipment and finite-lived intangible assets, consisting primarily of developed technologies. Fair value of the acquired computer equipment approximated their net book value. We estimate the fair value of long-lived intangible assets acquired using a discounted cash flow approach, which includes an analysis of the future cash flows expected to be generated by the asset and the risk associated with achieving these cash flows. The key assumptions used in the discounted cash flow model include the discount rate that is applied to the forecasted future cash flows to calculate the present value of those cash flows and the estimate of future cash flows attributable to the acquired intangible asset, which include revenue, expenses and taxes. The carrying value of acquired working capital approximates its fair value given the short-term nature of these assets and liabilities.

### ***Income Taxes***

Deferred income tax assets and liabilities are determined based upon the net tax effects of the differences between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities and are measured using the enacted tax rate expected to apply to taxable income in the years in which the differences are expected to be reversed.

A valuation allowance is used to reduce some or all of the deferred tax assets if based upon the weight of available evidence, it is more likely than not that those deferred tax assets will not be realized. We have established a full valuation allowance to offset our domestic net deferred tax assets due to the uncertainty of realizing future tax benefits from our net operating loss carryforwards and other deferred tax assets.

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

We recognize excess tax benefits associated with stock-based compensation to stockholders' deficit only when realized based on applying a with-and-without approach.

### **Recently Issued and Adopted Accounting Pronouncements**

Under the Jumpstart Our Business Startups Act, or JOBS Act, we meet the definition of an emerging growth company. We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In March 2013, the Financial Accounting Standards Board, or FASB, issued new accounting guidance clarifying the accounting for the release of cumulative translation adjustment into net income when a company either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. The adoption of this guidance is not expected to have any impact on our consolidated financial statements.

In July 2013, the FASB issued an accounting standards update clarifying that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. The standards update is effective for fiscal years, and interim periods within those years,

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beginning after December 15, 2013. The adoption of this guidance is not expected to have any impact on our consolidated financial statements.

**Quantitative and Qualitative Disclosure about Market Risk**

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

***Interest Rate Risk***

Our cash and cash equivalents consist of cash and money market accounts. Our borrowings under our credit facility with Silicon Valley Bank are at variable interest rates and capital lease obligations are generally at fixed interest rates.

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash and cash equivalents have a relatively short maturity, our portfolio's fair value is relatively insensitive to interest rate changes. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

***Foreign Currency Exchange Risk***

We have foreign currency risks related to our revenue and expenses denominated in currencies other than the U.S. Dollar, principally British Pounds and Euro. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net loss as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances and intercompany balances that are denominated in currencies other than the U.S. Dollar. The effect of an immediate 10% adverse change in foreign exchange rates on foreign-denominated accounts at December 31, 2013, including intercompany balances, would result in a foreign currency loss of approximately \$2.8 million. In the event our foreign sales and expenses increase, our operating results may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

***Inflation Risk***

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

## BUSINESS

### Overview

We are a technology company on a mission to automate the buying and selling of advertising. Our Advertising Automation Cloud is a highly scalable software platform that powers and optimizes a leading marketplace for the real time trading of digital advertising between buyers and sellers. Through the speed and big data analytics of our algorithm-based solution, we have transformed the cumbersome, complex process of buying and selling digital advertising into a seamless automated process that optimizes results for both buyers and sellers. Buyers of digital advertising use our platform to reach 97% of Internet users in the United States and over 600 million Internet users globally on some of the world's leading websites and applications. Sellers of digital advertising use our platform to maximize revenue from advertising, decrease costs and protect their brands and user experience, while accessing a global market of buyers representing over 100,000 brands since our inception. The benefits we provide to both buyers and sellers, and the time and effort spent by both buyers and sellers to integrate with our platform and associated applications, give us a critical position in the digital advertising ecosystem.

Our Advertising Automation Cloud incorporates proprietary machine-learning algorithms, sophisticated data processing, high volume storage, detailed analytics capabilities, and a distributed infrastructure. We analyze billions of data points in real time to enable our solution to make approximately 300 data-driven decisions per transaction in milliseconds, and to execute up to 2.5 million peak queries per second, approximately 25 billion transactions per week and 3 trillion bid requests per month. Our Advertising Automation Cloud features applications for digital advertising sellers, including websites, applications and other digital media properties, to sell their advertising inventory; applications for buyers, including DSPs, ad networks and advertising agencies, to buy advertising inventory; and an exchange over which such transactions are executed. Together, these features power and optimize a comprehensive, transparent, independent advertising marketplace that brings buyers and sellers together and facilitates intelligent decision-making and automated transaction execution for the advertising inventory we manage on our platform. We believe we help increase the volume and effectiveness of advertising, increasing revenue for sellers and improving return on advertising investment for buyers.

We have direct relationships built on technical integration with over 700 sellers of digital advertising, including approximately 40% of the U.S. comScore 100, which is a list of the top U.S. digital sellers by reach. We believe that our direct relationships and integration with sellers, which differentiate us from many other participants in the advertising ecosystem, make us a vital participant in the digital advertising industry. Our integration of sellers into our platform gives sellers the ability to monetize a full variety and volume of inventory. At the same time, buyers leverage our platform to manage their advertising spending, simplify order management and campaign tracking, obtain actionable insights into audiences for their advertising and access impression level purchasing from hundreds of sellers. We believe buyers need our platform because of our powerful solution and our direct relationships and integration with some of the world's largest websites and applications. Our solution is constantly self-optimizing based on our ability to analyze and learn from vast volumes of data. The additional data we obtain from the volume of transactions on our platform help make our machine-learning algorithms more intelligent, leading to higher quality matching between buyers and sellers, better return on investment for buyers and higher revenue for sellers. As a result of that high quality matching, we attract even more sellers which in turn attracts more buyers and vice versa. We believe this self-reinforcing dynamic creates a strong platform for growth. The historical and real time data we derive from the over 700 seller integrations, 25 billion transactions per week, 3 trillion bid requests per month and 600 million Internet users globally that interact with our platform per month inform our machine-learning algorithms to create a size, scale and capability that is difficult to replicate.

We believe we are positioned to take advantage of several trends in the advertising industry, including the shift in advertising spending from analog to digital advertising, the move towards automation and the convergence of media across multiple channels. The display, mobile and video digital advertising market is projected to grow to \$90 billion by 2017, and the need for automation in this market is growing commensurately, with real time bidding alone projected to grow at a compounded annual growth rate of 57% from \$1.4 billion in 2011 to \$20.8 billion in 2017.

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For the year ended December 31, 2013 our revenue was \$83.8 million, a 47% increase over the same period in 2012. We recorded a net loss of \$9.2 million and Adjusted EBITDA of \$11.2 million for the year ended December 31, 2013, compared with a net loss of \$2.4 million and Adjusted EBITDA of \$9.2 million for the year ended December 31, 2012. In 2012, our revenue was \$57.1 million, a 54% increase over 2011. We recorded a net loss of \$2.4 million and Adjusted EBITDA of \$9.2 million in 2012, and a net loss of \$15.4 million and negative Adjusted EBITDA of \$6.7 million in 2011. For information on Adjusted EBITDA, and a reconciliation of Adjusted EBITDA to net loss on the basis of accounting principles generally accepted in the United States, or GAAP, please refer to “Selected Consolidated Financial and Other Data.”

Advertising spending transacted on our platform has grown significantly. Managed revenue is an operational measure that represents this advertising spending. Managed revenue would represent our revenue if we were to record our revenue on a gross basis instead of a net basis. Managed revenue does not represent revenue reported on a GAAP basis. We review managed revenue for internal management purposes to assess market share and scale and to compare our performance to others in our industry that report revenue on a gross basis. Our managed revenue was \$485.1 million in 2013, which represents a 43% increase over managed revenue of \$338.9 million in 2012, and a 103% increase over managed revenue of \$238.8 million in 2011.

## **Our Industry**

### ***Shift Towards Digital Advertising***

The advertising industry is in the midst of a decades-long shift from advertising in analog and print media like print newspapers, magazines, broadcast radio and television to digital advertising. Increasing numbers of consumers are consuming digitally delivered content over the Internet, mobile networks and digital television, creating an opportunity for advertisers to target audiences more accurately and deliver more relevant advertising in real time on multiple screens. Through various technologies, advertisers are able to analyze data regarding Internet browsing, measure return on investment, demographics, user behavior and other attributes that enable them to create and deliver targeted advertisements to consumers that help achieve specific advertising goals. As a result, digital advertising has the potential to drive return on advertising investment many times higher than print, broadcast radio and television. Technological advances are also enabling sellers to sell their inventory on an impression-by-impression basis, as well as in bulk, making it easier for sellers to better optimize and expand the monetization of their inventory.

### ***Development of a Complex Digital Advertising Ecosystem Comprising a Large Number of Buyers, Sellers and Other Participants***

In the early stages of the digital advertising market, advertisers and sellers of advertising inventory transacted directly with one another or through a small number of intermediaries. As Internet usage increased and the scale of websites, applications and data expanded, it became increasingly difficult for advertisers to effectively target consumers and for sellers to effectively monetize their inventory. To address these challenges, advertisers and sellers of advertising inventory have come to rely on an ecosystem of multiple technology and service providers, described below.

*Buyers:* At one end of the ecosystem, spending begins with advertisers, who often engage advertising agencies to help plan and execute their digital advertising campaigns. Agencies traditionally execute their digital advertising campaigns through one of the following avenues, which we refer to collectively as buyers:

- Ad networks: There are hundreds of ad networks that seek to optimize campaigns to achieve advertiser and agency goals. Ad networks may arbitrage by purchasing advertising inventory from sellers and then selling it to advertisers at higher prices. Ad networks may be broad and cover more than one industry or cover various niche areas, such as a specific industry like retail.
- Demand side platforms or DSPs: There are many DSPs in the digital advertising industry and they generally use real time bidding, or RTB, to purchase advertising inventory from sellers on an

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automated, impression-by-impression basis. DSPs may earn revenue through arbitrage, like ad networks, or they may charge fees for their services.

- Agency trading desks or ATDs: Typically, agencies plan and execute media purchases by interacting with DSPs through their own in-house ATDs. Advertising agencies often centralize their digital advertising expertise into an ATD in order to better optimize advertiser campaigns and digital media purchases.

*Sellers:* At the other end of the ecosystem, sellers create websites and applications that contain viewable space for advertisements, or impressions, that can be delivered to users as they visit and navigate through websites and applications. These impressions can be sold to buyers either in advance via manual or automated direct sales efforts, or in real time on an impression-by-impression basis via a third-party through the digital advertising ecosystem.

*Other Sell-Side Participants:* Sellers may use additional sell-side representatives in connecting with buyers:

- Supply side platforms or SSPs: Sellers often sell their advertising inventory through a third party SSP, which is a platform that helps sellers offer and optimize their advertising inventory in real time.
- Ad servers: Sellers use ad servers to display advertisements received from buyers and to track the delivery of advertisements to consumers. Typically these platforms can easily integrate with SSPs and act as the last link in the chain between advertisers and Internet users.

*Exchanges:* Buyers and sellers may sometimes come together through an exchange, which matches and presents available impressions to buyers. Once the impression has been matched, the exchange enables the advertisement to be served and manages the financial aspects of the transaction. Exchanges can enable increased liquidity and transparency in transactions between buyers and sellers.

### **Costs, Inefficiencies and Lack of Transparency Inherent in Existing Ecosystem**

This ecosystem of various buyers, sellers and other intermediaries has helped advertisers access digital media, but it has fallen short of truly enabling them to take advantage of the potential of digital advertising and has led to a system that is highly complex and inefficient. We believe, based on industry research, that due to the complex ecosystem of multiple players that has developed to accommodate both buyers and sellers, only approximately \$0.40 of every dollar spent by an advertiser is ultimately realized by the seller.



### **Complicated and Manual Workflow for Buying and Selling Digital Advertising**

Despite significant technological advances made with respect to delivery of digital advertising, the process of planning and executing a digital advertising campaign remains cumbersome. Before an advertisement can be delivered to a seller, an advertiser and its agency typically undergo a highly manual, multi-step and complicated order process. The internal workflow of selling inventory is similarly complex for sellers. These manual and complicated workflows, illustrated below for a typical digital display order process according to NextMark, lead to inefficiencies, wasted dollars for sellers and missed opportunities for advertisers to reach users. The typical order process involves close to a dozen manual steps to match an advertiser with a seller. According to



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- **Large Multi-Variate Datasets.** Trillions of data points relating to browsing behavior, geographic information, user preferences, engagement with an advertisement, and effectiveness of an advertisement are created as users visit websites and applications. Each piece of data represents a valuable piece of information that can facilitate and improve current and subsequent targeting and monetization of impressions. However, the volume of data available is so large that it is difficult for buyers and sellers to effectively manage the information flow to extract maximum value from the data. As a result, buyers and sellers need a solution capable of analyzing, processing and interpreting large amounts of data and executing buy and sell orders informed by such data, all in real time.
- **Fragmented Buyer and Seller Base.** In the digital advertising industry, there is an enormous variety of advertisers, agencies and buyers, as well as an enormous number of sellers who have a wide variety of advertising inventory available for sale. Historically, this fragmentation has been disadvantageous for sellers, because they could not efficiently transact with many buyers to maximize revenue due to manual inefficiencies. The fragmentation of the seller base makes it very difficult for advertisers to make large volume buys safely and securely to meet their investment objectives. This enormous variety of buyers and sellers has created a need for a solution that is capable of seamlessly connecting a highly fragmented global buyer and seller base.
- **Brand Security and User Experience Concerns.** Advertisers are concerned about being associated with content they consider inappropriate, competitive or inconsistent with their advertising themes. Sellers want to prevent advertisements that are inappropriate, competitively sensitive or otherwise do not comport with their brand image from appearing on their websites or applications. As sellers try to make their inventory available to a wider group of advertisers, and advertisers extend their reach in pursuit of target audiences, the importance of brand security increases for both buyers and sellers. Both buyers and sellers need a solution that is capable of following specified rules to maintain brand integrity and deliver relevant advertisements that create a positive user experience, while efficiently executing a large volume of transactions.
- **Large and Highly Unpredictable Traffic Volumes.** The scale of user traffic and the dollar value of digital advertisements is difficult to manage efficiently. A large seller may have tens of millions of users per month, creating hundreds of millions of monthly impressions. The volume of traffic for any given seller is extremely difficult to predict. Popular stories, as an example, create spikes in traffic on news websites for a period of time. As result, sellers need a platform that can effectively respond to and monetize inventory during unpredictable spikes in volumes.
- **Lack of Standardized Ad Formats and Data.** An available advertising impression can vary based on a number of factors, such as seller, ad format, screen size, pricing mechanism, content type, and audience demographic. It is challenging for buyers to efficiently evaluate and bid on trillions of impressions that are based on hundreds of ad formats in the context of millions of highly customized data fields. As a result, buyers and sellers require a platform that can on a real time basis match a large variety of available advertising impressions with those potential buyers.

### **Rubicon Project: Our Advertising Automation Cloud Enables the Digital Advertising Marketplace**

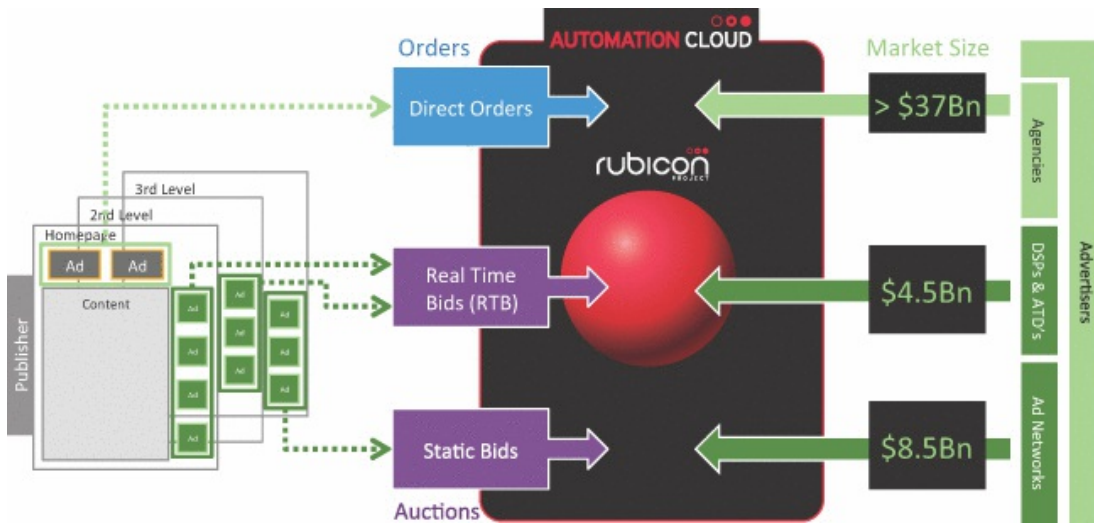
Rubicon Project was founded to address the challenges associated with the digital advertising ecosystem and to enable a marketplace where buyers and sellers of advertising can transact in an efficient and transparent manner. To achieve this, we have created our Advertising Automation Cloud.

Our Advertising Automation Cloud is a technology platform that creates and powers a marketplace for buyers and sellers to readily buy and sell advertising. Our solution provides a critical connection between buyers and sellers and allows large numbers of buyers and sellers to transact on an automated basis. Buyers direct their spending towards the impressions that are of most value to them based on demographics, pricing, timing, and other targeting objectives. Sellers can optimize the amount of revenue per impression, while adhering to their own specific rules around advertising that is permissible on their websites and applications. Our platform enables

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the real time exchange of high volumes of information in a transparent marketplace that in turn enables sellers to match buyers' advertising campaigns with their available advertising inventory.

Sellers have a broad spectrum of advertising inventory available for sale, ranging from premium inventory located on their homepages, to secondary placements, which are generally located on pages deeper within their websites or applications. Sellers may also have different versions of their websites and applications optimized for a variety of devices, from computers, to tablets to smartphones, which also increase the variety of advertising inventory available for sale. Our Advertising Automation Cloud optimizes the sale and purchase of advertising across a full spectrum of inventory for all types of buyers and sellers and across all devices.



The illustration above depicts a seller's website and the different types of advertising inventory placements, each requiring different functionalities to optimize performance. Our comprehensive solution provides greater coverage of inventory and, in turn, a greater probability of placing a targeted advertisement. Greater coverage leads to more revenue for the seller. These types of placements may include premium, prominent home page placements, which may be better served by direct orders, pages with abundant traffic, which may be best served by RTB, and remnant inventory, which may be better served by static bidding. Our solution enables buyers and sellers to transact through our comprehensive automation offerings:

*Real Time Bidding*—enables the sale and purchase of inventory on an impression-by-impression basis. Buyers are able to leverage our platform to select individual impressions that meet their targeting criteria and sellers are able to leverage our platform to auction their inventory on an impression-by-impression basis to optimize revenue.

*Static Bidding*—enables buyers to provide static, or pre-set bids, to buy targeted inventory in bulk, while providing additional monetization for sellers of their lower value inventory that they may not otherwise be able to sell.

*Direct Orders*—automates one-to-one orders arranged directly between specific buyers and sellers on the platform.

Our solution integrates RTB, static bid and direct order offerings into a unified auction across all types of buyers, while matching available impressions with advertisements based upon various criteria. In a typical digital advertising transaction, within an average of approximately 80 milliseconds the following steps occur:

- A user visits a website or application, creating an available impression from the seller's inventory.



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- Our algorithms profile the impression, including the location of the website or application, advertisement size, advertising placement, browser and operating system, and additional data points such as user location and preferences.
- Using the impression profile and historical bidding activity, we send bid requests for participation in the auction to selected bidders most likely to respond.
- Simultaneously, the Advertising Automation Cloud reviews static bids currently in the system to determine which bids are eligible and match the available impression.
- Bid responses are received from bidders interested in purchasing the impression, including information on price, buyer, and type of advertisement.
- All advertisements are reviewed by our Advertising Automation Cloud for quality, security, conformity to seller requirements and conflicts with seller restrictions, to determine if they are eligible to win the impression.
- Eligible bids are then checked against rules set by sellers to ensure they meet the applicable criteria.
- Once all validations have been executed, remaining bids are compared and generally the highest qualifying bidder wins the impression.
- The winning advertisement is served into the impression and delivered to the user.

By accommodating all types of digital advertising inventory, our solution provides greater coverage of a seller's websites and applications and attracts all types of buyers, thereby giving buyers the ability to fulfill their audience needs in a more cost-effective manner, and optimizing the price at which sellers' inventory is sold.

### ***Big Data Analytics and Machine-Learning Algorithms***

A core aspect of our value proposition is our big data and machine-learning platform that is able to discover unique insights from our massive data repositories containing proprietary information on trillions of bid requests and served advertisements. Our systems collect and analyze non-personally identifiable information such as pricing of advertisements, historical clearing prices, bid responses, what types of ads are allowed on a particular website, which websites a buyer prefers, what ad formats are available to be served, advertisement size and location, where a user is located, which users an advertiser wants to target, how many ads the user has seen, browser or device information and sellers' proprietary data about users. We have developed proprietary machine-learning algorithms that analyze billions of these data points to enable our solution to make approximately 300 real time data-driven decisions per transaction and to execute approximately 3 trillion bid requests per month.

### ***Dual Network Effects Drive an Efficient and Self-Optimizing Marketplace***

We bring value to both buyers and sellers through the dual network effects created by our solution—large volumes of data lead to better matching, which attracts more buyers and sellers, leading to more data. We have one of the largest digital advertising data repositories in the world, which puts us in a unique position to develop differentiated insights to help both buyers and sellers. Our solution is constantly self-optimizing based on our ability to analyze and learn from vast volumes of data. As our Advertising Automation Cloud processes more volume on our automated platform in the form of bid requests, user visits, events and transactions, we accumulate more data. This additional data helps make our machine-learning algorithms more intelligent and this leads to higher quality matching between buyers and sellers, leading to better return on investment for buyers and higher revenue for sellers. As a result of that high quality matching, we attract even more sellers which in turn attracts more buyers and vice versa. We believe this self-reinforcing dynamic creates a strong platform for growth.



***Critical Position in Digital Advertising Ecosystem***

Our Advertising Automation Cloud and the applications we provide for buyers and sellers are a critical element of the digital advertising ecosystem. We have direct relationships and integration with sellers of advertising inventory. In order to maximize the monetization of their advertising inventory through our platform, sellers integrate with our seller applications, train their teams to use our platform for planning and executing campaigns and automate their workflow to leverage our platform. Sellers use our platform to access actionable insights from the data we have amassed and to consolidate and compile payments and billing. The selling, planning, training integration and optimization period for each seller requires an investment of time and effort. Once integrated, we believe sellers would experience high switching costs to move large volumes of their inventory to a new platform. At the same time, buyers leverage our platform to manage their advertising spending, simplify order management and campaign tracking, attain actionable insights and to get access to impression level purchasing from hundreds of sellers. We believe that buyers need our platform to take advantage of our direct relationships and integration with some of the world's largest websites and applications. The benefits we provide to both buyers and sellers, and the time and effort spent by both buyers and sellers to integrate with our applications, give Rubicon Project a critical position in the digital advertising ecosystem.

We believe there are few market participants that are directly integrated with sellers in a way that allows sellers to make a full range and volume of their advertising inventory readily available in the marketplace. Our leadership position in this area is important, as most digital advertising transactions must flow through one of these industry participants.

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### ***Platform Applications***

To enhance the value our Advertising Automation Cloud brings to the marketplace, we offer a number of applications to address the critical needs of buyers and sellers:

#### ***Applications for Sellers***

We have direct relationships and integration with the sellers on our platform and provide applications to help them increase their digital advertising revenue, reduce costs, protect their brands and user experience, and reach more buyers efficiently. Our user interface offers key time savings features and granular reporting and analytics capabilities that help sellers optimize the use of our platform to fit their needs. Our integration of sellers into our platform allows sellers to monetize their full variety and volume of inventory.

Sellers realize the following benefits from our platform:

- ***Maximized Revenue for a Broad Range of Digital Advertising Inventory Without Volume or Geographic Constraints.*** We provide applications that help a seller monetize a broad base of advertising inventory with virtually no constraints on the type or volume of inventory that can be sold or the number or location of potential buyers. While offering to take a wide variety and volume of inventory, we are also able to process it effectively, both from a speed perspective and from a price optimization standpoint.
- ***Automated Sales with Leading Buyers Via RTB, Static Bidding and Direct Orders.*** Through our solution, sellers gain instant access to the world's largest automated digital advertising buyers, including over 300 DSPs and ad networks. Our platform offers sellers significant flexibility by enabling them to sell their advertising inventory in an automated fashion on an impression-by-impression basis, such as with RTB, in bulk, or in direct orders pursuant to arrangements directly between the seller and the buyer.
- ***Integrated Solution for Digital Advertising Needs.*** We provide sellers with a single web-based interface which serves as their central location to manage, analyze and maximize digital advertising spending from hundreds of different buyers via direct orders, RTB or static bidding. This centralized view allows sellers to cost-effectively optimize monetization, control workflow, run analytics and perform other critical functions.
- ***Significantly Streamlined Sales, Operations and Finance Workflow.*** Our platform streamlines the management of digital advertisement sales by aggregating demand and providing a suite of software applications that automate the process of making inventory available for sale. Our expansive marketplace allows sellers to connect quickly and efficiently with tens of thousands of brands. Additionally, we provide a web interface that transforms time consuming and manual order entry and processing, across direct orders, RTB or static bidding, into an automated process.
- ***Security for Brand and User Experience.*** Our platform is designed to ensure that advertisements shown on a seller website or application conform to the seller's guidelines, which specify what advertisers, type of product or type of advertisement may not be shown on the seller's website or application. Our automated systems scan all advertisements to verify, in real time, that each advertisement is appropriate for the seller and relevant to the audience, to create a positive user experience.
- ***Advanced Reporting and Analytics and Actionable Insights.*** We have developed a robust set of reporting features that sellers can access and use to analyze the vast array of data we collect for them. We provide sellers with actionable insight in order to leverage that data. Using our analytics, sellers can readily gather impression data, yield optimization data, brand security data and pricing data needed to manage their digital business effectively.
- ***Consolidated Payments and Transparent Tracking and Billing System.*** We provide consolidated billing and collection for sellers who would otherwise be required to dedicate additional resources to cost-effectively manage financial relationships with a large base of buyers.

### *Applications for Buyers*

Buyers leverage our applications to access a large audience and to purchase advertising inventory based on their key demographic, economic, and timing criteria. These applications help streamline a buyer's purchasing operations, increase the efficiency of its spending and the effectiveness of its advertising campaigns. By utilizing our applications, advertisers gain access to a large pool of digital advertising inventory. Buyers can execute highly automated campaigns and take advantage of unique targeting data and optimization technology that is provided by our platform. Buyers are also able to use unified reporting and analytics through buyer-user interface that has been designed to specifically address buyer preferences.

Buyers realize the following benefits from our platform:

- **Direct Access to a Global Audience and Hundreds of Premium Sellers.** By leveraging our platform, buyers can reach 600 million Internet users globally across over 700 sellers, including over 40% of the U.S. comScore 100. comScore reports that our U.S. reach is currently the largest, by users, of any display advertising entity (comScore February 2014). Furthermore, unlike many organizations in the digital advertising industry, we have direct relationships with sellers and can enable buyers to circumvent a multistep, expensive and inefficient process to connect to the seller.
- **Flexible Access to Inventory.** Our platform allows buyers to purchase advertising inventory in their preferred manner, whether by RTB, static bidding, direct order or via our unified auction. Our solution also has the flexibility to allow buyers to integrate their purchases on our platform through their existing buying technologies or to buy directly through our platform.
- **Optimized Return on Investment by Consolidating Spending on One Platform.** By concentrating more of their spending on our platform buyers can construct a larger data set specific to our platform, which results in superior targeting and more effective campaigns over time. They also benefit from our machine-learning algorithms which are constantly analyzing their data in order to improve the effectiveness of their campaigns.
- **Simplified Order Management and Campaign Tracking.** By eliminating most manual steps, our applications enable buyers to efficiently manage their digital campaigns and significantly reduce the time it would otherwise take to effectively execute their digital advertising programs.
- **Transparency and Control Over Advertising Spending.** Our platform is designed to be transparent and let buyers know and control where their dollars are being spent. Buyers can easily navigate through our interface to choose the list of sellers they want to purchase inventory from and see an indicative price range that they should expect to pay.
- **Brand Security.** Our suite of brand security technologies and premium seller base ensures buyers that their advertisements will appear in an environment they have pre-approved.

### **Our Market Opportunity**

We believe that important trends greatly enhance our market opportunity, namely: the shift in advertising spending to digital advertising, the move towards automation, and the convergence of media across multiple channels.

#### ***Rapid Growth in Digital Advertising Spending***

While media consumption and time spent by consumers have shifted relatively quickly from television, broadcast radio, and print to Internet, digital television and mobile devices, the shift in advertising spending from analog and print to digital has lagged to date. This is consistent with historical patterns of migration from print media, such as newspapers and magazines, and broadcast television, in which audience adoption of new platforms has preceded the migration of advertiser spending, with that gap decreasing over time. The rapid growth in digital media consumption has driven growth in digital advertising spending, which is growing at a

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significantly faster rate than advertising spending on analog and print media. Furthermore, we believe that there will be continued expansion of digital advertising as advertising spending “catches up” to time spent on the Internet and mobile devices. According to the PwC Entertainment and Media Global Outlook: 2013-2017, published in June 2013, display, mobile and video digital advertising are forecasted to grow from approximately \$43 billion in 2012 to \$90 billion in 2017, a 16% compounded annual growth rate, while television advertising is forecasted to grow from approximately \$164 billion in 2012 to \$211 billion in 2017, a 5% compounded annual growth rate. The continued growth in overall advertisement spending, and the shift in that spending to digital media to keep up with the migration of consumers, yield significant additional opportunities to monetize Internet and mobile traffic. According to our calculations based on data from eMarketer, the current opportunity for monetizing online media consumption is over \$32 billion annually in the United States alone. These same dynamics should also offer significant opportunities in less developed markets.

### ***Increasing Demand for Automation and Real Time Purchase and Sale of Advertising***

As digital advertising has grown in complexity, the need for automation has increased commensurately. According to International Data Corporation, or IDC (October 2013), global RTB spending by advertisers is expected to grow from \$1.4 billion in 2011 to \$20.8 billion in 2017, a compounded annual growth rate of 57%. This trend is most pronounced in the United States and Western Europe, but other international markets are also rapidly adopting RTB. In addition, according to IDC, approximately 50% of the U.S. RTB market will be direct RTB by 2017, meaning that the buyer and seller will have a direct contractual relationship with one another. This represents a significant opportunity we have begun to address as part of our direct order solution. Also, RTB is just one aspect of advertising automation. Other elements of automation include direct orders, and static bids, which can also benefit significantly from automation.

### ***Trend Towards Automation of Analog and Print Advertising Markets***

Over time, we also expect analog and print advertising markets to automate, and we view our long-term mission, and opportunity, as the automation of the buying and selling of all advertising. We believe advertisers want to be able to reach consumers across multiple channels and to have a platform that can unify their advertising spending. Consumption patterns for television are changing, with viewers migrating to digital platforms and using multiple devices to view video programming. A survey of television viewers conducted by QuickPlay Media regarding devices used to watch live television and video on demand in June 2013 revealed that almost 50% of respondents used a set-top box, while approximately 40% used a laptop computer, approximately 30% used a desktop computer, approximately 25% used a smart TV, approximately 22% used a smartphones and approximately 20% used tablets. At the same time, as more content is being delivered digitally, television and Internet content are beginning to converge, blurring the historical distinctions between analog and print media and digital media, and requiring advertisers to consider their advertising strategies over multiple media. We believe these trends give us the opportunity to automate a portion of the larger advertising market.

The need for automation of advertising will grow as complexity increases and as digital media continues to converge with analog and print media. While the market we serve today is the digital advertising market, we expect to be able to leverage our unique marketplace and technology to ultimately automate all of these markets and enhance the experience of buyers and sellers across the entire advertising market.

### **Competitive Strengths**

We believe the following key strengths differentiate us from our competitors and strategically position us within the digital advertising marketplace:

- ***Technology Platform with Differentiated Scalability and Real Time Processing Speed.*** Our real time Advertising Automation Cloud serves buyers and sellers by providing optimal execution of media trades. We have designed and deployed our proprietary high volume processing system called Rubicube and a distributed networking infrastructure, which we believe enable us to offer one of the

fastest and most scalable digital advertising technology platforms in the industry. We estimate our cloud currently executes up to 2.5 million peak queries per second and approximately 25 billion transactions per week. The speed of our platform provides buyers and sellers with reduced latency, limited loss of perishable inventory, better matching and increased efficacy of advertisements, which perform better the faster they are delivered. The scale of our platform supports the volume, diversity, and complexity of buyers' bids on sellers' advertising inventory, thereby increasing market liquidity and access and optimal pricing using our machine-learning algorithms.

- **Highly Evolved Machine-Learning Algorithms that Leverage Big Data.** We have developed a highly sophisticated set of machine-learning algorithms that are able to process over 3 trillion bid requests per month in order to optimize the pricing and matching of inventory and buyers. Utilizing these algorithms, we are able to optimize pricing and sellers' monetization of their inventory. We are also able to offer more sophisticated targeting options to buyers that allow them to maximize the impact of their advertising spending.
- **Dual Network Effects.** As we process more volume on our automated platform in the form of bid requests, events and transactions, we accumulate more data, such as pricing, geographic and preference information, data on how best to optimize yield for sellers and more. This additional data helps make our machine-learning algorithms more intelligent and this leads to more effective matching between buyers and sellers. As a result, more buyers and sellers are attracted to our platform, from which we get more data, which further reinforces the network effect and thereby increases market liquidity, which benefits both buyers and sellers.
- **Direct Relationships and Integration with High Quality Sellers.** Our Advertising Automation Cloud builds on our direct relationships and integration with our seller base. We integrate our technology into their systems and have a direct financial relationship with them. Our teams also interact with sellers on an almost daily basis. This is a major distinction, as illustrated by our comScore reach, relative to many digital advertising companies who rely on our platform or third parties to access sellers and do not have direct relationships. We believe that these direct relationships and integration make us a critical participant in the digital advertising ecosystem, and make our solution one that would be difficult and time consuming for sellers to replicate, resulting in low seller attrition. Our direct seller relationships also provide us with an existing sales channel through which to expand the functionality offered by our applications to include additional services, such as our solutions for automated direct orders and mobile applications.
- **Leading User Reach and Significant Scale.** According to comScore (February 2014), we reach 97% of Internet users in the United States, which establishes us as a leader in digital advertising. We reach more U.S. Internet users than any other display advertising entity. Our reach of over 600 million Internet users globally enables us to provide buyers with the ability to execute their largest campaigns and easily reach their target audiences. The scale of our solution is evidenced by the amount of advertising spending transacted on our platform, as demonstrated by our managed revenue, which was \$485.1 million for the year ended December 31, 2013. We believe our market reach and scale is a significant competitive advantage.
- **Comprehensive Solution Covering All Types of Inventory and Demand.** We believe there are few participants in our market that are directly integrated with sellers in a way that allows them to make a full range and volume of advertising inventory readily available in the marketplace. We enable sellers to offer their inventory through several types of transactions, including RTB, static bidding and direct orders. The availability of this wide range and volume of inventory, together with the multiple ways of purchasing, attracts a similarly wide variety of buyers, providing us access to not only buyers in the \$4 billion RTB market, but also to the entire \$50 billion display market.
- **Scalable Business Model.** As we bring buyers and sellers onto our platform, they transact in an automated fashion without additional sales and marketing efforts from us. This allows us to grow the managed revenue on our platform without a proportional increase in our sales and marketing expenses.

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- **Brand Security.** We believe we are able to uniquely incorporate brand security for both buyers and sellers in a manner that allows them to buy and sell inventory safely despite the challenges presented by the volume of content and dynamic nature of digital advertising. Buyers and sellers are concerned about being associated with content they view as inappropriate, competitive or inconsistent with their advertising themes. As sellers try to make their inventory available to a wider group of advertisers, and advertisers extend their reach in pursuit of target audiences, the importance of brand security and the effort necessary to screen advertisers and inventory for brand appropriateness increases. Our platform has the business rules, scalability and speed necessary to ensure that we are able to provide a customizable brand safe environment for both buyers and sellers.
- **Independence.** Industry participants such as Google, Microsoft and Apple have incentives to isolate their viewers and deploy specialized technology for their audiences, making buyers dependent on them to reach the users of their particular websites, applications, devices or other hardware. In addition, those participants have their own owned and operated properties to which they have an incentive to give preferred treatment, which can lead to sub-optimal pricing and access for others in the market. We believe our independent market position enables us to better serve buyers and sellers because we are not burdened with any structural conflicts.

## Growth Strategies

The core elements of our growth strategy include:

- **Growing Our Business with Existing Buyers and Attracting New Buyers to Our Platform.** We believe we can attract a greater portion of advertisers' spending by continued improvement of our matching and pricing algorithms as well as enhanced features, functionality and service of our solution. We see an opportunity with existing buyers to offer them additional inventory to make buying more efficient on our platform. We plan to invest in our sales organization to drive increased spending by existing buyers on our platform and to attract new buyers to our platform.
- **Increasing Penetration of Existing Sellers and Attracting New Sellers.** We see an opportunity to increase the share of seller inventory that we currently monetize by enhancing our cloud and applications, offering additional applications, and increasing our relationships with buyers and sellers that engage in direct order relationships through our solution. In addition, we expect to benefit generally from the growing adoption of automation for sales of advertising inventory. We also see an opportunity to form relationships with new sellers as our platform continues to offer the best solution for monetizing their digital advertising inventory.
- **Enhancing Our Leadership Position by Investing in Innovation and Expansion.** We intend to build upon our current technology and extend our market leadership through innovation. Our investments will focus on improving our machine-learning algorithms, expanding further into mobile and video, data analytics, audience extension, API integration, building additional features to extend further into order management, building self-service capabilities for buyers and sellers, and enhancing and expanding our current server infrastructure. We also plan on further innovation with respect to direct orders as we believe that some sellers will elect to rely on their own sales force for sales, but will use our platform to better price, match and place campaigns on a direct order basis, and to automate manual operations such as ad trafficking, quality assurance and billing and collections.
- **Accelerating Our Global Expansion and Entering New Markets.** We currently operate globally from our offices in six countries. We believe we can extend our marketplace platform through international expansion to help automate and improve advertising for buyers and sellers globally. We recently initiated operations in Japan and we intend to grow our market share in our existing international markets. We also plan to expand into new territories including Asia, Eastern Europe and Latin America.
- **Bringing Automation to Additional Media.** Historically, our solution has focused on display advertising. We believe, however, that television and other analog and print media will eventually

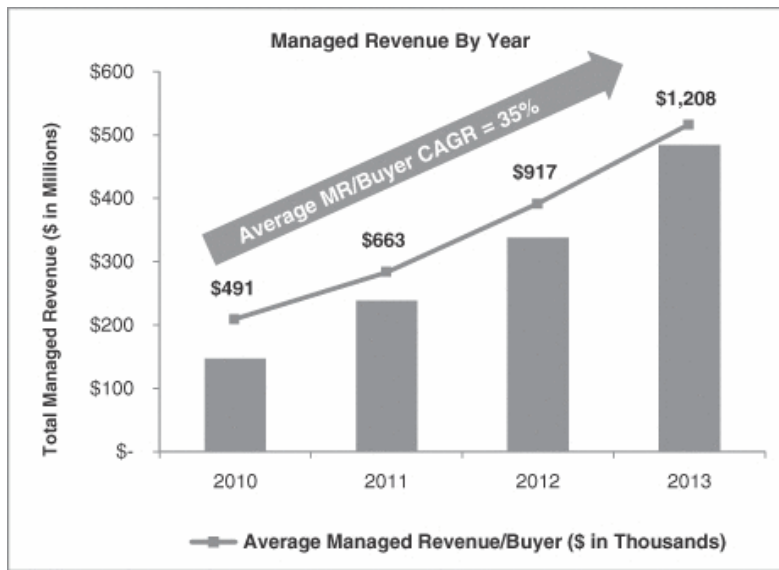
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converge with existing digital platforms, creating opportunities for us to expand our solution beyond digital media to automate the purchase and sale of advertising in analog and print media such as television, radio and print. We intend to extend our solution to track this convergence and support increasingly complex volumes of advertisements spanning multiple media.

**Buyers Using Our Solution**

Buyers purchase digital advertising inventory in the marketplace powered by our Advertising Automation Cloud. Buyers include DSPs, ad networks and ATDs, which act as representatives of advertising agencies and advertisers that direct advertising spending. Collectively, these buyers have purchased advertising for tens of thousands of unique brands on our platform. Because our buyer base consists of a broad range of DSPs, ad networks and ATDs, we do not expect significant increases or decreases in the overall number of buyers using our solution, but we expect the average spending per buyer to increase over time as buyers continue to increase their use of our solution. Average spending per buyer on our platform has grown considerably over our history, from \$491,000 in 2010 to approximately \$1.2 million in 2013, a compounded annual growth rate of 35%. Spending by each of our top 20 buyers has grown from an average of approximately \$3.8 million in 2010 to approximately \$17.8 million in 2013, implying a 67% compounded annual growth rate. These numbers count organizations within the same corporate structure as one buyer and are based on our top 20 buyers in 2013 and their average spend over previous years, excluding from those averages buyers that were not on our platform for that entire period.

We attract a wide variety of buyers in part because our solution allows buyers to execute purchases in a variety of ways, including RTB, static bidding and direct orders. RTB is the fastest growing area of our business. Managed revenue attributable to RTB grew 884% from 2010 to 2011, 191% from 2011 to 2012, and 94% from 2012 to 2013.



The following are representative examples of how some of our buyers have benefitted from our solution. These examples may not be representative of or typical of the results that our buyers see due to differences in business model or implementation.



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*Rocket Fuel.* Rocket Fuel is a technology company that delivers a programmatic media-buying platform utilizing artificial intelligence and big data to optimize ad buying across display, mobile, social, and video channels. Rocket Fuel analyzes and purchases large volumes of advertising inventory to fulfill advertisers' needs while finding cost-effective inventory sources.

From the fourth quarter of 2012, when they began buying via RTB directly with us, to the third quarter of 2013, our managed revenue from Rocket Fuel increased 1,200%. Rocket Fuel also utilizes us for mobile display inventory buying and plans to continue to expand our relationship.

*Aegis Media Agency Trading Desk.* Amnet is the trading desk for Aegis Media, a wholly owned subsidiary of Dentsu, a Japanese media conglomerate. Amnet applies a fully automated approach to delivering audiences across display, video and mobile and a major part of its trading is done through RTB.

Amnet's focus is on delivering more effective media across both performance and brand campaigns. It began purchasing inventory using our platform in January 2012, growing their overall spend by 7,000% from January to December 2012.

Amnet saw direct orders as the natural evolution of the ad automation marketplace when they came to market in late 2012, and saw our direct order feature as an opportunity to buy high value advertising inventory. It began purchasing direct orders through us in July 2012, and has increased its direct order spending 1,600% from January to October 2013. Since it starting working with us, Amnet has bought media for over 900 advertiser brands across approximately 5,000 web pages through our platform.

*Vivaki.* Vivaki is the primary agency trading desk for Paris based Publicis Groupe, a global agency network operating in more than 100 countries. Vivaki represents advertisers such as American Express, Chase, Coke, eTrade, Kraft, Microsoft, Sprint, Toyota, Verizon and Wal-Mart. Vivaki started buying inventory on the Rubicon Project platform in May 2012.

Vivaki saw the potential for increasing accuracy and efficiency in purchasing advertising inventory and building campaigns through Rubicon Project using RTB and eventually direct orders. Vivaki's total spend on our platform grew approximately 60% from September 2012 to September 2013, with its direct order buying activity growing 750%, to make up approximately 20% of its total buying activity on our platform. Vivaki's activity on our platform has grown to include buying inventory for 350 advertiser brands, across almost 5,000 websites.

### **Sellers Using Our Solution**

We have over 700 sellers on our platform and, according to comScore (February 2014), approximately 97% of all US Internet users view one or more advertisements placed through our solution every month. Over 40% of the comScore 100, which is a list of the top U.S. digital sellers by user reach, are directly integrated into our solution. We count organizations within the same corporate structure as one seller.

We have direct relationships and integration with sellers in 33 countries, including the UK, France, Germany and Australia. We are continuing to build on our international reach, including through recent establishment of operating presence and buyer and seller relationships in Latin America and Asia. We have averaged approximately 98% monthly seller retention since the beginning of 2012, excluding accounts with less than \$10,000 in lifetime revenues and accounts we elected to terminate for various reasons, including failure to meet volume thresholds or traffic quality standards. Accounts that earn under \$100 in revenue for three consecutive months are counted as lost.

From 2010 to 2013, RTB inventory volume monetized per seller across our business has grown from approximately \$46,000 to approximately \$437,000, equivalent to a 111% compounded annual growth rate. We have been able to leverage our display seller base to enter the mobile marketplace. We launched our mobile product in the fourth quarter of 2012 and have increased the number of our mobile sellers to approximately 130 as of December 31, 2013.

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The following are representative examples of how some of our sellers have benefitted from our solution. These examples may not be representative of the typical results that sellers see due to differences in business model or implementation.

*Dow Jones.* Dow Jones, a global publisher with leading global brands including the Wall Street Journal and Barron's, sought a platform that could support their direct sales efforts while protecting the integrity and safety of their brand and provide robust tools to support the efficiencies that come with automating the sale of their display inventory on desktop and mobile.

In 2012, recognizing the value of automation for direct orders, Dow Jones evaluated several platforms and chose ours based on transparency, order automation, pricing intelligence, analytics and consultative service. Through our platform, they launched a programmatic exchange (AUDEX) where buyers can access select segments of The Wall Street Journal Digital Network's premium audience and inventory in real time via WSJ.com, Marketwatch.com and Barrons.com. The exchange provides operational efficiencies to the Dow Jones businesses and access to clients that prefer to purchase online inventory through automation. As their private marketplace evolves, Dow Jones can offer holistic campaigns to select clients across multiple sales channels. From January to December 2013, Dow Jones's monthly revenue from our platform increased approximately three times. In 2013, Dow Jones has executed over 100 direct deals on our platform involving 500 advertiser brands across seven of their individual sites in the United States, Europe and Asia. Due to Dow Jones' success with our platform, as well as success with certain international media properties, in August 2013, News Corporation, Dow Jones's parent company, chose us as their preferred global direct order advertising exchange marketplace for more than 50 of their leading websites and mobile products worldwide. News Corporation owns more than 10% of our capital stock. See "Certain Relationships and Related Transactions."

*Tribune Company.* Tribune Company, a prominent newspaper and broadcasting company, owns digital media properties including the Los Angeles Times, Chicago Tribune and Baltimore Sun. They have a diverse set of publisher needs based on the location of each newspaper, as well as monetization requirements that cross mobile and desktop display. Tribune Company had been looking for an automation partner who could help them sell their advertising inventory more efficiently and effectively, and began working with us in 2010 for select display media properties. In the fourth quarter of 2012, Tribune Company sought to improve monetization on their mobile web properties and chose to expand their relationship with us based on our access to the critical mass of buyers, transparency, and the data/reporting capabilities of our platform.

After migrating its mobile web traffic to our platform in the fourth quarter of 2012, Tribune Company's mobile CPM on our platform doubled from its first to second month on our platform, and increased by an additional 60% over the next six months, while the inventory sold through our platform also doubled. In the first quarter of 2013, based on the improvement in their mobile inventory and their satisfaction with us from the existing display relationship, Tribune Company expanded their relationship with us to include substantially all of their digital media properties, which doubled the inventory they sold through our platform. In the second quarter of 2013, they began executing direct orders through our platform and generated average CPM on our platform of 300% more than the average CPM of their unified auction sales.

*La Place Media.* La Place Media is a French publisher collective that markets the digital advertising inventory of more than 100 publisher brands exclusively. With the express intent of competing more effectively, La Place Media launched in September 2012 using our technology. From the start, its founding partners (TF1, Lagardere, Le Figaro and Group Amaury) believed they had more to gain from working collectively toward achieving a larger audience size and a more robust data offering.

La Place Media selected us as its technology platform for our superior brand protection and pricing controls, crucial to La Place Media's members, the exposure to buyers our platform enables, and the level of customer support and consultative advice we provide all of our customers. In the months of September and October of 2013, La Place Media's monthly revenue from sales on our platform increased 300% and its average CPM on our platform increased 51% compared to the same period in 2012.

## Our Technology

To support our solution, we have developed a network of remote servers hosted on the Internet that store, manage, and process rules set by buyers and sellers and data about demographics, economics, timing, and preferences. We have specially engineered a high volume processing system, called the Rubicube, that provides significant scale and is programmed for high frequency, low latency trading. We estimate that our Advertising Automation Cloud currently executes up to 2.5 million peak queries per second and averages approximately 25 billion transactions per week. It utilizes over 25,000 central processing units, which read and execute our program instructions. In addition, our Advertising Automation Cloud supports 260 gigabytes of data transfer per second and stores more than 2.4 petabytes of data, backed by our globally distributed infrastructure hosted at data centers in California, Nevada, Virginia, The Netherlands and Japan. We lease data center capacity on market standard terms pursuant to leases expiring between October 2014 and June 2015. We believe that having a distributed infrastructure is useful to reduce latency. We regularly change and add data center capacity to support growth and to find the best pricing and locations for our business. We are not dependent on any single provider of data center capacity and we believe that, if we require additional data center capacity, or if a contract with a data center terminates unexpectedly, we will be able to obtain additional capacity on commercially reasonable terms and within a relatively short time period.

This infrastructure is supported by a real time data pipeline, a system that quickly moves volumes of data generated by our business into reporting systems that allow usage both internally and by buyers and sellers, and a 24 hour Network Operations Center, which provides failure protection by monitoring and rerouting traffic in the event of equipment failure or network performance issues between buyers and our exchange.

Our infrastructure provides buyers and sellers with reduced latency, while the scale of the infrastructure supports the volume, diversity, and complexity of buyers' bids on sellers' advertising inventory, which increases market liquidity and optimal pricing using our machine-learning algorithms. Our data processing scale is currently over 100 billion transactions per month, compared to 7 billion transactions per month reported by Visa and 40 billion shares traded per month reported by Nasdaq. Our platform's architecture allows for additional scale through enhancements and additions to the infrastructure, which enables us to better evolve and adapt to the demands of buyers and sellers and remain competitive in the marketplace.

Our proprietary data-driven machine-learning algorithms enable our solution to make decisions that maximize revenue for sellers and improve return on investment for buyers. These algorithms combine and analyze multiple types of data and enable our systems to execute approximately 40 million decisions per second, all in time to allow transactions to be executed in an average of 80 milliseconds.

Decisions processed through these algorithms relate to the following types of data:

- *Pricing Metadata*—We provide information on historical pricing, bids, buyer type and buyers to determine auction winners between RTB and static bidding. This data includes approximately 3 trillion bid requests per month, 2.5 million peak bids per second and data from tens of thousands of brands and all major DSPs, ad networks and ATDs;
- *Audience Data*—We reach approximately 97% of U.S. Internet users (comScore, February 2014) and over 600 million Internet users globally on a monthly basis. We have direct relationships with approximately 40% of the top 100 U.S. sellers as ranked by comScore in terms of reach. This reach provides us with a large volume of data about users and audiences, such as pricing of advertisements, historical clearing prices, bid responses, what types of ads are allowed on a particular website, which websites a buyer prefers, what ad formats are available to be served, advertisement size and location, where a user is located, what users an advertiser wants to target, how many ads the user has seen, browser or device information and sellers' proprietary data about users.

Auction and security algorithms use matchmaking algorithms with both historical and real time data to drive automated decision-making processes.

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Pricing algorithms perform the following functions, among many others:

- *Impression Profiling*—Determines key data related to the impression such as demographic data, geographic data and historical data to send to potential bidders and collect for reporting and analysis by buyers and sellers.
- *Algorithmic Pricing*—Adjusts pricing for impressions based on historical bidding activity and valuation signals to increase marketplace liquidity.
- *Rules Management*—Ensures adherence to seller rules that set minimum prices for advertising inventory, determine which buyers are eligible to purchase advertising, identify buyers and categories of advertisements that are not allowed on a seller's website, application or other digital media property, and specify security and other criteria.

Proprietary protection technologies we have developed include:

- *Helix*—Captures and catalogs the thousands of advertising creatives (the graphics used for the advertisement) that flow through our systems every day, which our quality team reviews using our advertising quality management tools.
- *SiteScout*—Protects sellers from malware (software that can infect computers with malicious software), checks each advertisement delivered through our solution for the presence of any malicious or questionable activity or characteristics, stops unsanctioned advertisements, and reduces recurrence.
- *AdCheq*—Provides crowd-sourced (reviewed by users on the Internet) reviews of advertisements, creating multiple reviews of each. These creatives are categorized and associated with buyers and industries so that our systems can automatically enforce each seller's specific advertisement quality policies.
- *Brand Security Dashboard*—Provides visibility into quality-related activity, showing how different buyers behave relating to advertisement quality, details on the level of malware threats, and data leakage reporting (shows questionable activity related to third parties gathering data on their inventory).
- *Traffic Quality Monitoring*—Monitoring of traffic to minimize the incidence of non-human traffic or other inappropriate traffic.

Bid efficiency algorithms provide bid prediction (which buyers are most likely to bid on a given impression) and throttling (the volume of bid requests a given buyer can process), to optimize infrastructure load and execute transactions in the most timely manner possible by only sending bid requests to those buyers of advertising inventory who can handle the volume and are likely to respond.

### **Technology and Development**

Innovation is key to our success. Our technology and development team is responsible for the design, development, maintenance and operation of our platform. Our technology and development process emphasizes frequent, iterative and incremental development cycles, and we typically release improvements and new features weekly. Within the technology and development team, we have several highly aligned, independent sub-teams that focus on particular features of our platform. Each of these sub-teams includes engineers, quality assurance specialists and product developers responsible for the initial and ongoing development of each sub-team's feature. In addition, the technology and development team includes our technical operations sub-team, which is responsible for the performance and capacity of our platform. While our sub-teams operate independently, the combined work is coordinated by our project management team which manages dependencies and optimizes the schedule of the entire team towards common goals.

Technology and development expenses are included in both cost of revenue and technology and development on our consolidated statement of operations. These combined expenses were \$25.4 million,

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\$25.5 million and \$34.0 million for the years ended December 31, 2011, 2012 and 2013, respectively. We believe that continued investment in our platform, including its technologies and functionalities, is critical to our success and long-term growth. We therefore expect technology and development expense to increase as we continue to invest in technology infrastructure to support increased volume of advertising spending on our platform and international expansion, as well as to expand our engineering and technology teams to maintain and support our technology and development efforts. We also intend to invest in new and enhanced technologies and functionalities to enhance our platform and further automate our business processes with the goal of enhancing our future profitability.

### **Sales and Marketing**

We sell our solution to buyers and sellers through our global direct sales team, which operates from our locations in the United States and France, Germany, Italy, the United Kingdom, Japan and Australia. This team leverages its market knowledge and expertise to demonstrate the benefits to buyers and sellers of advertising automation and our solution. We deploy a professional services team with each seller integration to ensure that a seller extracts the most value from our solution in order to attract the maximum value of inventory from that seller to our solution. We are focused on managing our brand, increasing market awareness and generating new advertising campaigns. To do so, we often present at industry conferences, create custom events and invest in public relations. In addition, our marketing team advertises online, in print and in other forms of media, creates case studies, sponsors research, authors whitepapers, publishes marketing collateral, generates blog posts and undertakes customer research studies.

### **Our Competition**

Our industry is highly competitive and fragmented. We compete for buyer spending against many digital media companies, including Google. We compete for advertising inventory with SSPs and advertising exchanges. As we introduce new offerings, as our existing offerings evolve, or as other companies introduce new products and services, we may be subject to additional competition.

We compete for advertising spending and seller inventory made available on our platform. Our product must remain competitive in terms of ease of use, scalability, speed, brand security, customer service and other technological features that assist buyers in increasing the return on their advertising investment. We compete for digital advertising inventory based on our ability to maximize the value of sellers' inventory, provide the greatest array of product components covering their various inventory types and increase fill rates. While our industry is evolving rapidly and becoming increasingly competitive, we believe that our solution enables us to compete favorably on the factors described above.

### **Our Team and Culture**

Our management team consists of founders of ad serving and paid search companies as well as RTB pioneers, and our team draws from a broad spectrum of experience, including data science, artificial intelligence, machine-learning algorithms, auctions, infrastructure and software development.

We focus heavily upon developing and maintaining a company culture that supports our goals, and we manage our culture like a product, with a dedicated product manager, budget, measurement and roadmap. We have a goal of building and growing a truly unique company, focused on the automation of advertising and solving problems through innovation, both internally and for buyers and sellers to help deliver value. We strive to make our company an exciting place to work, not just a "job." We have a culture committee whose members rotate every quarter and include representation from across the company, both by function and geography, to ensure a comprehensive perspective. We reward team and individual excellence and constantly strive to build a stronger, more innovative team and a consistent culture across all our locations.

As of December 31, 2013, we had 344 employees, of whom 295 are in the United States.

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**Our Intellectual Property**

Our proprietary technologies are an important component of our success, and we rely upon trade secret, copyright, and patent laws in the United States and abroad to establish and protect our intellectual property and protect our proprietary technologies.

We have three active U.S. patents, as described below. Additionally, we have one pending provisional application and six pending non-provisional applications in the United States and three pending non-U.S. applications. None of these patents has been litigated and we are not licensing any of the patents. Their importance to our business is uncertain and there are no guarantees that any of the patents will serve as protection for our technology or market in the United States or any other country in which an application has been filed. U.S. Patent No. 8,554,683, titled Content Security for Real-Time Bidding, was filed January 7, 2011, issued October 8, 2013, and expires in June 2028. U.S. Patent No. 8,472,728, titled System and Method for Identifying and Characterizing Content within Electronic Files Using Example Sets, was filed October 30, 2009, issued June 25, 2013, and expires July 2031. U.S. Patent No. 8,473,346, titled Ad Network Optimization System and Method Thereof, was filed September 1, 2009, issued June 25, 2013, and expires February 2031.

We register certain domain names, trademarks and service marks in the United States and in certain locations outside the United States. We also rely upon common law protection for certain trademarks. We generally enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. We also use measures designed to control access to our technology and proprietary information. We view our trade secrets and know-how as a significant component of our intellectual property assets, which we believe differentiate us from our competitors.

Any impairment of our intellectual property rights, or any unauthorized disclosure or use of our intellectual property or technology, could harm our business, our ability to compete and our operating results.

**Regulation**

The use of interest-based advertising on the Internet has come under increasing scrutiny by user advocacy organizations and regulatory agencies in the United States and abroad that focus on digital privacy. More specifically, these groups have voiced concerns about the use of cookies and other digital applications to record an Internet user's browsing history, and the use of that information to deliver digital advertisements based on inferred interests of the Internet user. Because we rely upon access to large volumes of user data, including web browsing history, primarily through cookies, it is essential that we monitor developments in this area domestically and globally, and engage in responsible privacy practices.

We recognize that privacy is important to users and advertisers, and we strictly enforce our privacy and data protection policies. Our privacy practices are described in our privacy policy, which explains the type of data we collect and how we use it to provide our services. Our privacy policy can be found on our website at <http://www.rubiconproject.com/privacy/>. The information contained on, or that can be accessed through, our website is not a part of this prospectus.

We rely on anonymous data about Internet users. We do not attempt to associate this anonymous data with data that can be used to identify real people, and we take steps not to collect and store personally identifiable information from any source. The definition of personally identifiable information, or personal data, however, varies by country and continues to evolve. Some European countries, for example, may consider IP addresses to be personal data subject to the same data protection requirements as information understood in the U.S. to be personal data, such as name, phone number and postal or email addresses. As a result, our technology platform and business practices must be assessed regularly in each country in which we do business to avoid violating laws or regulations related to the collection, storage and use of personally identifiable information.

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In accordance with recent changes in the FTC's Children's Online Privacy Protection Act, or COPPA, we have taken various steps to implement a system that: (i) flags seller-identified child-directed sites to buyers, (ii) helps control the content of advertisements displayed on such child-directed sites by limiting advertisers' ability to serve behaviorally targeted advertisements, (iii) helps limit the types of information that our advertisers have access to when placing advertisements on child-directed sites, and (iv) limits the data that we collect and use on such child-directed sites.

We are members of or participants in industry self-regulatory organizations, including the Internet Advertising Bureau, or IAB, the Digital Advertising Alliance, the Network Advertising Initiative and the signatory-based Online Behavioral Advertising Framework of the IAB Europe. Under the requirements of these self-regulatory organizations, in addition to other compliance obligations, we provide consumers with notice about our use of cookies and our collection and use of data in connection with the delivery of targeted advertising and allow them to opt-out from the use of data we collect for the delivery of targeted advertising. These practices are described in our privacy policy.

In addition to industry self-regulation, our compliance with our privacy policy is also subject to regulation by the FTC, which may bring enforcement actions under Section 5 against unfair and deceptive trade practices, including the violation of privacy policies and representations. Outside of the United States, our privacy and data handling practices are subject to regulation by data protection authorities and other regulators in the countries in which we do business.

### **Facilities**

Our corporate headquarters are located in Los Angeles, California, where we occupy facilities totaling approximately 47,000 square feet under a lease which expires in 2021, with an early termination option in 2016. We use these facilities for our principal administration, sales and marketing, technology and development and engineering activities. We also maintain additional offices in San Francisco, New York and Seattle in the United States and in Australia, France, Japan, Germany and the United Kingdom. We believe that our current facilities are adequate to meet our ongoing needs, and that, if we require additional space, we will be able to obtain additional facilities on commercially reasonable terms.

### **Legal Proceedings**

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together, have a material adverse effect on our business, operating results, financial condition or cash flows.

**MANAGEMENT****Directors and Executive Officers**

The following table sets forth certain information regarding our board of directors, director designees and executive officers.

<u>Name</u>	<u>Age<sup>(1)</sup></u>	<u>Position</u>
Frank Addante	37	Chief Executive Officer, Chief Product Architect and Director (Chairman of the Board)
Gregory R. Raifman	54	President and Director
Todd Tappin	52	Chief Operating Officer and Chief Financial Officer
David Day	52	Chief Accounting Officer
Brian Copple	53	General Counsel and Corporate Secretary
Robert J. Frankenberg	67	Director Designee
Sumant Mandal	44	Director
Jarl Mohn	62	Director
Robert F. Spillane	64	Director Designee
Lisa L. Troe	51	Director

(1) As of March 4, 2014

**Frank Addante** is our founder and has served as our Chief Executive Officer since 2007 and our Chief Product Architect since October 2013. He has been a member and Chairman of our board of directors since 2007. In 2002, Mr. Addante founded the email infrastructure provider StrongMail Systems, Inc. From January 1998 to November 2000, Mr. Addante was CTO and Technology Founder of L90, an Internet advertising company, where he pioneered one of the Internet's first ad serving platforms, adMonitor. Mr. Addante started his Internet career with the creation of Starting Point, a search engine. As our Chief Executive Officer, Mr. Addante is the general manager of our entire business, directing our management team to achieve our strategic, financial and operating goals. His presence as a member of our board of directors brings his thorough knowledge of our company into our board of directors' strategic and policy-making discussions. As a director, he brings his extensive experience in finance, digital advertising and executive leadership in the information technology industry into deliberations regarding our strategy and operations.

**Gregory R. Raifman** has served as our President since January 2013 and has been a member of our board of directors since May 2013. Since November 2003, Mr. Raifman has served as the managing member of Momentum Sports Group, LLC, which owns and operates the United Healthcare Pro Cycling Team. From February 2010 to October 2010, Mr. Raifman served as the Executive Chairman of video ad exchange and real time bidding company LiveRail, Inc. Mr. Raifman co-founded Mediaplex, Inc., a marketing technology solution company, in 1998, and from 1998 to 2001 Mr. Raifman served as the Chairman, Chief Executive Officer and President of Mediaplex, Inc. Mr. Raifman began his career as an attorney, specializing in M&A and corporate financings. As a director, Mr. Raifman brings many years of industry experience as a public company officer and director into deliberations regarding our strategy and operations.

**Todd Tappin** has served as our Chief Operating Officer and Chief Financial Officer since January 2013. Mr. Tappin served as the Chief Executive Officer of SocialVibe, Inc. a leader in engagement and value exchange advertising, from October 2010 to January 2013. Prior to that, Mr. Tappin served as Managing Director of The Gores Group, a Los Angeles, California based private equity firm from January 2009 to October 2010. Mr. Tappin was founding Chief Financial Officer of Helio, Inc., a telecommunications company, from April 2005 to January 2008 and the founding Chief Financial Officer of Overture, the pioneer of paid search, from September 1998 to October 2003, where he led Overture's initial public offering and follow-on offering and led the sale of Overture. Prior to Overture, Mr. Tappin spent six years as a senior executive at certain subsidiaries of News Corporation, a global media conglomerate, which were subsequently spun out as 21<sup>st</sup> Century Fox. Mr. Tappin ultimately held three simultaneous positions as the Senior Vice President of Finance for Twentieth Century Fox Home Entertainment, the Senior Vice President of Finance for Fox Interactive, and General Manager for Twentieth Century Fox Home Entertainment, Canada.



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**David Day** has served as our Chief Accounting Officer since March 2013. From May 2011 to March 2013, Mr. Day served as the Chief Accounting Officer at ReachLocal, Inc., a public company servicing small and medium-sized businesses as their digital ad agency. Prior to that, Mr. Day provided finance and accounting-related consulting services to technology and telecommunications companies and was co-founder of SignJammer Corporation, a start-up in the out-of-home advertising market, from 2008 to 2011. His career also includes experience as Vice President of Finance for Spot Runner, a technology-based ad agency for small and medium-sized business, Senior Vice President of Finance for Yahoo Search Marketing, Senior Vice President of Finance and Corporate Controller of Overture, and public accounting experience with PricewaterhouseCoopers and Arthur Andersen.

**Brian Copple** has served as our General Counsel since July 2013. From April 2012 to July 2013, he was the General Counsel of Accumen, Inc. From January 2011 to April 2012, Mr. Copple was engaged in private law practice. From May 2005 to December 2010, Mr. Copple was employed by Eclipsys Corporation, a publicly-traded provider of electronic health record software and related services to hospitals, including as the General Counsel and Corporate Secretary of Eclipsys until its acquisition by Allscripts Healthcare in August 2010. His early career also includes experience as a partner at Gibson, Dunn & Crutcher LLP.

**Robert J. Frankenberg** is a designee to our board of directors and will join the board upon the completion of the offering. Mr. Frankenberg has been the owner of NetVentures, a management consulting and investment firm focused on the high tech industry since 2004. He has served on the boards of directors of public companies Nuance Communications since March 2000, Polycom since October 2013, and Wave Systems since December 2011, and serves on the boards of private companies Veracity Networks, SQLStream, and Sylvan Source, as well as the Sundance Institute board and the Westminster College Board of Trustees. Prior to its sale in 2004, Mr. Frankenberg chaired Kinzan, a leading provider of Internet services platforms. Mr. Frankenberg was the chairman, president, and CEO of Encanto Networks from June 1997 to July 2000 when the company's major business was sold to Avaya. Encanto was a leading provider of eBusiness software and services to small business. From April 1994 to August 1996 Mr. Frankenberg was the Chairman/CEO of Novell, a networking software company. Prior to Novell, Mr. Frankenberg was the Vice President & Group General Manager of Hewlett-Packard's Personal Information Products Group, responsible for HP's personal computer, server, networking, office software, calculator, and consumer product lines. Mr. Frankenberg joined Hewlett-Packard in 1969 as a manufacturing technician, later became a design engineer, software designer, project manager, engineering and marketing executive, and general manager. He became a corporate vice president in 1990 and general manager of the Personal Information Products Group in 1991. He served in the US Air Force from 1965 to 1969. Mr. Frankenberg previously served on the San Jose State University Advisory, Stanford Business School Alumni, National Semiconductor, America OnLine (AOL), Caere, Daw Technologies, Digital Bridge, Electroglas, Encanto Networks, Extended Systems, Kinzan, Metrix, PowerQuest, Secure Computing, Starlight Networks, Wall Data, and Placer Rehabilitation Industries boards. He holds several computer design patents and has received numerous awards including the Air Force Commendation Medal, Smithsonian Jefferson Scholar, Distinguished Utahian, SJSU College of Engineering Distinguished Graduate, and the Silicon Valley Engineering Hall of Fame. He brings to the board a deep knowledge of software, computer networks and systems, business operations, the technology industry, and public company governance and board service.

**Sumant Mandal** has been a member of our board of directors since May 2007. Mr. Mandal is a Managing Director at Clearstone Venture Partners, a leading early stage venture capital firm that has been the initial investor in companies such as Paypal, Netzero, MP3.com, Overture and many others. Mr. Mandal has been investing in technology businesses for over 12 years. He is co-founder of The Hive and The Fabric, companies that incubate and invest in early stage technology businesses. Mr. Mandal sits on the boards of multiple private companies where he is lead investor. Prior to his venture capital career, Mr. Mandal co-founded multiple businesses in the online media, energy and industrial systems sectors, both in the U.S. and India. Mr. Mandal is also a Charter Member of TiE, a not-for-profit global network of entrepreneurs and professionals. Mr. Mandal brings to the board his years of experience in founding, investing in and growing technology and online media businesses.

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**Jarl Mohn** has served as a director since May 2008. Mr. Mohn has also served on the boards of directors of ComScore, Inc. and Scripps Network Interactive since June 2008. From December 2003 until July 2008, Mr. Mohn served on the board of directors of CNET Networks, Inc., where he also served as non-executive chairman from October 2006 to July 2008. Mr. Mohn also previously served on the boards of directors of XM Satellite Radio, Inc. from May 2004 to July 2008 and the E.W. Scripps Company from 2002 until 2008. Mr. Mohn was the founding President of Liberty Digital Inc., a publicly traded subsidiary of Liberty Media Group involved in interactive television, cable television networks and Internet enterprises, and served as its Chief Executive Officer from June 1999 to March 2002. Prior to founding Liberty Digital, he was President and Chief Executive Officer of E! Entertainment Television. From 1986 to 1989, Mr. Mohn was Executive Vice President and General Manager of MTV and VH1. His professional career also includes twenty years in radio. Mr. Mohn brings to the board more than forty years of experience in the media industry through his prior service as Chief Executive Officer and/or director of several significant media companies.

**Robert F. Spillane** is a designee to our board of directors and will join the board upon the completion of the offering. Since 1998, Mr. Spillane has been a Managing Principal at DigaComm, L.L.C., a private investment firm that leads early-stage venture capital transactions, primarily involving companies in technology and digital media. Mr. Spillane was formerly a Principal and President and CEO of the investment group DM Holdings, Inc., which was formed in 1991 to acquire Donnelley Marketing, Inc. from The Dun and Bradstreet Corporation. Donnelley Marketing was a leading direct marketing and information services company. Mr. Spillane served as President and CEO, and on the board of directors of Donnelley Marketing, Inc., which was sold to First Data Corporation in 1996. Prior to joining DM Holdings, Mr. Spillane was the Executive Vice President of Diamandis Communications, Inc., then a leading consumer magazine publisher, formed in 1987 in a leveraged buyout of CBS Magazines from CBS Inc. Mr. Spillane was one of the four principals who initiated and led the buyout transaction, and also served as a member of the Diamandis board of directors from 1987 to 1990. The company was sold to Hachette Publications, Inc. in 1988. Prior to Diamandis, Mr. Spillane held various executive positions with CBS, Inc., including Senior Vice President Group Publisher, Vice President of Circulation, Vice President General Manager of the CBS Special Interest Magazine Group, and Vice President Sales and Marketing of Fawcett Books. His ten-year career at CBS culminated in service from 1985 to 1987 as Senior Vice President, Publishing of CBS Magazines. In that capacity, he was directly responsible for 10 magazines, including *Woman's Day*, *Modern Bride* and *Car and Driver*. From 1972 to 1977, Mr. Spillane held various positions with Chesebrough Ponds, Inc. Mr. Spillane also served on the board of directors of TVSM, Inc., a private media company, from 1992-1998. Mr. Spillane brings to the board expertise in the publishing and advertising businesses, as well as significant experience with operations and mergers and acquisitions.

**Lisa L. Troe** has been a member of our board of directors since February 2014. She is a Senior Managing Director and co-founder of Athena Advisors LLC, a business advisory firm. From October 2005 to January 2014, Ms. Troe was a Senior Managing Director in the forensic and litigation consulting practice at FTI Consulting, Inc., a global business advisory firm. From January 1995 to October 2005, Ms. Troe served on the staff of the Division of Enforcement of the U.S. Securities and Exchange Commission's Los Angeles regional office, seven years as a branch chief and six years as regional chief enforcement accountant. Her career includes accounting positions in public and private companies and with a Big Four public accounting firm. Ms. Troe is a credentialed National Association of Corporate Directors Governance Fellow and member of the National Association of Corporate Directors, a CPA and member of the American Institute of CPAs. Ms. Troe brings to the board an extensive background in public company governance and oversight, enterprise risk and crisis management, and public company accounting and financial reporting, as well as a diverse experience with many industries allowing her to bring additional perspective to our board.

### **Election of Officers**

Our executive officers are elected by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

## **Board Structure**

Our business affairs are managed under the direction of our board of directors, which currently consists of five members. Several of our directors currently serve on the board pursuant to the voting provisions of a voting agreement among us and several of our stockholders. This agreement will terminate in connection with our initial public offering and there will be no further contractual obligations regarding the election of our directors. Each of our current directors will continue to serve until the election and qualification of his or her successor, or his or her earlier death, resignation or removal.

In accordance with the amended and restated certificate of incorporation and the amended and restated bylaws that will become effective upon completion of the offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering authorize only our board of directors to fill vacancies on our board of directors. The authorized number of directors may be changed by resolution of the board of directors. Any additional directorships resulting from an increase in the authorized number of directors would be distributed among the three classes so that, as nearly as possible, each class would consist of one-third of the authorized number of directors. Frank Addante serves as the Chairman of our board of directors.

Frank Addante and Jarl Mohn are the Class I directors and their terms will expire at the annual meeting of stockholders to be held in 2015. Robert Frankenberg and Sumant Mandal are the Class II directors and their terms will expire at the annual meeting of stockholders to be held in 2016. Gregory R. Raifman, Robert Spillane and Lisa L. Troe are the Class III directors and their terms will expire at the annual meeting of stockholders to be held in 2017. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

## **Director Independence**

In connection with this offering, we have applied to list our common stock on the New York Stock Exchange. Under the rules of the New York Stock Exchange, independent directors must comprise a majority of a listed company's board of directors within one year after the completion of an initial public offering. In addition, the rules of the New York Stock Exchange require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating/corporate governance committees be independent. Under the rules of the New York Stock Exchange, a director will only qualify as an "independent director" if the board of directors affirmatively determines that the director has no material relationship with the company.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (i) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (ii) be an affiliated person of the listed company or any of its subsidiaries.

Members of our compensation committee must also satisfy the additional independence criteria set forth under Rule 10C-1 of the Exchange Act. In order to be considered independent for purposes of Rule 10C-1, our board of directors must consider whether any director serving on our compensation committee has accepted, other than in his or her capacity as a member of the board, consulting, advisory or other fees from us or whether he or she is an affiliated person of us.

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Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us. As a result of this review, our board of directors has determined that Sumant Mandal, Jarl Mohn, and Lisa L. Troe are and Robert Frankenberg and Robert Spillane, upon joining our board of directors will be, independent directors as defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the New York Stock Exchange.

### **Code of Business Conduct and Ethics**

Our board of directors has adopted a code of business conduct and ethics that applies to each of our directors, officers and employees. The full text of our code of business conduct and ethics will be available on our website at [www.rubiconproject.com](http://www.rubiconproject.com). Following the completion of this offering, we intend to post any amendment to our code of business conduct and ethics, and any waivers of such code for directors and executive officers, on the same website. The code addresses various topics, including:

- compliance with laws, rules and regulations;
- conflicts of interest;
- insider trading;
- corporate opportunities;
- competition and fair dealing;
- fair employment practices;
- recordkeeping;
- confidentiality;
- protection and proper use of company assets;
- reporting violations of the code; and
- payments to government personnel.

### **Lead Independent Director**

Our corporate governance guidelines provide that one of our independent directors should serve as a lead independent director at any time when our Chief Executive Officer serves as the Chairman of our board of directors or if the Chairman is not otherwise independent. The lead independent director will preside over periodic meetings of our independent directors, serve as a liaison between our Chairman and the independent directors and perform such additional duties as our board of directors may otherwise determine and delegate. Because Frank Addante is our Chairman, our board of directors will select a lead independent director.

### **Board Committees**

We have established an audit committee, a compensation committee and a nominating/corporate governance committee. We believe that the composition of these committees will meet the criteria for independence under, and that the functioning of these committees will comply with the requirements of, the Sarbanes-Oxley Act of 2002, the rules of the New York Stock Exchange and SEC rules and regulations that will become applicable to us upon consummation of the offering. We intend to comply with the requirements of the New York Stock Exchange with respect to committee composition of independent directors. Each committee has the composition and responsibilities described below.

#### *Audit Committee*

Upon completion of this offering, our audit committee will consist of Sumant Mandal, Robert Frankenberg and Lisa L. Troe, each of whom is a non-employee member of our board of directors. Lisa L. Troe is the chair of

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our audit committee. Our board of directors has determined that each of the persons designated to our audit committee satisfies the requirements for independence and financial literacy under the rules and regulations of the New York Stock Exchange and the SEC. Our board of directors has also determined that Lisa L. Troe qualifies as an “audit committee financial expert,” as defined in the SEC rules, and satisfies the financial sophistication requirements of the New York Stock Exchange. The audit committee is responsible for, among other things, providing assistance to the board of directors in fulfilling its oversight responsibilities regarding the integrity of our financial statements, our compliance with applicable legal and regulatory requirements, the integrity of our financial reporting processes, including its systems of internal accounting and financial controls, the performance of our internal audit function and independent auditor and our financial policy matters by approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal accounting controls. The audit committee also oversees the audit efforts of our independent accountants and takes those actions as it deems necessary to confirm that the accountants are independent of management.

### *Compensation Committee*

Upon completion of this offering, our compensation committee will consist of Sumant Mandal, Jarl Mohn, Robert Frankenberg and Robert Spillane, each of whom is a non-employee member of our board of directors. Sumant Mandal is the chair of our compensation committee. Our board of directors has determined that each person designated to our compensation committee meets the requirements for independence under the rules of the New York Stock Exchange and the SEC and is an “outside director” within the meaning of Section 162(m) of the Code. The compensation committee is responsible for, among other things, overseeing our overall compensation structure, policies and programs, and assessing whether our compensation structure establishes appropriate incentives for officers and employees. The compensation committee also reviews and approves corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives, sets the compensation of these officers based on such evaluations and reviews and recommends to the board of directors any employment-related agreements, any proposed severance arrangements or change in control or similar agreements with these officers. The compensation committee also administers the issuance of stock options and other awards under our stock plans. The compensation committee will review and evaluate, at least annually, the performance of the compensation committee and its members and the adequacy of the charter of the compensation committee. The compensation committee will also prepare a report on executive compensation, when and as required by the SEC rules, to be included in our annual report and annual proxy statement.

### *Nominating and Governance Committee*

Upon completion of this offering, our nominating and governance committee will consist of Jarl Mohn, Lisa Troe and Robert Spillane, each of whom is a non-employee member of our board of directors. Jarl Mohn is the chair of our nominating and governance committee. Our board of directors has determined that each person designated to our nominating and governance committee meets the requirements for independence under the rules of the New York Stock Exchange. The nominating/governance committee is responsible for, among other things, developing and recommending to the board of directors criteria for identifying and evaluating candidates for directorships and making recommendations to the board of directors regarding candidates for election or reelection to the board of directors at each annual stockholders’ meeting. In addition, the nominating/corporate governance committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations to the board of directors concerning corporate governance matters. The nominating and corporate governance committee will be also responsible for making recommendations to the board of directors concerning the structure, composition and function of the board of directors and its committees.

### **Compensation Committee Interlocks**

None of the members of our compensation committee is or has at any time during the past year been an officer or employee of ours. None of our executive officers currently serves or in the past year has served as a

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member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board or compensation committee.

### Director Compensation

Prior to this offering, our directors have not received any cash compensation or equity awards for their service on our board of directors or committees of our board of directors. We have a policy of reimbursing our directors for their reasonable out-of-pocket expenses incurred in attending board and committee meetings. Mr. Addante, who is our Chief Executive Officer, and Mr. Raifman, who is our President, receive no compensation for their service as a director. The compensation received by Mr. Addante and Mr. Raifman as employees is presented in “Executive Compensation—2013 Summary Compensation Table.”

After the completion of this offering, each non-employee director will be eligible to receive compensation for his or her service consisting of annual cash retainers and equity awards. For purposes of such compensation arrangements, a “non-employee director” refers to a director who is not an employee of or consultant to the company. Our non-employee directors will receive the following annual retainers for their service, which will be paid in four equal quarterly advance installments and prorated for any partial year service:

<u>Position</u>	<u>Retainer</u>
Board Member	\$30,000
Audit Committee Chair	20,000
Compensation Committee Chair	12,500
Nominating and Corporate Governance Committee Chair	7,500
Audit Committee Member	10,000
Compensation Committee Member	5,000
Nominating and Corporate Governance Committee Member	3,500
Lead Independent Director, if any	15,000

Equity awards for non-employee directors will consist of (i) an initial equity award, upon the later of the consummation of this offering or first appointment to our board of directors, with a value of \$450,000 and (ii) annual awards with a value of \$175,000, subject to proration for sitting directors for the portion of 2014 following this offering, and for the portion of the year following commencement of board service for directors who join during a year. Each equity award will consist of stock options for a number of shares determined by dividing half of the award amount by the accounting cost per share of the options, and restricted stock units covering a number of shares determined by dividing half of the award amount by the fair market value of a share of our common stock on the award date. Stock options will be granted with an exercise price equal to the fair market value of our common stock on the award date. Initial equity awards vest over three years and annual awards vest over one year (or the balance of the year in which the award is granted, in the case of prorated annual awards), subject in each case to continued board service. All equity awards to non-employee directors will vest upon a change in control.

Directors have been and will continue to be reimbursed for travel, food, lodging and other expenses directly related to their activities as directors. Directors are also entitled to the protection provided by their indemnification agreements and the indemnification provisions in our current certificate of incorporation and bylaws, as well as the certificate of incorporation and bylaws that will become effective upon the completion of this offering.

## EXECUTIVE COMPENSATION

Our named executive officers, or NEOs, for 2013, consisted of our principal executive officer and the next two most highly-compensated executive officers as described below.

### 2013 Summary Compensation Table

The executive compensation disclosure that follows explains the compensation awarded to, earned by or paid to our named executive officers, Frank Addante, Gregory R. Raifman and Todd Tappin.

The following tables and narratives address and explain the compensation provided to our named executive officers in 2013. All figures below reflect a 1-for-2 reverse stock split which was effected on March 18, 2014.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Mr. Frank Addante Chief Executive Officer, Chief Product Architect and Chairman of the Board	2013	280,000	2,013	—	265,507	—	547,520
Mr. Gregory R. Raifman President and Director	2013	279,615	—	3,936,539	152,011	81,503	4,449,668
Mr. Todd Tappin Chief Operating Officer and Chief Financial Officer	2013	279,615	—	2,974,324	130,730	—	3,384,669

- (1) Represents the payment of a holiday bonus, which was paid on January 8, 2013.
- (2) The amounts shown in this column represent the aggregate grant date fair value of the stock options awarded to the named executive officers in 2013 as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The assumptions used in calculating the grant date fair value of the stock options are set forth in Note 12 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus. In light of the proximity of these grants, which were made on February 22, 2013, to a valuation dated as of March 1, 2013, our board of directors reconsidered the fair value of the common stock and, on November 14, 2013, revised the exercise price of the options granted on February 22, 2013 to the revised estimated fair value of the common stock of \$7.80. There is no incremental fair value as a result of such revision because the option exercise price was increased.
- (3) The amounts shown in this column represent the cash incentive amounts earned by the named executive officers for the year ended December 31, 2013.
- (4) Represents the payment of \$81,503 in relocation expenses, including \$77,533 for the payment of rental fees for a corporate apartment.

### Outstanding Equity Awards as of December 31, 2013

The following table provides information regarding outstanding equity awards made to our named executive officers as of December 31, 2013.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards		
		Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Mr. Frank Addante	—	—	—	—
Mr. Gregory R. Raifman	—	785,700	\$ 7.80	2/21/2023 <sup>(1)</sup>
Mr. Todd Tappin	—	593,650	\$ 7.80	2/21/2023 <sup>(1)</sup>

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- (1) Subject to accelerated vesting under certain conditions, as described below under the section entitled “Post-Employment Compensation and Change in Control Payments and Benefits,” 25% of the time-based stock options vested on January 28, 2014 and the remaining option shares will become exercisable in 36 equal installments at the end of each calendar month thereafter.

### **Employment Agreements**

During 2013, we were party to an employment agreement with Mr. Addante effective as of May 4, 2007 pursuant to which he began serving as our chief executive officer on an “at-will” basis. The agreement was amended effective as of December 14, 2007. The agreement, as amended, provided for a base salary, eligibility to receive an annual performance bonus and eligibility to participate in employee benefit or group insurance plans maintained from time to time by the company. We entered into offer letter agreements with each of Mr. Raifman and Mr. Tappin dated January 17, 2013 pursuant to which they began serving as our President (Mr. Raifman) and Chief Operating Officer and Chief Financial Officer (Mr. Tappin) on an “at-will” basis on January 28, 2013. The letter agreements provided for a base salary, eligibility to receive an annual performance bonus and eligibility to participate in employee benefit or group insurance plans maintained from time to time by the company. The letter agreements also provided for the grant of a stock option award to each of Mr. Raifman and Mr. Tappin described in the 2013 Summary Compensation Table. All three agreements provide for eligibility to participate in employee benefit or group insurance plans maintained from time to time by the company.

Effective as of March 3, 2014, our board of directors approved a base salary of \$425,000 and a target bonus equal to \$425,000 for Mr. Addante. Effective as of March 3, 2014, our board of directors also approved base salaries for each of Mr. Raifman and Mr. Tappin of \$438,000 and \$420,000, respectively, and target bonuses equal to \$292,000 and \$280,000, respectively.

### **Incentive Compensation**

**Annual Incentive.** During 2013, our NEOs were eligible to receive quarterly and annual cash incentive bonus payments determined as a percentage of base salary upon the achievement of pre-established performance goals, which for 2013 included GAAP revenue, Adjusted EBITDA and cash balance. For 2013, the target award opportunities for Messrs. Addante, Raifman and Tappin were 71%, 50% and 43% of base salary, respectively. Performance was measured at the end of each quarter and at fiscal year-end, with 15% allocated to performance for each of our four fiscal quarters and 40% allocated to performance for our full fiscal year.

For 2014, each NEO is eligible to receive a combination of annual and quarterly bonus payments determined as a percentage of base salary based on the achievement of pre-established performance goals. For Mr. Addante, the performance goals will be weighted as follows: 50% revenue and 50% net income. For Mr. Raifman, the performance goals will be weighted as follows: 60% revenue, 20% net income and 20% strategic goals. For Mr. Tappin, the performance goals will be weighted as follows: 40% revenue, 40% net income and 20% strategic goals. A target for each of the two financial metrics will be set by the compensation committee and if the target performance measurements are exceeded for the year, the funding percentage will be increased by an accelerator factor. The maximum bonus that may be paid to an NEO is 200% of the target bonus.

**Equity Incentive.** We maintain a 2007 Stock Incentive Plan pursuant to which we currently grant stock option awards to eligible participants. Mr. Raifman and Mr. Tappin received grants of stock options under this plan in 2013 in connection with the commencement of their employment pursuant to provisions in their letter agreements. Prior to the equity awards described below, Mr. Addante had not received any equity award from us. See the table titled “Outstanding Equity Awards as of December 31, 2013” for more information with respect to these grants. Our 2007 Plan will be terminated in connection with this offering and we will implement a 2014 Equity Incentive Plan, as described below, pursuant to which we expect to make grants of stock options, restricted stock and/or restricted stock units to eligible participants, including our NEOs, in the future.



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In March 2014, each of our NEOs received grants of time-based restricted stock awards that will vest over a period of continued service ending on the fourth anniversary of this offering for Mr. Addante and on January 1, 2020 for Messrs. Raifman and Tappin. Mr. Raifman and Mr. Tappin received an additional grant of restricted stock that will vest over the two year period beginning as of the date of this offering. In addition, each of our NEOs received grants of performance-based restricted stock that will vest based upon our total stockholder return, or TSR, compared to an index to be selected by our compensation committee. Finally, the NEOs will be eligible to receive annual equity grants in the determination of our board of directors based upon its assessment of their performance.

### **Post-Employment Compensation and Change in Control Payments and Benefits**

We are a party to Executive Vesting and Severance Agreements with Messrs. Raifman and Tappin, each dated October 30, 2013, respectively, and the company plans to enter into a substantially similar agreement with Mr. Addante to replace the severance provisions of his existing employment agreement. The severance agreement provides that the executives are “at-will” employees. If the company terminates the employment of any of these executives without “cause” or if any of these executives resigns for “good reason” (as such terms are defined in the severance agreements) and prior to and not in connection with the consummation of a “sale transaction” (as such term is defined in the severance agreements), each such executive will be entitled to receive compensation equal to six months of his respective then-current base salary, payable in equal installments over six months, a pro rata bonus for the year of termination, reimbursement of “COBRA” premiums for up to six months for each of such executive and his respective dependents and supplemental vesting based on the principle that the executive shall receive credit for an additional six months of service and, with respect to any performance-based restricted stock, assuming any applicable performance goal is achieved during that period. If the company terminates any of these executives without cause or any of them resigns for good reason in connection with or following a change in control, each such executive will be entitled to receive compensation equal to 12 months of his then-current base salary, payable in equal installments over twelve months, a pro rata bonus for the year of termination, reimbursement of “COBRA” premiums for up to 12 months and acceleration of all of his equity awards. The severance payments are conditioned upon these executives entering into a release of claims with us.

If a change of control occurs pursuant to an agreement entered into prior to the first anniversary of this offering, and any of these executives have any benefits that would constitute “excess parachute payments” as defined in Section 280G of the Code, then such executive shall be entitled to a gross up payment in respect of the excise taxes under Section 280G of the Code applicable to such parachute payments.

### **Employee Benefit Plans**

#### ***2014 Equity Incentive Plan***

Effective upon consummation of this offering, our board of directors will adopt The Rubicon Project, Inc. 2014 Equity Incentive Plan, or the 2014 Plan.

*Purpose.* The 2014 Plan is intended to help the company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the company and any affiliate and provide a means by which the eligible recipients may benefit from increases in the value of our common stock.

*Types of Awards.* The 2014 Plan provides for the grant of incentive stock options within the meaning of Section 422 of the Code, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance stock awards, performance cash awards and other stock awards.

*Eligibility.* Awards may be granted to employees, including officers, non-employee directors and consultants of the company and its affiliates. Only our employees and those of our affiliates are eligible to receive incentive stock options.

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*Shares Subject to the 2014 Plan.* Subject to adjustment for certain dilutive or related events, the aggregate maximum number of shares of our common stock that may be issued pursuant to stock awards under the 2014 Plan, or the Share Reserve, will initially be 2,100,000 shares of common stock, inclusive of shares of common stock under our 2007 Plan that remain available for future grants as of the effective date of the 2014 Plan, which will be added to the shares reserved under the 2014 Plan to achieve an initial Share Reserve of 2,100,000 shares of common stock. In addition, the number of shares of common stock equal to the total number of shares of common stock subject to outstanding awards granted under the 2007 Plan that expire or terminate for any reason prior to exercise or settlement but after the offering, are forfeited or are otherwise reacquired or withheld (or not issued) to satisfy a tax withholding obligation in connection with an award will be added to the Share Reserve.

The Share Reserve will automatically increase on January 1<sup>st</sup> of each year during the term of the 2014 Plan commencing on January 1<sup>st</sup> of the year following the year in which the 2014 Plan becomes effective in an amount equal to five percent (5%) of the total number of shares of capital stock outstanding on December 31<sup>st</sup> of the preceding calendar year; provided, however, that the board of directors may provide that there will not be a January 1<sup>st</sup> increase in the Share Reserve in a given year or that the increase will be less than five percent (5%) of the shares of capital stock outstanding on the preceding December 31<sup>st</sup>.

The Share Reserve will not be reduced if an award or any portion thereof (i) expires or terminates without all of the shares covered by such award having been issued or (ii) is settled in cash. If any shares of common stock issued under an award are forfeited back to or repurchased by the company, such shares will revert to and again be made available for issuance under the 2014 Plan. Any shares retained or reacquired by the company in satisfaction of tax withholding obligations or as consideration for the exercise or purchase price of an award will also again become available for issuance under the 2014 Plan.

The aggregate maximum number of shares of common stock that may be issued on the exercise of incentive stock options is 2,100,000.

Shares issued under the 2014 Plan may consist of authorized but unissued or reacquired common stock of the company, including shares repurchased by the company on the open market or otherwise.

*Administration.* Our board of directors has the authority to administer the 2014 Plan, including the powers to: (i) determine who will be granted awards and what type of award, when and how each award will be granted, the provisions of each award (which need not be identical), the number of shares or cash value subject to an award and the fair market value applicable to an award; (ii) construe and interpret the 2014 Plan and awards granted thereunder and establish, amend and revoke rules and regulations for administration of the 2014 Plan and awards, including the ability to correct any defect, omission or inconsistency in the 2014 Plan or any award document; (iii) settle all controversies regarding the 2014 Plan and awards granted thereunder; (iv) accelerate or extend, in whole or in part, the time during which an award may be exercised or vested or at which cash or shares may be issued; (v) suspend or terminate the 2014 Plan; (vi) amend the 2014 Plan; (vii) submit any amendment to the 2014 Plan for stockholder approval; (viii) approve forms of award documents for use under the 2014 Plan and to amend the terms of any one or more outstanding awards; (ix) generally exercise such powers and perform such acts as the board of directors may deem necessary or expedient to promote the best interests of the company and that are not in conflict with the provisions of the 2014 Plan or any award documents; (x) adopt procedures and sub-plans as are necessary or appropriate; (xi) effect, with a participant's consent, the reduction of the exercise, purchase or strike price of any outstanding stock award, the cancellation of any outstanding stock award and the grant in substitution thereof of a new stock or cash award and/or award of other valuable consideration determined by the board of directors, in its sole discretion, with any such substituted award covering the same or a different number of shares of common stock as the cancelled stock award and granted under the 2014 Plan or another equity or compensatory plan of the company or any other action that is treated as a repricing under GAAP.

Subject to the provisions of the 2014 Plan, the board of directors may delegate all or some of the administration of the 2014 Plan to a committee of two or more directors and may delegate to one or more officers the authority to designate employees who are not officers to be recipients of options and stock appreciation rights

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(and, to the extent permitted by applicable law, other stock awards) and, to the extent permitted by applicable law, to determine the terms of such awards and the number of shares of common stock to be subject to such stock awards granted to such employees. Unless otherwise provided by the board of directors, delegation of authority by the board of directors to a committee or an officer will not limit the authority of the board of directors. All determinations, interpretations and constructions made by the board of directors (or another authorized committee or officer exercising powers delegated by the board of directors) in good faith will be final, binding and conclusive on all persons.

*Stock Options.* A stock option may be granted as an incentive stock option or a nonqualified stock option. The option exercise price may not be less than the fair market value of the stock subject to the option on the date the option is granted (or, with respect to incentive stock options, less than 110% of the fair market value if the recipient owns stock possessing more than 10% of the total combined voting power of all classes of stock of the company or any affiliate, or a Ten Percent Stockholder, unless the option was granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 409A and, if applicable, Section 424(a) of the Code. Options will not be exercisable after the expiration of ten years from the date of grant (or five years, in the case of an incentive stock option issued to a Ten Percent Stockholder). Each award agreement will set forth the number of shares subject to each option. The purchase price of any shares acquired pursuant to an option may be payable in cash, check, bank draft, money order, net exercise or as otherwise determined by the board of directors and set forth in the award agreement, including through an irrevocable commitment by a broker to pay over such amount from a sale of the shares issuable under the option and the delivery of previously owned shares. The vesting schedule applicable to any option, including any performance conditions, will be as set forth in the award agreement.

*Stock Appreciation Rights.* A stock appreciation right, or SAR, is a right that entitles the participant to receive, in cash or shares stock or a combination thereof, as determined by the board of directors, value equal to or otherwise based on the excess of (i) the fair market value of a specified number of shares at the time of exercise over (ii) the exercise price of the right, as established by the board of directors on the date of grant. Upon exercising a SAR, the participant is entitled to receive the amount by which the fair market value of the stock at the time of exercise exceeds the exercise price of the SAR. The exercise price of each SAR may not be less than the fair market value of the stock subject to the award on the date the SAR is granted, unless the SAR was granted pursuant to an assumption of or substitution for another option in a manner satisfying the provisions of Section 409A of the Code. SARs will not be exercisable after the expiration of ten years from the date of grant. Each award agreement will set forth the number of shares subject to the SAR. The vesting schedule applicable to any SAR, including any performance conditions, will be as set forth in the award agreement.

### *Provisions Applicable to Both Options and SARs.*

*Transferability.* The board of directors may, in its sole discretion, impose limitations on the transferability of options and SARs. Unless the board of directors provides otherwise, an option or SAR will not be transferable except by will or the laws of descent and distribution and will be exercisable during the lifetime of a participant only by such participant. The board of directors may permit transfer of an option or SAR in a manner not prohibited by applicable law. Subject to approval by the board of directors, an option or SAR may be transferred pursuant to the terms of a domestic relations order or similar instrument or pursuant to a beneficiary designation.

*Termination of Service.* Except as otherwise provided in an applicable award document or other agreement between a participant and the company, upon a termination for any reason other than for cause or due to death or disability, a participant may exercise his or her option or SAR (to the extent such award was exercisable as of the date of termination) for a period of three months following the termination date or, if earlier, until the expiration of the term of such award. Upon a termination due to a participant's disability, unless otherwise provided in an applicable award or other agreement, the participant may exercise his or her option or SAR (to the extent that such award was exercisable as of the date of termination) for a period of twelve (12) months following the termination date or, if earlier, until the expiration of the term of such award. Upon a termination due to a participant's death, unless otherwise provided in an applicable award or other agreement, the participant's estate

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may exercise the option or SAR (to the extent such award was exercisable as of the termination date) for a period of eighteen (18) months following the termination date or, if earlier, until the expiration of the term of such award. Unless provided otherwise in an award or other agreement, an option or SAR will terminate on the date that a participant is terminated for cause and the participant will not be permitted to exercise such award.

### *Awards Other Than Options and SARs.*

*Restricted Stock and Restricted Stock Unit Awards.* Restricted shares are awards of shares, the grant, issuance, retention, vesting and/or transferability of which is subject during specified periods of time to such conditions (including continued employment) and terms as the board of directors deems appropriate. Restricted stock units, or RSUs, are an award denominated in units under which the issuance of shares (or cash payment in lieu thereof) is subject to such conditions (including continued employment) and terms as the board of directors deems appropriate. Each award document evidencing a grant of restricted stock or RSUs will set forth the terms and conditions of each award, including vesting and forfeiture provisions, transferability and, if applicable, right to receive dividends or dividend equivalents.

*Performance Awards.* A performance award is a stock or cash award that is payable contingent upon the attainment during a performance period of certain performance goals. A performance award may, but need not, require the completion of a specified period of service. The length of any performance period, the applicable performance goals and the measurement of whether and to what degree such performance goals have been attained will be as determined by the compensation committee. To the extent permitted by applicable law and under any applicable award agreement, the board of directors may determine that cash may be used for payment of a performance stock award and that cash or other property may be used for the payment of a performance cash award. The compensation committee (or if not required for compliance with Section 162(m) of the Code, the board of directors) retains the discretion to reduce or eliminate the compensation or economic benefit upon the attainment of any performance goals.

*Performance Goals.* Unless otherwise permitted in compliance with Section 162(m) of the Code with respect to an award intended to qualify as “performance-based compensation” thereunder, the compensation committee will establish the performance goals applicable to, and the formula for calculating the amount payable under, the award no later than the earlier of (A) 90 days after commencement of the applicable performance period, and (B) the date on which 25% of the performance period has elapsed and at a time when the achievement of the applicable performance goals remains substantially uncertain. Performance goals may be based on a Company-wide basis, or, with respect to one or more parts of the company’s business, or with respect to individual participant performance, as appropriate, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. The performance criteria may be based on any one of, or combination of, a number of performance criteria, which may include financial or other metrics, as determined by the board of directors. However, no provision in the 2014 Plan limits the discretion of the Board or other authorized delegate of the Board to grant awards that do not comply with the requirements under Section 162(m) of the Code.

*Other Stock Awards.* The 2014 Plan permits the grant of other forms of stock awards valued in whole or in part by reference to, or otherwise based on, the common stock of the company, including the appreciation in value thereof. Subject to the provisions of the 2014 Plan, the board of directors has the sole and complete authority to determine the persons to whom and the times at which such other stock awards may be granted and other provisions related thereto.

*Non-Employee Director Grants.* In addition to any stock awards that may be granted on a discretionary basis to non-employee directors under the 2014 Plan, each director who for the 180 days before the applicable grant date (as described below) has not been either (i) an employee of the company or any of its subsidiaries or (ii) a consultant for the company or any of its subsidiaries, will be automatically granted, as applicable, an initial stock award upon commencement of service on the board of directors and an annual stock award, pursuant to the provisions set forth in the 2014 Plan.

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*Adjustment Provisions.* In the event of any change in the capitalization of the company, the board of directors will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the 2014 Plan; (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of incentive stock options; (iii) the class(es) and maximum number of securities that may be awarded to any person in compliance with Section 162(m) of the Code; and (iv) the class(es) and number of securities or other property and value (including price per share of stock) subject to outstanding stock awards. The board of directors will make such adjustments, and its determination will be final, binding and conclusive. Unless provided otherwise in an award or other agreement, in the event of a dissolution or liquidation of the company, all outstanding stock awards (other than stock awards consisting of vested and outstanding shares of Company common stock not subject to a forfeiture condition or the company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of common stock subject to the company's repurchase rights or subject to forfeiture may be repurchased or reacquired by the company notwithstanding the fact that the holder of such stock award is providing continuous service; provided, however, that the board of directors may, in its sole discretion, provide that some or all stock awards will become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent not already expired or terminated) before the dissolution or liquidation is completed but contingent upon its completion.

*Corporate Transaction.* In the event of Corporate Transaction (as defined in the 2014 Plan), the board of directors will take one or more of the following actions with respect to each outstanding award, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the award or to substitute a similar stock award for the award (including, but not limited to, an award to acquire the same consideration per share paid to the stockholders of the company pursuant to the Corporate Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the company in respect of common stock issued pursuant to the award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the award (and, if applicable, the time at which the award may be exercised) to a date prior to the effective time of such Corporate Transaction as determined by the board of directors (or, if the board of directors will not determine such a date, to the date that is five days prior to the effective date of the Corporate Transaction), with such award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction, and with such exercise reversed if the Corporate Transaction does not become effective;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the company with respect to the award;

(v) cancel or arrange for the cancellation of the award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration, if any, as the board of directors, in its reasonable determination, may consider appropriate as an approximation of the value of the canceled award; and

(vi) cancel or arrange for the cancellation of the award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for a payment equal to the excess, if any, of (A) the value in the Corporate Transaction of the property the participant would have received upon the exercise of the award immediately prior to the effective time of the Corporate Transaction, over (B) any exercise price payable by such holder in connection with such exercise.

The board of directors need not take the same action or actions with respect to all awards or portions thereof or with respect to all participants and may take different actions with respect to the vested and unvested portions of an award.

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In the absence of any affirmative determination by the board of directors at the time of a Corporate Transaction, each outstanding award will be assumed or an equivalent award will be substituted by such successor corporation or a parent or subsidiary of such successor corporation, referred to as a Successor Corporation, unless the Successor Corporation does not agree to assume the award or to substitute an equivalent award, in which case the vesting of such award will accelerate in its entirety (along with, if applicable, the time at which the award may be exercised) to a date prior to the effective time of such Corporate Transaction as the board of directors will determine (or, if the board of directors will not determine such a date, to the date that is five days prior to the effective date of the Corporate Transaction), with such award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction, and with such exercise reversed if the Corporate Transaction does not become effective.

*Change in Control.* An award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control (as defined in the 2014 Plan) as may be provided in the award agreement for such award or as may be provided in any other written agreement between the company or any affiliate and the participant, but in the absence of such provision, no such acceleration will occur.

*Termination and Amendment.* The board of directors may amend the 2014 Plan as it deems necessary or advisable. If required by applicable law, the company will seek stockholder approval of any amendment of the 2014 Plan that materially (A) increases the number of shares available for issuance under the 2014 Plan, (B) expands the class of individuals eligible to receive awards, (C) increases the benefits accruing to participants under the 2014 Plan, (D) reduces the price at which shares of common stock may be issued or purchased under the 2014 Plan, (E) extends the term of the 2014 Plan, or (F) expands the types of awards available for issuance under the 2014 Plan. Except as otherwise provided in the 2014 Plan or an award document, no amendment of the 2014 Plan will materially impair a participant's rights under an outstanding award without the participant's written consent. The board of directors may suspend or terminate the 2014 Plan at any time. No awards may be granted after the 10<sup>th</sup> anniversary of the earlier of the date the 2014 Plan was adopted by the Board or the date the 2014 Plan is approved by the stockholders of the company. No awards may be granted under the 2014 Plan while the 2014 Plan is suspended or terminated.

### **2007 Stock Incentive Plan**

Our board of directors adopted and our stockholders approved our 2007 Stock Incentive Plan, or the 2007 Plan, in May 2007, which was supplemented by an addendum for optionees in the United Kingdom in July 2011 and most recently amended in March 2014.

*Authorized Shares.* Our 2007 Plan will be terminated in connection with this offering, and, accordingly, no further shares will be available for issuance under this plan. Our 2007 Plan will continue to govern outstanding awards granted thereunder. As of December 31, 2013, options to purchase 8,359,589 shares of our common stock remained outstanding under the 2007 Plan.

*Plan Administration.* Our board of directors or a committee thereof appointed by our board has the authority to administer our 2007 Plan. Currently, our compensation committee has authority to administer the 2007 Plan. Subject to the provisions of the 2007 Plan, the administrator has the power to determine (i) with respect to the option grants under the discretionary option grant program, which eligible persons are to receive grants, times when such grants are to be made, the number of shares to be covered by each grant, the status of a granted option as either an incentive option or a non-statutory option, the vesting schedule (if any) and the term for which an option is to remain outstanding; and (ii) with respect to stock issuances under the stock issuance program, which eligible persons are to receive stock issuances, times when such issuances are to be made, the number of shares to be issued, the vesting schedule (if any) and consideration for such shares.

*Stock Options.* The administrator may grant options. The exercise price per share of all options must equal at least 100% of the fair market value per share of our common stock on the date of grant. The term of an option may not exceed ten years. The methods of payment of the exercise price of an option may include cash or

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certified check or share of common stock valued at fair market value on the exercise date. After the termination of service, except in the case of termination for misconduct, of an employee, director or consultant, the participant may exercise his or her option, to the extent vested as of such date of termination, within the period of time as stated in his or her option agreement. If termination is due to death or disability, the option will remain exercisable, to the extent vested as of such date of termination, for the period of time as stated in his or her option agreement. The administrator shall have complete discretion to extend the period of time for which an option is to remain exercisable following an optionee's cessation of service from the limited exercise period otherwise in effect for that option and to permit the option to be exercised during the applicable post-service exercise period, not only with respect to the number of vested shares of common stock, but also with respect to one or more additional installments in which the optionee would have vested had the optionee continued in service. However, in no event may an option be exercised later than the expiration of its term.

*Stock Issuances; Restricted Stock.* Shares of common stock may be issued under our 2007 Plan. Each such stock issuance is evidenced by a stock issuance agreement. Shares issued under our 2007 Plan may be fully and immediately vested upon issuance or may vest in one or more installments over the recipient's period of service or upon attainment of specified performance objectives. Issuances of our common stock may be subject to various restrictions, including restrictions on transferability and forfeiture provisions. The purchase price per share must equal at least 100% of the fair market value per share of our common stock on the issuance date. Shares of restricted stock will vest, and the restrictions on such shares will lapse, in accordance with terms and conditions established by the administrator. Recipients of stock issuances will generally have rights equivalent to those of a stockholder with respect to such shares upon issuance without regard to vesting.

*Certain Adjustments.* In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under our 2007 Plan, the administrator will adjust the number and class of shares that may be delivered under our 2007 Plan and/or the number, class and price of shares covered by each outstanding award. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable, and all unexercised awards will terminate immediately prior to the consummation of such proposed transaction.

*Merger or Change in Control.* Our 2007 Plan provides that in the event of a merger or change in control, as defined therein, each outstanding award will be treated as the administrator determines, without a participant's consent, including, without limitation, that each award be assumed or substituted for an equivalent award. Except to the extent expressly provided in an option agreement, no option outstanding at the time of a change in control shall become exercisable on an accelerated basis if and to the extent (a) the option is assumed by the successor corporation; (b) such option is replaced with a cash incentive program of the successor corporation; or (c) the acceleration of such option is subject to other limitations imposed by the plan administrator at the time of the option grant. If none of the foregoing conditions are satisfied, each option outstanding at the time of the change in control shall automatically accelerate so that each such option shall, immediately prior to the effective date of the change in control, become exercisable for all the shares of common stock at the time subject to such option and may be exercised. Our 2007 Plan also provides that, following a change in control, all of our repurchase rights with respect to outstanding options shall also terminate automatically and the shares of common stock subject to those terminated rights shall immediately vest in full, subject to certain exceptions. All of our repurchase rights under the stock issuance program shall terminate automatically in connection with a change in control, and all the shares of common stock subject to those terminated rights shall immediately vest in full, in the event of any change in control, except to the extent the repurchase rights are assigned to the successor corporation or otherwise continue in full force and effect pursuant to the express terms of the change in control transaction or such accelerated vesting is precluded by other limitations imposed in the stock issuance program.

*Amendment, Termination.* Our board of directors may amend our 2007 Plan at any time, provided that such amendment does not impair a participant's rights under outstanding awards without the participant's written consent. As noted above, upon the completion of this offering, the 2007 Plan will be terminated and no further awards will be granted thereunder. All outstanding awards will continue to be governed by their existing terms.

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***Employee Stock Purchase Plan***

We have adopted a 2014 Employee Stock Purchase Plan in order to enable eligible employees to purchase shares of our common stock at a discount following the date of this offering. Purchases will be accomplished through participation in discrete offering periods. Our 2014 Employee Stock Purchase Plan, excluding any sub-plans thereunder, is intended to qualify as an employee stock purchase plan under Section 423 of the Code. We initially reserved a number of shares of our common stock for issuance under our 2014 Employee Stock Purchase Plan equal to 525,000 shares. The number of shares reserved for issuance under our 2014 Employee Stock Purchase Plan will increase automatically on January 1 of each year by 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year. However, our board of directors may reduce the amount of the increase in any particular year at their discretion. The maximum number of shares that may be issued to any employee in a given offering period may not exceed 1,250.

Our compensation committee will administer our 2014 Employee Stock Purchase Plan. All of our employees who work 20 or more hours per week or for five or more months per year that are employed at the beginning of an enrollment period are generally eligible to participate in our 2014 Employee Stock Purchase Plan. Employees who are 5% stockholders, or would become 5% stockholders as a result of their participation in our 2014 Employee Stock Purchase Plan cannot participate in our 2014 Employee Stock Purchase Plan. Under our 2014 Employee Stock Purchase Plan, eligible employees will be able to acquire shares of our common stock by accumulating funds through payroll deductions. Our eligible employees will be able to select a rate of payroll deduction between 1% and 10% of their eligible compensation. We will also have the right to amend or terminate our 2014 Employee Stock Purchase Plan at any time. Our 2014 Employee Stock Purchase Plan will continue for a maximum of ten (10) years from adoption or until earlier terminated in accordance with the provisions therein.

For each offering period, new participants will be required to enroll in a timely manner. Once an employee is enrolled, participation will be automatic in subsequent purchase periods. No offering period can run for more than 27 months. An employee's participation automatically ends upon termination of employment for any reason.

In addition to the 1,250 share limit for each offering period, no participant will have the right to purchase shares of our common stock in an amount, when aggregated with purchase rights under all our employee stock purchase plans that are also in effect in the same calendar year, that has a fair market value of more than \$25,000, determined as of the first day of the applicable purchase period, for each calendar year in which that right is outstanding. The purchase price for shares of our common stock purchased under our 2014 Employee Stock Purchase Plan will be not less than 85% of the lesser of the fair market value of our common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of each purchase period in the applicable offering period.

If we experience a proposed liquidation or dissolution, any offering period will terminate immediately prior to the consummation of such transaction unless otherwise provided by our board of directors in its sole discretion and all outstanding purchase rights will automatically terminate and the amounts of all payroll deductions will be refunded without interest to the participants. In the event of a proposed sale of all or substantially all of our assets, or our merger or consolidation or similar combination of the company with or into another entity, then in the sole discretion of our board of directors, (1) each purchase right will be assumed or an equivalent right substituted by the successor corporation or parent or subsidiary of such successor entity, (2) on a date established by the board of directors on or before the date of consummation of such merger, consolidation, combination or sale, such date will be treated as a purchase date, and all outstanding purchase rights will be exercised on such date, (3) all outstanding purchase rights will terminate and the accumulated payroll deductions will be refunded without interest to the participants, or (4) outstanding purchase rights will continue unchanged.

***401(k) Plan***

We maintain a tax-qualified retirement plan that provides eligible employees with an opportunity to save for retirement on a tax advantaged basis. To date, we have made no matching contributions into the 401(k) plan. Pre-



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tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan, and all contributions are deductible by us when made.

### **Limitation on Liability and Indemnification Matters**

Our amended and restated certificate of incorporation and our amended and restated bylaws, each to be effective upon the completion of this offering, will provide that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the DGCL, which prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of nonmonetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our amended and restated bylaws, we will also be empowered to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification required in our amended and restated certificate of incorporation and amended and restated bylaws, we have entered into indemnification agreements with each of our current directors, executive officers and certain other officers. These agreements will provide indemnification for certain expenses and liabilities incurred in connection with any action, suit, proceeding, or alternative dispute resolution mechanism, or hearing, inquiry, or investigation that may lead to the foregoing, to which they are a party, or are threatened to be made a party, by reason of the fact that they are or were a director, officer, employee, agent, or fiduciary of our company, or any of our subsidiaries, by reason of any action or inaction by them while serving as an officer, director, agent, or fiduciary, or by reason of the fact that they were serving at our request as a director, officer, employee, agent, or fiduciary of another entity. In the case of an action or proceeding by, or in the right of, our company or any of our subsidiaries, no indemnification will be provided for any claim where a court determines that the indemnified party is prohibited from receiving indemnification. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table presents information regarding beneficial ownership of our equity interests as of March 18, 2014, and as adjusted to reflect the sale of common stock in this offering, by:

- each stockholder or group of stockholders known by us to be the beneficial owner of more than 5% of our outstanding equity interests;
- each of our directors and our director designees;
- each of our named executive officers;
- all selling stockholders; and
- all of our directors, director designees and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and thus represents voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

Percentage ownership of our common stock before this offering is based on 29,012,252 shares of our common stock outstanding as of March 18, 2014, giving effect to the reverse stock split completed on March 18, 2014, and assumes (i) the conversion of all outstanding shares of convertible preferred stock into an aggregate of 14,410,233 shares of Class A common stock, (ii) the conversion of all outstanding shares of our Class B common stock into an aggregate of 4,190,063 shares of Class A common stock and (iii) conversion of all of our Class A common stock (including all shares of Class A common stock issued upon conversion of our convertible preferred stock and Class B common stock as described above) into a single class of common stock upon completion of this offering. For percentage ownership information after the offering in the table, we have assumed the issuance of common stock in this offering and no exercise of the underwriters' over-allotment option. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of March 18, 2014 and a warrant exercisable in connection with the offering are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each individual listed in this table is c/o The Rubicon Project, Inc., 12181 Bluff Creek Drive, 4<sup>th</sup> Floor, Los Angeles, California 90094.

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Name and Address of Beneficial Owner	Shares Beneficially Owned Prior to The Offering		Shares Being Offered	Shares Beneficially Owned After the Offering	
	Number	Percent		Number	Percent
<b>5% Stockholders</b>					
Frank Addante <sup>(1)</sup>	3,059,374	10.5%	—	3,059,374	8.8%
Entities affiliated with Clearstone Venture Partners <sup>(2)</sup>	6,299,980	21.7%	—	6,299,980	18.1%
News Corporation <sup>(3)</sup>	5,596,125	19.3%	849,776	4,746,349	13.7%
Entities affiliated with Mayfield Fund <sup>(4)</sup>	4,112,754	14.2%	—	4,112,754	11.8%
<b>Executive Officers, Directors and Director Designees</b>					
Frank Addante <sup>(1)</sup>	3,059,374	10.5%	—	3,059,374	8.8%
Gregory R. Raifman <sup>(5)</sup>	620,530	2.1%	—	620,530	1.8%
Todd Tappin <sup>(6)</sup>	523,015	1.8%	—	523,015	1.5%
Sumant Mandal <sup>(7)</sup>	6,299,980	21.7%	—	6,299,980	18.1%
Jarl Mohn <sup>(8)</sup>	405,850	1.4%	50,000	355,850	1.0%
Lisa L. Troe <sup>(9)</sup>	—	*	—	—	*
Robert Frankenberg <sup>(10)</sup>	—	*	—	—	*
Robert Spillane <sup>(11)</sup>	—	*	—	—	*
All Current Executive Officers and Directors as a Group (10 persons) <sup>(12)</sup>	11,048,194	37.5%	50,000	10,998,194	31.7%
<b>Other Selling Stockholders</b>					
Allen & Company, LLC <sup>(13)</sup>	483,201	1.6%	73,375	281,503	*
GE Capital Equity Investments, Inc. <sup>(14)</sup>	706,809	2.4%	107,329	599,480	1.7%
IDG Ventures Vietnam LP <sup>(15)</sup>	1,048,061	3.6%	159,149	888,912	2.6%
Matt Coffin <sup>(16)</sup>	39,643	*	6,020	33,623	*
NBCUniversal Media, LLC <sup>(17)</sup>	706,809	2.4%	107,330	599,479	1.7%
University of California, Berkeley Foundation <sup>(18)</sup>	8,035	*	1,220	6,815	*

\* Indicates ownership of less than one percent.

- (1) Consists of 3,059,374 shares of our common stock held by Mr. Addante. Mr. Addante's shares include 531,669 shares of time-based restricted stock, which will vest over a period of continued service ending on the fourth anniversary of this offering, and 100,000 shares of performance-based restricted stock that will vest based upon our total stockholder return, or TSR, compared to an index to be selected by our compensation committee.
- (2) Consists of (i) 324,237 shares of our common stock and 11,730,205 shares of our preferred stock (convertible into 5,865,103 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by Clearstone Venture Partners III-A, LP and (ii) 5,796 shares of our common stock and 209,689 shares of our preferred stock (convertible into 104,844 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by Clearstone Venture Partners III-B, a Delaware multiple series LLC. Clearstone Venture Management III, LLC is the general partner of both Clearstone Venture Partners III-A, LP and Clearstone Venture Partners III-B. Sumant Mandal is a managing member of Clearstone Venture Management III, LLC. The address for these entities is 1351 Fourth Street, Fourth Floor, Santa Monica, CA 90401.
- (3) Consists of (i) 4,190,063 shares of our common stock and (ii) 2,812,125 shares of our preferred stock (convertible into 1,406,062 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by News Corporation. The address for this entity is 1211 Avenue of the Americas, New York, NY 10036.
- (4) Consists of 1,500 shares of common stock and 120,383 shares of preferred stock (convertible into 60,191 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by Mayfield Associates Fund XII, a Delaware limited partnership, or MF AF XII, 1,500 shares of common stock and 120,383 shares of preferred stock (convertible into 60,191 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by Mayfield Principals Fund XII, a Delaware multiple series limited liability company, or MF PF XII, and 97,000 shares of common stock and 7,784,742 shares of preferred stock (convertible into 3,892,372 shares of common stock based on the

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conversion ratio after giving effect to a 1-for-2 reverse stock split) held by Mayfield XII, a Delaware limited partnership, or MF XII. Mayfield XII Management, L.L.C., or MF XII Management, is the general partner of each of MF AF XII and MF XII and the sole managing director of MF PF XII. MF XII Management is managed by three managing directors, James T. Beck, Navin Chaddha and Robert T. Vasani, and all action by the managing directors relating to the voting or disposition of the shares of common stock beneficially held by each of MF AF XII, MF PF XII and MF XII requires approval of a majority of the managing directors. The address for each of these entities is c/o Mayfield Fund, 2484 Sand Hill Road, Menlo Park, CA 94025.

- (5) Includes 245,530 shares issuable pursuant to outstanding stock options exercisable by Mr. Raifman within 60 days of March 18, 2014, of which 212,793 were fully vested as of such date. Mr. Raifman's beneficial ownership also includes 157,500 shares of time-based restricted stock that will vest in installments over a period of continued service ending on January 1, 2020, 125,000 shares of time-based restricted stock that will vest over the two year period beginning as of the date of this offering and 92,500 shares of performance-based restricted stock that will vest based upon our TSR compared to an index to be selected by our compensation committee. Excludes options to purchase 540,170 shares of common stock that are unvested and unexercisable within 60 days of March 18, 2014.
- (6) Includes 185,515 shares issuable pursuant to outstanding stock options exercisable by Mr. Tappin within 60 days of March 18, 2014, of which 160,780 were fully vested as of such date. Mr. Tappin's beneficial ownership also includes 150,000 shares of time-based restricted stock that will vest in installments over a period of continued service ending on January 1, 2020, 100,000 shares of time-based restricted stock that will vest over the two year period beginning as of the date of this offering and 87,500 shares of performance-based restricted stock that will vest based upon our TSR and unexercisable within 60 days of March 18, 2014.
- (7) Consists of shares held by the Clearstone entities as disclosed in footnote (2) above. Mr. Mandal is a managing member of Clearstone Venture Management III, LLC and, as such, may be deemed to share voting and investment power with respect to all shares held by the Clearstone entities. In addition to the shares shown on the table, upon the completion of this offering, Mr. Mandal will receive an equity award with a nominal total value of \$450,000, one half of which will consist of the award of restricted stock units and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price. In addition, upon the completion of this offering, Mr. Mandal will receive an initial annual equity award valued at \$175,000 prorated from the date hereof through the estimated date of the first annual meeting of the stockholders held in 2015, the value of such equity award will be equally split between the grant of restricted stock units and a stock option with an exercise price equal to our initial public offering price.
- (8) Consists of 405,850 shares held by The Mohn Family Trust, a revocable trust (the "Trust"), of which Mr. Mohn and his wife are co-trustees. These shares are held in the Trust for the benefit of Mr. Mohn and his wife. In addition to the shares shown on the table, upon the completion of this offering, Mr. Mohn will receive an equity award with a nominal total value of \$450,000, one half of which will consist of the award of restricted stock units and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price. In addition, upon the completion of this offering, Mr. Mohn will receive an initial annual equity award with a nominal value of \$175,000 prorated from the date hereof through the estimated date of the first annual meeting of the stockholders held in 2015, the value of such equity award will be equally split between the grant of restricted stock units and a stock option with an exercise price equal to our initial public offering price.
- (9) Upon the completion of this offering, Ms. Troe will receive an equity award with a nominal total value of \$450,000, one half of which will consist of the award of restricted stock units and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price. In addition, upon the completion of this offering, Ms. Troe will receive an initial annual equity award with a nominal value of \$175,000 prorated from the date hereof through the estimated date of the first annual meeting of the stockholders held in 2015, one half of which will consist of the award of restricted stock units and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price.
- (10) Upon the completion of this offering and becoming a director, Mr. Frankenberg will receive an equity award with a nominal total value of \$450,000, one half of which will consist of the award of restricted stock units

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- and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price. In addition, upon the completion of this offering and becoming a director, Mr. Frankenberg will receive an initial annual equity award with a nominal value of \$175,000 prorated from the date hereof through the estimated date of the first annual meeting of the stockholders held in 2015, one half of which will consist of the award of restricted stock units and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price.
- (11) Upon the completion of this offering and becoming a director, Mr. Spillane will receive an equity award with a nominal total value of \$450,000, one half of which will consist of the award of restricted stock units and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price. In addition, upon the completion of this offering and becoming a director, Mr. Spillane will receive an initial annual equity award with a nominal value of \$175,000 prorated from the date hereof through the estimated date of the first annual meeting of the stockholders held in 2015, one half of which will consist of the award of restricted stock units and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price.
- (12) Includes options to purchase 478,440 shares of our common stock exercisable within 60 days of March 18, 2014, of which 373,573 are fully vested as of such date, and 1,436,219 shares of restricted stock. In addition to the shares shown on the table, upon the completion of this offering, Ms. Troe and Messrs. Mandal, Mohn, Frankenberg and Spillane will each receive an equity award with a nominal total value of \$450,000, one half of which will consist of the award of restricted stock units and the other half of which will consist of a stock option with an exercise price equal to our initial public offering price. In addition, upon the completion of this offering, Ms. Troe and Messrs. Mandal, Mohn, Frankenberg and Spillane will each receive an initial annual equity award with a nominal value of \$175,000 prorated from the date hereof through the estimated date of the first annual meeting of the stockholders held in 2015, the value of such equity award will be equally split between the grant of restricted stock units and a stock option with an exercise price equal to our initial public offering price. Excludes options to purchase 1,250,910 shares of common stock that are unvested and unexercisable within 60 days as of March 18, 2014 and awards to be granted to directors upon completion of this offering.
- (13) Shares beneficially owned prior to the offering consists of 120,536 shares of our preferred stock (convertible into 60,268 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) and a warrant to purchase 845,867 shares of preferred stock (convertible into 422,933 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by Allen & Company, LLC, a New York limited liability company. Shares beneficially owned after this offering, assumes the net exercise of a warrant for 845,867 shares of our convertible preferred stock for 294,610 shares of common stock based upon an assumed initial public offering price of \$16.00 per share, which is the midpoint of the range included on the cover page of this prospectus and based on the conversion ratio after giving effect to a 1-for-2 reverse stock split. Herbert A. Allen III, the President of Allen & Company, LLC, may be deemed to have sole voting and investment power with respect to all shares held by Allen & Company, LLC. The address for this entity is 711 Fifth Avenue, New York, NY 10022.
- (14) Consists of 1,413,618 shares of our preferred stock (convertible into 706,809 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by GE Capital Equity Investments, Inc., a Delaware corporation. The address for this entity is 201 Merritt 7, Norwalk, CT 06851.
- (15) Consists of 2,096,123 shares of our preferred stock (convertible into 1,048,061 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by IDG Ventures Vietnam LP, a Delaware limited partnership. Hoang Bao Nguyen, Rachan Damidi Reddy and Duc Tran Viet may be deemed to share voting and investment power with respect to all shares held by IDG Ventures Vietnam LP. The address for this entity is Bitexco Financial Tower, 57th Floor, No. 2, Hai Trieu Street, District 1, Ho Chi Minh City, Vietnam.
- (16) Consists of 4,531 shares of our common stock, 64,286 shares of our preferred stock (convertible into 32,143 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) and 2,969 shares issuable pursuant to outstanding stock options exercisable within 60 days of March 18, 2014 held by Matt Coffin. The address for Mr. Coffin is P.O. Box 809, Bridgehampton, NY 11932.

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- (17) Consists of 1,413,619 shares of our preferred stock (convertible into 706,809 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by NBCUniversal Media, LLC, a Delaware limited liability company. NBC Universal, Inc. (n/k/a NBCUniversal Media, LLC) is an indirect subsidiary of Comcast Corporation. The address for this entity is 30 Rockefeller Plaza, New York, NY 10036.
- (18) Consists of 16,071 shares of our preferred stock (convertible into 8,035 shares of common stock based on the conversion ratio after giving effect to a 1-for-2 reverse stock split) held by University of California, Berkeley Foundation, a California nonprofit public benefit corporation. The address for this entity is 2080 Addison Street, Suite 4200, Berkeley, CA 94720.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2011 to which we have been a party, in which the amount involved in the transaction exceeded or will exceed \$120,000, and in which any of our directors, executive officers or beneficial holders of more than 5% of our capital stock had or will have a direct or indirect material interest. Compensation arrangements with our directors and officers are described under “Executive Compensation” and “Management—Director Compensation.”

### Transactions with News Corporation and its Affiliates

News Corporation owns more than 10% of our capital stock, and we have had and continue to have various commercial relationships with News Corporation or its affiliates.

News Corporation or some of its affiliates have offered advertising inventory on our platform for a number of years. Dow Jones & Company, Inc., a subsidiary of News Corporation, entered into a seller agreement with us in August, 2012. The agreement was amended in August, 2013 to create an umbrella agreement under which we provide to News Corporation a private marketplace and provide advertisers access to News Corporation’s global audience at scale. Under the agreement, News Corporation markets the availability of our solution to its affiliates, and those affiliates can join the agreement and receive the benefit of its terms. For example, The New York Post adopted the agreement in October 2013. The agreement reflects commercial terms negotiated on an arm’s length basis. We recognized aggregate revenue of approximately \$0.6 million in 2011, \$0.8 million in 2012 and \$1.1 million in 2013, attributable to inventory sold through our solution by entities that we believe are affiliates of News Corporation.

For the year ended December 31, 2011, we recognized revenue of \$1.6 million from a commercial arrangement with MySpace, which was a buyer that purchased advertising inventory sold through our solution and which was affiliated during the relevant period with News Corporation. The revenue arrangement terminated in 2011 and no amounts were receivable from this customer as of December 31, 2011.

In January 2013, we entered into a sublease for our headquarters in Los Angeles, California with Fox Interactive Media, Inc., an entity formerly affiliated with News Corporation. During the year ended December 31, 2013, we paid \$0.3 million to Fox Interactive Media, Inc. as rent payments under the lease. The sublease term began during June 2013 and terminates in April 2021; however, we have the option to terminate the sublease on its third anniversary date if we notify Fox Interactive Media, Inc. one year in advance of our intended departure and pay a termination fee of approximately \$1.2 million. In addition, the early termination fee escalates dollar-per-dollar for any tenant improvement allowance that exceeds \$1.0 million. We expect to utilize our early termination option.

### Amended and Restated Investors’ Rights Agreement

We are party to an investors’ rights agreement which provides that certain holders of our preferred stock, including entities affiliated with Clearstone Venture Partners, which is affiliated with one of our directors, entities affiliated with Mayfield Fund, which has the right, until consummation of the offering, to appoint one director, as well as News Corporation, a holder of more than 10% of our capital stock, have certain registration rights, including the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. For a more detailed description of these registration rights, see “Description of Capital Stock—Registration Rights.”

### Amended and Restated Voting Agreement

We are a party to a voting agreement with certain holders of our preferred and common stock, including entities affiliated with Clearstone Venture Partners, entities affiliated with Mayfield Fund, an affiliate of News

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Corporation, Frank Addante, our Chief Executive Officer, Chief Product Architect and Chairman of the Board. Until the consummation of the offering to which this prospectus relates, the voting agreement permits the holders of our Series A Preferred Stock (comprising entities affiliated with Clearstone Venture Partners) to elect one director, the holders of our Series B Preferred Stock (primarily comprising entities affiliated with Mayfield Fund) to elect one director, and the holders of our Class A common stock to elect two directors, one of which shall be Mr. Addante as long as he is our Chief Executive Officer or owns at least 1,084,600 shares of our Class A Common Stock. Sumant Mandal is the director elected by the holders of our Series A Preferred Stock. The holders of our Series B Preferred Stock have not exercised their right to elect a director since December 2013. The holders of Class A common stock have not currently elected a second director. The voting agreement also provides for drag along rights in the event of a sale of the company approved by the requisite vote of our board of directors and certain of our stockholders. This agreement will terminate automatically upon consummation of this offering, after which all directors will be elected by the vote of our outstanding common stock in accordance with our amended and restated certificate of incorporation and Delaware law.

### **Indemnification Agreements**

We have entered into indemnification agreements with each of our current directors, executive officers and certain other officers. The indemnification agreements and our amended and restated certificate of incorporation and amended and restated bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law. See “Executive Compensation—Limitation on Liability and Indemnification Matters.”

### **Procedures for Approval of Related Party Transactions**

We have adopted a formal written policy providing that our audit committee will be responsible for reviewing “related party transactions,” which are transactions (i) in which we are or will be a participant, (ii) in which the aggregate amount involved exceeds or may be expected to exceed \$100,000 and (iii) in which a related person has or will have a direct or indirect interest. For purposes of this policy, a related person will be defined as a director, nominee for director, executive officer, or greater than 5% beneficial owner of our common stock and their immediate family members. Under this policy, all related party transactions may be consummated or continued only if approved or ratified by our audit committee.



## DESCRIPTION OF CAPITAL STOCK

### General

The following is a summary of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated bylaws, as each will be in effect upon the completion of this offering, and certain provisions of Delaware law. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, copies of which have been or will be filed with the SEC as exhibits to this registration statement. References in this section to “the company,” “we,” “us” and “our” refer to The Rubicon Project, Inc. and not to any of its subsidiaries.

Following the closing of this offering, our authorized capital stock will consist of 500,000,000 shares of common stock, \$0.00001 par value per share, and 10,000,000 shares of undesignated preferred stock, \$0.00001 par value per share.

### Common Stock

As of December 31, 2013, there were 26,559,750 shares of common stock outstanding held by 158 stockholders of record, assuming (i) the automatic conversion of all outstanding shares of our convertible preferred stock and Class B common stock into Class A common stock, and conversion of all our shares of Class A common stock (including shares of Class A common stock issued upon conversion of our convertible preferred stock and Class B common stock as described above) into shares of a single class of common stock upon filing of our amended and restated certificate of incorporation effective upon the consummation of the offering and (ii) the net exercise of an outstanding warrant for 845,867 shares of our convertible preferred stock, resulting in the issuance of 294,610 shares of our common stock, based upon an assumed initial public offering price of \$16.00 (the midpoint of the price range set forth on the cover page of this prospectus). In addition, as of December 31, 2013, we had outstanding options to acquire 8,359,589 shares of our common stock and one warrant exercisable for 25,174 shares of convertible preferred stock, which will be converted to a warrant exercisable for 12,587 shares of common stock upon the completion of this offering. On March 3, 2014, our board of directors approved the issuance under our 2007 Stock Incentive Plan of 2,200,371 shares of Class A common stock as restricted stock awards and options to purchase 500,000 shares of Class A common stock.

Pursuant to our amended and restated certificate of incorporation, holders of our common stock will be entitled to one vote on all matters submitted to a vote of stockholders; provided, however, that, except as otherwise required by law, holders of our common stock, as such, shall not be entitled to vote on any amendment to our amended and restated certificate of incorporation that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to our amended and restated certificate of incorporation. Pursuant to our amended and restated certificate of incorporation, holders of our common stock will not be entitled to cumulative voting in the election of directors. This means that the holders of a plurality of the votes cast at a meeting of stockholders will be able to elect all of the directors then standing for election. Subject to the rights, if any, of the holders of any outstanding series of preferred stock, holders of our common stock shall be entitled to receive dividends out of any of our funds legally available when, as and if declared by the board of directors. Upon the dissolution, liquidation or winding up of the company, subject to the rights, if any, of the holders of our preferred stock, the holders of shares of our common stock shall be entitled to receive the assets of the company available for distribution to its stockholders ratably in proportion to the number of shares held by them. Holders of our common stock will not have preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be issued in this offering, when paid for, will also be fully paid and nonassessable.

## **Preferred Stock**

Pursuant to the provisions of our current certificate of incorporation, as will be in effect immediately prior to the closing of the offering, before the effectiveness of our amended and restated certificate of incorporation, all of our outstanding preferred stock will automatically convert into shares of common stock, with such conversion to be effective upon completion of this offering.

Following the closing of this offering, there will be no shares of preferred stock outstanding. Our board of directors will be authorized to issue not more than an aggregate of 10,000,000 shares of preferred stock in one or more series, without stockholder approval. Our board of directors is authorized to establish, from time to time, the number of shares to be included in each series of preferred stock, and to fix the designation, powers, privileges, preferences, and relative participating, optional or other rights, if any, of the shares of each series of preferred stock, and any of its qualifications, limitations or restrictions. Our board of directors also is able to increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series of preferred stock then outstanding, without any vote or action by stockholders. In the future, our board of directors may authorize the issuance of preferred stock with voting, dividend, conversion or other rights superior to rights of the holders of our common stock, or that could decrease the amount of earnings and assets available for distribution to the holders of our common stock. The issuance of our preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other consequences, have the effect of delaying, deferring or preventing a change in our control and might harm the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plans to issue any shares of preferred stock.

## **Registration Rights**

Pursuant to an investors' rights agreement, following the completion of this offering, the holders of shares of our common stock issued upon conversion of our convertible preferred stock or their permitted transferees are entitled to certain rights with respect to the registration of these shares under the Securities Act. These rights are provided under the terms of an investors' rights agreement between us and the holders of these shares, which was entered into in connection with our preferred stock financings, and include demand registration rights, piggyback registration rights and Form S-3 registration rights, subject to certain exceptions. In any registration made pursuant to such investors' rights agreement, all fees, costs and expenses of underwritten registrations will be borne by us, and all selling expenses, including estimated underwriting discounts and selling commissions, will be borne by the holders of the shares being registered.

The registration rights terminate four years following the completion of this offering or, with respect to any particular stockholder, at such time that the stockholder can sell all of its shares during any three month period pursuant to Rule 144 of the Securities Act.

***Demand Registration Rights.*** Following the completion of this offering, the holders of an aggregate of 18,106,571 shares of our common stock, or their permitted transferees, are entitled to certain demand registration rights. Under the terms of the investors' rights agreement, we will be required, upon the written request at any time more than 180 days after the completion of this offering of holders of at least 40% of the shares that are entitled to registration rights under the investors' rights agreement, to register, as soon as practicable, all or a portion of these shares for public resale. We are required to effect only two registrations pursuant to this provision of the investors' rights agreement. Such request for registration must cover a number of shares with an anticipated aggregate offering price of \$5,000,000 (exclusive of underwriters' discounts and commissions). We will not be required to effect a demand registration during the period from 90 days prior to the filing to 180 days following the effectiveness of a registration statement relating to a public offering of our securities.

***Piggyback Registration Rights.*** Following the completion of this offering, the holders of an aggregate of 18,119,158 shares of our common stock or their permitted transferees are entitled to certain piggyback registration rights. If we register any of our securities for our own account, after the completion of this offering,

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the holders of these shares are entitled to include their shares in the registration. Both we and the underwriters of any underwritten offering have the right to limit the number of shares registered by these holders for marketing reasons, subject to limitations set forth in the investors' rights agreement.

**Form S-3 Registration Rights.** Following the completion of this offering, the holders of an aggregate of 18,106,571 shares of our common stock or their permitted transferees are also entitled to certain Form S-3 registration rights. Any such holder or holders of not less than 20% of the shares that are entitled to registration rights under the investors' rights agreement may request that the company effect a registration on Form S-3. If we are eligible to file a registration statement on Form S-3, these holders have the right, upon their written request, to have such shares registered by us if the proposed aggregate offering price of such shares is at least \$500,000, subject to exceptions set forth in the investors' rights agreement.

### **Anti-Takeover Effects of Delaware Law, Our Amended and Restated Certificate of Incorporation and Our Amended and Restated Bylaws**

Certain provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated bylaws that will be effective upon consummation of the offering could make the acquisition of the company more difficult. These provisions of the DGCL and our restated certificate of incorporation and our amended and restated bylaws could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us. These provisions, summarized below, are expected to discourage certain types of takeover practices and takeover bids that the company's board of directors might consider to be coercive or inadequate, and are designed to encourage persons seeking to acquire control of us to negotiate with our board of directors.

**Delaware Anti-Takeover Law.** We are subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless the "business combination" or the transaction in which the person became an interested stockholder is approved by our board of directors in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock. The applicability of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

**Requirements for Advance Notification of Stockholder Nominations and Proposals.** Our amended and restated bylaws will establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors. Our amended and restated bylaws also will specify certain requirements regarding the form and content of a stockholder's notice. These provisions preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

**Elimination of Stockholder Action by Written Consent or Ability to Call a Special Meeting.** Our amended and restated certificate of incorporation will eliminate the right of stockholders to act by written consent without a meeting. As a result, a holder controlling a majority of our capital stock would not be able to amend our bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. This provision will make it more difficult for stockholders to take action opposed by the board of directors. Our amended and restated bylaws further will provide that special meetings of our stockholders may be called only by a majority of our board of directors, thus prohibiting a stockholder from calling a special

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meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal, or stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

**Election and Removal of Directors.** Our board of directors will be divided into three classes, each serving staggered three-year terms. As a result, only a portion of our board of directors will be elected each year. The board of directors will have the exclusive right to increase or decrease the size of the board and to fill vacancies on the board. This system of electing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of the company, because it generally makes it more difficult for stockholders to replace a majority of the directors. Additionally, directors may be removed for cause only with the approval of the holders of 66 <sup>2</sup>/<sub>3</sub>% of our outstanding common stock. Our amended and restated certificate of incorporation also will provide that holders of our common stock will not be entitled to cumulative voting in the election of directors. This means that the holders of a plurality of the votes cast at a meeting of stockholders will be able to elect all of the directors then standing for election.

**Undesignated Preferred Stock.** The authorization of undesignated preferred stock will make it possible for the board of directors, without stockholder approval, to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to obtain control of the company. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of the company.

**Amendment of Provisions In the Certificate of Incorporation.** Our amended and restated certificate of incorporation will require the affirmative vote of the holders of at least 66 <sup>2</sup>/<sub>3</sub>% of our outstanding voting stock in order to amend any provision of our certificate of incorporation concerning:

- the required vote to amend or repeal the section of the certificate of incorporation providing for the right to amend or repeal provisions of the certificate of incorporation;
- number of directors and structure of the board of directors;
- absence of the authority of stockholders to act by written consent;
- authority to call a special meeting of stockholders; and
- the required vote to amend or repeal provisions of the bylaws.

**Amendment of Provisions in the Bylaws.** In addition to the limitation on amending our bylaws as provided in our amended and restated certificate of incorporation, our amended and restated bylaws will require the affirmative vote of the holders of at least 66 <sup>2</sup>/<sub>3</sub>% of our outstanding voting stock in order to amend any provision of our bylaws.

**Choice of Forum.** Our amended and restated certificate of incorporation will provide that, unless we consent to an alternative forum, a state court located in the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will, to the fullest extent permitted by law, be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim arising pursuant to the DGCL, our amended and restated certificate of incorporation or our bylaws; or any action asserting a claim that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any action, a court could find the choice of forum provisions contained in our restated certificate of incorporation to be inapplicable or unenforceable in such action.

### **Transfer Agent and Registrar**

American Stock Transfer & Trust Company, LLC is the transfer agent and registrar for our common stock.

### **Listing**

Our common stock has been approved for listing on the New York Stock Exchange under the symbol "RUBI."

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been a public market of our common stock or any of our equity securities. Future sales of our common stock, including shares issued upon the exercise of outstanding options or warrants, in the public market after this offering, or the perception that those sales may occur, could cause the prevailing market price for our common stock to fall or impair our ability to raise equity capital in the future. As described below, only a limited number of shares of our common stock will be available for sale in the public market for a period of several months after consummation of this offering due to contractual and legal restrictions on resale described below. Future sales of our common stock in the public market either before (to the extent permitted) or after restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our common stock at such time and our ability to raise equity capital at a time and price we deem appropriate.

### Sale of Restricted Shares

Based on the number of shares of our common stock outstanding as of March 18, 2014, upon the closing of this offering and assuming (a) the conversion of our outstanding preferred stock into common stock, assuming an initial public offering price of \$16.00 per share (the mid-point of the price range set forth on the cover page of this prospectus), (b) no exercise of the underwriters' option to purchase additional shares of common stock to cover over-allotments and (c) no exercise of outstanding options or warrants, we will have outstanding an aggregate of approximately 34,723,658 shares of common stock. Of these shares, all of the 6,770,995 shares of common stock to be sold in this offering, and any shares sold upon exercise of the underwriters' option to purchase additional shares to cover over-allotments, will be freely tradable in the public market without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 of the Securities Act, or Rule 144. All remaining shares of common stock held by existing stockholders immediately prior to the consummation of this offering will be "restricted securities" as such term is defined in Rule 144. These restricted securities were issued and sold by us, or will be issued and sold by us, in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 or Rule 701, which rules are summarized below.

### Lock-Up Agreements

In connection with this offering, we, our directors, our executive officers and holders of substantially all of our common stock, options and warrants have agreed, subject to certain exceptions, with the underwriters not to dispose of or hedge any shares of our common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of the lock-up agreement continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Morgan Stanley & Co. LLC and Goldman, Sachs & Co.

Following the lock-up periods set forth in the agreements described above, and assuming that the representatives of the underwriters do not release any parties from these agreements, all of the shares of our common stock that are restricted securities or are held by our affiliates as of the date of this prospectus will be eligible for sale in the public market in compliance with Rule 144 under the Securities Act.

### Rule 144

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, for at least 90 days, and upon expiration of any applicable lock-up agreements, a person (or persons whose shares are required to be aggregated) who is not deemed to have been one of our "affiliates" for purposes of Rule 144 at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the

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meaning of Rule 144 for at least six months, including the holding period of any prior owner other than one of our “affiliates,” is entitled to sell those shares in the public market (subject to the lock-up agreement referred to above, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than “affiliates,” then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreement referred to above, if applicable). In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, our “affiliates,” as defined in Rule 144, who have beneficially owned the shares proposed to be sold for at least six months are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our common stock that does not exceed the greater of:

- 1% of the number of common shares then outstanding, which will equal approximately 34,723,658 shares of common stock immediately after this offering (calculated on the basis of the assumptions described above and assuming no exercise of the underwriter’s option to purchase additional shares and no exercise of outstanding options or warrants); or
- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our “affiliates” or persons selling shares on behalf of our “affiliates” are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us. Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted securities have entered into lock-up agreements as referenced above and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

### **Rule 701**

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who acquired common stock from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 under the Securities Act before the effective date of the registration statement of which this prospectus is a part (to the extent such common stock is not subject to a lock-up agreement) is entitled to rely on Rule 701 to resell such shares beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act in reliance on Rule 144, but without compliance with the holding period requirements contained in Rule 144. Accordingly, subject to any applicable lock-up agreements, beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act, under Rule 701 persons who are not our “affiliates,” as defined in Rule 144, may resell those shares without complying with the minimum holding period or public information requirements of Rule 144, and persons who are our “affiliates” may resell those shares without compliance with Rule 144’s minimum holding period requirements (subject to the terms of the lock-up agreements referred to above, if applicable).

### **Amended and Restated Investors’ Rights Agreement**

We are party to an investors’ rights agreement which provides that certain holders of our common stock issuable upon conversion of our convertible preferred stock, including entities affiliated with certain of our directors, have certain registration rights, including the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. For a more detailed description of these registration rights, see “Description of Capital Stock—Registration Rights.”

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR  
COMMON STOCK**

The following is a summary of the material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the ownership and disposition of our common stock, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, and any changes may result in U.S. federal income tax consequences different from those set forth below. We have not sought any ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This summary also does not address the tax considerations arising under the laws of any state, local or non-U.S. jurisdiction or under U.S. federal gift and estate tax laws, except to the limited extent set forth below. In addition, this discussion does not address the potential application of the tax on net investment income or any tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions;
- persons subject to the alternative minimum tax;
- tax-exempt organizations or accounts;
- controlled foreign corporations, passive foreign investment companies and corporations that accumulate earnings to avoid U.S. federal income tax;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below);
- certain former citizens or long-term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction;
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code; or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity or arrangement classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a person treated as a partner for such purposes generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our common stock, and partners in such partnerships, should consult their tax advisors.

***You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the purchase, ownership and disposition of our common stock arising under the U.S. federal estate or gift tax rules or under the laws of any state, local, non-U.S. or other taxing jurisdiction or under any applicable tax treaty.***

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### **Non-U.S. Holder Defined**

For purposes of this discussion, you are a non-U.S. holder if you are any holder that is not, for U.S. federal income tax purposes, any of the following:

- an entity or arrangement treated as a partnership;
- an individual who is a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (y) which has made a valid election under applicable Treasury Regulations to be treated as a U.S. person.

### **Distributions**

We have not made any distributions on our common stock. However, if we do make distributions on our common stock, those distributions will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our common stock (determined separately with respect to each share of our common stock), but not below zero, and then will be treated as gain from the sale of that stock.

Any dividend paid to you generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. In order to receive a reduced treaty rate, you must provide us in a timely manner an IRS Form W-8BEN or other appropriate version of IRS Form W-8, including a U.S. taxpayer identification number, certifying qualification for the reduced rate. A non-U.S. holder of shares of our common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS in a timely manner. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business (and, if an income tax treaty applies, that are attributable to a permanent establishment maintained by you in the United States), are exempt from such withholding tax. In order to obtain this exemption, you must provide us with an IRS Form W-8ECI or other applicable IRS Form W-8 properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, generally are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. In addition, if you are a corporate non-U.S. holder, dividends you receive that are effectively connected with your conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

### **Gain on Disposition of Our Common Stock**

You generally will not be required to pay U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if an income tax treaty applies, the gain is attributable to a permanent establishment maintained by you in the United States);



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- you are an individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met; or
- our common stock constitutes a U.S. real property interest by reason of our status as a “United States real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding your disposition of, or your holding period for, our common stock.

We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as U.S. real property interests only if you actually or constructively hold more than 5% of such regularly traded common stock at any time during the shorter of the five-year period preceding your disposition of, or your holding period for, our common stock.

If you are a non-U.S. holder described in the first bullet above, you will be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and a corporate non-U.S. holder described in the first bullet above also may be subject to the branch profits tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty. If you are an individual non-U.S. holder described in the second bullet above, you will be required to pay a flat 30% tax on the gain derived from the sale, which tax may be offset by U.S.-source capital losses for the year. You should consult any applicable income tax or other treaties that may provide for different rules.

### **Federal Estate Tax**

Our common stock beneficially owned by an individual who is not a citizen or resident of the United States (as defined for U.S. federal estate tax purposes) at the time of their death will generally be includable in the decedent’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

### **Backup Withholding and Information Reporting**

Generally, we must report annually to the IRS the amount of dividends paid to you, your name and address, and the amount of tax withheld, if any. A similar report will be sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of dividends on or of proceeds from the disposition of our common stock made to you may be subject to additional information reporting and backup withholding at a current rate of 28% unless you establish an exemption, for example, by properly certifying your non-U.S. status on a Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a U.S. person.

Backup withholding is not an additional tax; rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

**Legislation Affecting Taxation of Our Common Stock Held by or Through Foreign Entities**

Legislation enacted in 2010 generally will impose a U.S. federal withholding tax of 30% on dividends on and the gross proceeds of a disposition of our common stock, paid to a “foreign financial institution” (as specially defined under these rules), unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. The legislation also generally will impose a U.S. federal withholding tax of 30% on dividends on and the gross proceeds of a disposition of our common stock paid to a non-financial foreign entity unless such entity provides the withholding agent with a certification identifying certain substantial direct and indirect U.S. owners of the entity, certifies that there are none or otherwise establishes an exemption. This withholding obligation under this legislation with respect to dividends on our common stock will not begin until July 1, 2014 and with respect to the gross proceeds of a sale or other disposition of our common stock will not begin until January 1, 2017. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our common stock.

*Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our common stock, including the consequences of any proposed change in applicable laws.*

## UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and RBC Capital Markets, LLC are acting as representatives, have severally agreed to purchase, and we and the selling stockholders have agreed to sell to them, severally, the number of shares of our common stock indicated below:

<u>Name</u>	<u>Number of Shares</u>
Morgan Stanley & Co. LLC	
Goldman, Sachs & Co.	
RBC Capital Markets, LLC	
Needham & Company, LLC	
Oppenheimer & Co. Inc.	
LUMA Securities LLC	
Total:	<u>6,770,995</u>

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and the selling stockholders and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters’ over-allotment option described below. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters’ right to reject any order in whole or in part.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 1,015,649 additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares of common stock as the number listed next to the underwriter’s name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

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The following table shows the per share and total public offering prices, underwriting discounts and commissions to be paid by us and by the selling stockholders, and proceeds before expenses to us and to the selling stockholders. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional 1,015,649 shares of common stock.

	<u>Per Share</u>	<u>Total</u>	
		<u>No Exercise</u>	<u>Full Exercise</u>
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by:			
Us	\$	\$	\$
The selling stockholders	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$
Proceeds, before expenses, to selling stockholders	\$	\$	\$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$3.4 million. We have agreed to reimburse the underwriters for expense relating to clearance of this offering with the Financial Industry Regulatory Authority up to \$40,000.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

Our common stock has been approved for listing on the New York Stock Exchange under the symbol "RUBI."

We, the selling stockholders, all directors and officers and the holders of substantially all of our outstanding stock, stock options and warrants have agreed that, subject to certain exceptions, without the prior written consent of Morgan Stanley & Co. LLC and Goldman, Sachs & Co. on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus, or the Restricted Period:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. LLC and Goldman, Sachs & Co. on behalf of the underwriters, we or such other person will not, during the Restricted Period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of shares to the underwriters pursuant to the underwriting agreement;
- the issuance by the company of shares of common stock upon the exercise of an option to purchase shares of common stock granted under any of our stock incentive plan or stock purchase plan

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(including on a “net” basis), provided that (x) the underlying shares of common stock shall continue to be subject to a lock-up agreement with the underwriters and (y) in the event of an exercise on a “net” basis, (i) the company becomes the owner of the shares of common stock surrendered in the net exercise and (ii) if any public reports or filings are required under Section 16 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, any such public report or filing under Section 16 of the Exchange Act shall clearly indicate in the footnotes thereto that the filing relates to the exercise of a stock option, that no shares were sold by the reporting person and that the shares received upon exercise of the stock option are subject to a lock-up agreement with the underwriters;

- transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares (including shares purchased in the offering); provided that no filing under Section 16(a) of the Exchange Act (other than a filing on a Form 5, Schedule 13D or Schedule 13G (or 13D/A or 13G/A), is required or voluntarily made in connection with subsequent sales of the common stock or other securities acquired in such open market transactions;
- transfers by any person other than us of shares of common stock or any security convertible into common stock as a (i) bona fide gift or charitable contribution, (ii) by will or intestacy, (iii) to any trust for the direct or indirect benefit of the person or the immediately family member of the person, or (iv) a distribution to limited partners or stockholders of such person, provided that in the case of any such transfer or distribution, the transferee or distributee agrees to be bound in writing by the terms of the lock-up agreement prior to such transfer and no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of common stock shall be required or shall be voluntarily made in respect of the transfer or distribution during the Restricted Period;
- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that (i) such plan does not provide for the transfer of common stock during the Restricted Period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required or voluntarily made regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the Restricted Period;
- the conversion of outstanding shares of our preferred stock into shares of our common stock, provided that any such shares of common stock received upon such conversion shall be subject to the terms of a lock-up agreement with the underwriters;
- our sale or issuance or entry into an agreement to sell or issue shares of our common stock or any security convertible into or exercisable for shares of our common stock in connection with any (i) merger, (ii) acquisition of securities, businesses, property or other assets, (iii) joint ventures, (iv) strategic alliances, (v) equipment leasing arrangements or (vi) debt financing; provided, that the aggregate number of shares of our common stock that we may sell or issue or agree to sell or issue pursuant to the foregoing clauses (i) through (vi) shall not exceed 10% of the total number of shares of our common stock issued and outstanding on the date immediately following the completion of this offering (as well as any issuance and sale of any option exercised by the underwriters); and provided further, that any such securities issued shall be subject to transfer restrictions substantially similar to those applicable to our stockholders; or
- transfers in connection with a bona fide third party tender offer, merger, consolidation or other similar transaction that is approved by our board of directors, made to all of our holders of common stock involving a change of control of the company (defined as the transfer of two-thirds or more of our outstanding voting securities) occurring after the closing of this offering, provided that in the event that the tender offer, merger, consolidation or other such transaction is not completed, the common stock owned by the undersigned shall remain subject to the terms of the agreement.

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Morgan Stanley & Co. LLC and Goldman, Sachs & Co., in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. At least three business days before the effectiveness of any release or waiver of the restrictions described above in connection with any transfer of shares of common stock by an officer or director, Morgan Stanley & Co. LLC and Goldman, Sachs & Co. will notify us of the impending release or waiver of any restriction and we have agreed to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver, except where the release or waiver is effected solely to permit a transfer of common stock that is not for consideration and where the transferee has agreed in writing to be bound by the same terms as the lock-up agreements described above to the extent and for the duration that such terms remain in effect at the time of transfer.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We, the selling stockholders, and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to our company and to persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and/or instruments. The underwriters and their

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respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Pricing of the Offering**

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

### **Selling Restrictions**

#### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

#### *United Kingdom*

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“FSMA”) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

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### ***Hong Kong***

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### ***Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

### ***Japan***

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.



## LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Gibson, Dunn & Crutcher LLP, Los Angeles, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

## EXPERTS

The financial statements as of December 31, 2012 and 2013 and for each of the three years in the period ended December 31, 2013 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the consolidated financial statements and notes filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be reviewed for the complete contents of these contracts and documents. A copy of the registration statement, including the exhibits and the financial statements and notes filed as a part of the registration statement, may be inspected without charge at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from the SEC upon the payment of fees prescribed by it. You may call the SEC at 1-800-SEC-0330 for more information on the operation of the public reference facilities. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding companies that file electronically with it.

Upon completion of this offering, we will become subject to the information and periodic and current reporting requirements of the Exchange Act, and in accordance therewith, will file periodic and current reports, proxy statements and other information with the SEC. The registration statement, such periodic and current reports and other information can be inspected and copied at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC's website at [www.sec.gov](http://www.sec.gov).

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**THE RUBICON PROJECT, INC.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of The Rubicon Project, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive loss, convertible preferred stock and common stockholders' deficit and cash flows present fairly, in all material respects, the financial position of The Rubicon Project, Inc. and its subsidiaries (the "Company") at December 31, 2012 and 2013 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

March 4, 2014, except for the subsequent events described in the third and fourth paragraphs of Note 18 as to which the date is March 18, 2014.

**THE RUBICON PROJECT, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except par values)

	December 31, 2012	December 31, 2013	Pro Forma December 31, 2013 (unaudited)
<b>ASSETS</b>			
Current assets:			
Cash	\$ 21,616	\$ 29,956	\$ 29,956
Accounts receivable, net	67,335	94,722	94,722
Prepaid expenses and other current assets	2,416	4,141	4,141
<b>TOTAL CURRENT ASSETS</b>	<b>91,367</b>	<b>128,819</b>	<b>128,819</b>
Property and equipment, net	6,933	8,712	8,712
Internal use software development costs, net	5,764	7,204	7,204
Goodwill	1,491	1,491	1,491
Intangible assets, net	1,413	510	510
Other assets, non-current	1,046	3,151	3,151
<b>TOTAL ASSETS</b>	<b>\$ 108,014</b>	<b>\$ 149,887</b>	<b>\$ 149,887</b>
<b>LIABILITIES, CONVERTIBLE PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY (DEFICIT)</b>			
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 80,944	\$ 120,198	\$ 120,198
Debt and capital lease obligations, current portion	1,038	288	288
Other current liabilities	2,404	2,901	2,901
<b>TOTAL CURRENT LIABILITIES</b>	<b>84,386</b>	<b>123,387</b>	<b>123,387</b>
Debt and capital leases, net of current portion	4,177	3,893	3,893
Convertible preferred stock warrant liabilities	1,330	5,451	—
Other liabilities, non-current	112	996	996
<b>TOTAL LIABILITIES</b>	<b>90,005</b>	<b>133,727</b>	<b>128,276</b>
Commitments and contingencies (Note 16)			
Series A, B, C, and D convertible preferred stock, \$0.00001 par value, 29,691 shares authorized, 28,820 shares issued and outstanding at December 31, 2012 and 2013; liquidation preference of \$72,772 at December 31, 2013. No shares issued and outstanding at December 31, 2013 pro forma	52,571	52,571	—
<b>COMMON STOCKHOLDERS' EQUITY (DEFICIT)</b>			
Common stock, \$0.00001 par value; 73,380 shares authorized, 11,401, 11,855 and 26,265 (unaudited) shares issued and outstanding at December 31, 2012, 2013 and December 31, 2013 pro forma, respectively	—	—	1
Additional paid-in capital	18,133	25,532	83,553
Accumulated other comprehensive income	95	96	96
Accumulated deficit	(52,790)	(62,039)	(62,039)
<b>TOTAL COMMON STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>(34,562)</b>	<b>(36,411)</b>	<b>21,611</b>
<b>TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 108,014</b>	<b>\$ 149,887</b>	<b>\$ 149,887</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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**THE RUBICON PROJECT, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts)

	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2013
Revenue	\$ 37,059	\$ 57,072	\$ 83,830
Expenses:			
Cost of revenue	12,893	12,367	15,358
Sales and marketing	17,748	20,458	25,811
Technology and development	12,496	13,115	18,615
General and administrative	8,926	12,331	27,926
Total expenses	<u>52,063</u>	<u>58,271</u>	<u>87,710</u>
Loss from operations	(15,004)	(1,199)	(3,880)
Other (income) expense:			
Interest (income) expense, net	252	343	273
Change in fair value of preferred stock warrant liabilities	304	515	4,121
Foreign exchange (gain) loss, net	216	171	728
Other income	(503)	—	—
Total other expense, net	<u>269</u>	<u>1,029</u>	<u>5,122</u>
Loss before income taxes	(15,273)	(2,228)	(9,002)
Provision for income taxes	136	134	247
Net loss	(15,409)	(2,362)	(9,249)
Cumulative preferred stock dividends	(4,244)	(4,255)	(4,244)
Net loss attributable to common stockholders	<u>\$ (19,653)</u>	<u>\$ (6,617)</u>	<u>\$ (13,493)</u>
Basic and diluted net loss per share attributable to common stockholders	<u>\$ (1.95)</u>	<u>\$ (0.60)</u>	<u>\$ (1.17)</u>
Basic and diluted weighted-average shares used to compute net loss per share attributable to common stockholders	<u>10,099</u>	<u>11,096</u>	<u>11,488</u>
Pro forma net loss per share—basic and diluted (unaudited)			<u>\$ (0.20)</u>
Pro forma weighted-average common shares outstanding—basic and diluted (unaudited)			<u>25,898</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**THE RUBICON PROJECT, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(In thousands)**

	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2013
Net loss	\$ (15,409)	\$ (2,362)	\$ (9,249)
Other comprehensive income:			
Foreign currency translation adjustments	119	2	1
Comprehensive loss	<u>\$ (15,290)</u>	<u>\$ (2,360)</u>	<u>\$ (9,248)</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**THE RUBICON PROJECT, INC.**  
**CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND COMMON STOCKHOLDERS' DEFICIT**  
(In thousands)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Common Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at December 31, 2010	28,820	\$52,571	10,349	\$ —	\$ 11,064	\$ (26)	\$ (35,019)	\$ (23,981)
Exercise of common stock options	—	—	265	—	205	—	—	205
Stock-based compensation expense	—	—	225	—	2,296	—	—	2,296
Foreign exchange translation adjustment	—	—	—	—	—	119	—	119
Net loss	—	—	—	—	—	—	(15,409)	(15,409)
Balance at December 31, 2011	28,820	52,571	10,839	—	13,565	93	(50,428)	(36,770)
Exercise of common stock options	—	—	163	—	125	—	—	125
Equity issued for acquisition	—	—	245	—	1,237	—	—	1,237
Stock-based compensation	—	—	154	—	3,206	—	—	3,206
Foreign exchange translation adjustment	—	—	—	—	—	2	—	2
Net loss	—	—	—	—	—	—	(2,362)	(2,362)
Balance at December 31, 2012	28,820	52,571	11,401	—	18,133	95	(52,790)	(34,562)
Exercise of common stock options	—	—	454	—	866	—	—	866
Stock-based compensation	—	—	—	—	6,533	—	—	6,533
Foreign exchange translation adjustment	—	—	—	—	—	1	—	1
Net loss	—	—	—	—	—	—	(9,249)	(9,249)
Balance at December 31, 2013	<u>28,820</u>	<u>\$52,571</u>	<u>11,855</u>	<u>\$ —</u>	<u>\$ 25,532</u>	<u>\$ 96</u>	<u>\$ (62,039)</u>	<u>\$ (36,411)</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**THE RUBICON PROJECT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2013
<b>OPERATING ACTIVITIES:</b>			
Net loss	\$ (15,409)	\$ (2,362)	\$ (9,249)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization	5,538	6,857	8,438
Amortization of debt issuance costs	15	—	—
Stock-based compensation	2,268	3,044	6,352
Loss (gain) on disposal of property and equipment, net	(314)	6	(7)
Change in fair value of preferred stock warrant liabilities	304	515	4,121
Deferred income taxes	(26)	(20)	—
Unrealized foreign currency loss (gain)	(3)	(231)	68
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(8,022)	(26,339)	(27,102)
Prepaid expenses and other assets	(1,345)	84	(1,966)
Accounts payable and accrued expenses	18,408	32,348	39,168
Other liabilities	715	1,696	1,269
Net cash provided by operating activities	<u>2,129</u>	<u>15,598</u>	<u>21,092</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property and equipment, net	(3,677)	(3,040)	(6,785)
Capitalized internal use software development costs	(3,174)	(3,699)	(3,926)
Acquisitions, net of cash acquired	(1,289)	(1,741)	—
Restricted cash	—	(550)	(1,151)
Net cash used in investing activities	<u>(8,140)</u>	<u>(9,030)</u>	<u>(11,862)</u>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from exercise of stock options	205	125	866
Proceeds from credit facility, including equipment loans	2,000	—	—
Payment of debt financing costs	—	—	(132)
Payment of initial public offering costs	—	—	(496)
Repayment of equipment loans	(850)	(1,170)	(500)
Repayment of capital lease obligations	(28)	(354)	(534)
Net cash provided by (used) in financing activities	<u>1,327</u>	<u>(1,399)</u>	<u>(796)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	63	195	(94)
CHANGE IN CASH	(4,621)	5,364	8,340
CASH—Beginning of year	20,873	16,252	21,616
CASH—End of year	<u>\$ 16,252</u>	<u>\$ 21,616</u>	<u>\$ 29,956</u>
<b>SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:</b>			
Cash paid for income taxes	\$ —	\$ 13	\$ 307
Cash paid for interest	\$ 240	\$ 303	\$ 241
Assets acquired under capital leases	\$ —	\$ 1,235	\$ —
Capitalized assets financed by accounts payable and accrued expenses	\$ 325	\$ 340	\$ 194
Common stock and options issued for business acquisitions	\$ —	\$ 1,237	\$ —
Capitalized stock-based compensation	\$ 28	\$ 162	\$ 181
Deferred initial public offering costs included in accounts payable and accrued expenses	\$ —	\$ —	\$ 865

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



**THE RUBICON PROJECT, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1—Nature of Operations**

The Rubicon Project, Inc. (“Rubicon Project” or the “Company”) was formed on April 20, 2007 as a Delaware C-corporation and began operations in April 2007. The Company is headquartered in Los Angeles, California.

The Company is a technology company on a mission to automate the buying and selling of advertising. The Company offers a highly scalable software platform that creates and powers a marketplace for trading of digital advertising between buyers and sellers.

The Company delivers value to buyers and sellers of digital advertising through the Company’s proprietary advertising automation solution, which provides critical functionality to both buyers and sellers. The advertising automation solution consists of applications for sellers, including providers of websites, applications and other digital media properties, to sell their advertising inventory; applications for buyers, including demand side platforms, ad networks and advertising agencies, to buy advertising inventory; and an exchange over which such transactions are executed. This solution incorporates proprietary machine learning algorithms, sophisticated data processing, storage, detailed analytics capabilities, and a distributed infrastructure. Together, these features form the basis for the Company’s advertising marketplace that brings buyers and sellers together and facilitates intelligent decision-making and automated transaction execution for the advertising inventory managed on the Company’s platform.

***Capital Resources and Risks***

To date, the Company’s operations and growth have been primarily financed through the sale of preferred stock, debt financing and cash provided from operating activities. In September 2013, the Company renewed its existing credit facility, which allows the Company to borrow up to \$40.0 million through September 27, 2018 (Note 10).

The Company is subject to certain business risks, including dependence on key employees, competition, market acceptance of its platform solution, ability to source demand from buyers of advertising inventory and source supply from sellers of advertising inventory, and dependence on growth to achieve its business plan. Future capital requirements will depend on many factors, including the Company’s rate of revenue growth and its level of expenditures. To the extent that existing capital resources, revenue growth and cash flow from operations are not sufficient to fund future activities, the Company may need to raise additional funds through equity or debt financing or curtail expenses. Additional funds may not be available on terms favorable to the Company or at all. Failure to raise additional capital, if and when needed, could have a material adverse effect on the Company’s financial position, results of operations and cash flows.

**Note 2—Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Consolidation***

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the operations of The Rubicon Project Inc., and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation.

***Segments***

Management has determined that it operates in one segment. The Company’s chief operating decision maker reviews financial information on an aggregated and consolidated basis, together with certain operating and performance measures principally to make decisions about how to allocate resources and to measure the Company’s performance.

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### ***Stock Split***

On March 18, 2014, the Company effected a 1-for-2 reverse stock split of its common stock and a proportional adjustment to the conversion ratio of its convertible preferred stock.

All share, per share and related information presented in the consolidated financial statements and accompanying notes have been retroactively adjusted, where applicable, to reflect the impact of the reverse stock split including an adjustment to the preferred stock conversion ratio.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from these estimates.

On an on-going basis, management evaluates its estimates, primarily those related to: (i) revenue recognition criteria, including the determination of revenue reporting as net versus gross in the Company's revenue arrangements, (ii) accounts receivable and allowances for doubtful accounts, (iii) the useful lives of intangible assets and property and equipment, (iv) valuation of long-lived assets and their recoverability, including goodwill, (v) the realization of tax assets and estimates of tax liabilities, (vi) the valuation of common and preferred stock and preferred stock warrants, (vii) assumptions used in the Black-Scholes option pricing model to determine the fair value of stock options, (viii) fair value of financial instruments, (ix) the recognition and disclosure of contingent liabilities, and (x) the assumptions used in calculating the valuation of acquired assets and business combinations. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Estimates relating to the valuation of stock and business acquisitions require the selection of appropriate valuation methodologies and models, and significant judgment in evaluating ranges of assumptions and financial inputs. Actual results may differ materially from those estimates under different assumptions or circumstances.

### ***Unaudited Pro Forma Information***

The unaudited pro forma balance sheet data as of December 31, 2013 reflects (i) the automatic conversion of all outstanding shares of the Company's convertible preferred stock into an aggregate of 14,410,233 shares of common stock after giving effect to the adjustment of the conversion ratio for the Company's 1-for-2 reverse stock split and (ii) the reclassification of the preferred stock warrant liabilities to additional paid-in capital. Each share of convertible preferred stock will automatically convert into shares of common stock at its then effective conversion rate immediately upon the earlier of (i) the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, with proceeds to the Company of not less than \$20 million (net of underwriting discounts and commissions) based on a pre-offering enterprise value of at least \$250 million ("Qualified IPO"), (ii) or upon the date specified by a vote of the holders of at least 75% of all then-outstanding shares of convertible preferred stock voting together as a single class on an as-converted to Class A common stock basis, provided that the Series C preferred stock will not be converted as a result of such a vote without the consent of the holders of a majority of the shares of Series C preferred stock then outstanding, and the Series D preferred stock will not be converted as a result of such a vote without the consent of the holders of a majority of the shares of Series D preferred stock then outstanding.

The pro forma basic and diluted net loss per share calculations for the year ended December 31, 2013 reflect the conversion upon a Qualified IPO or upon the consent of the holders of at least 75% of all then-outstanding shares of convertible preferred stock voting together as a single class on an as-converted to Class A common share basis of all outstanding convertible preferred stock into shares of common stock using the as-if-converted method, as of January 1, 2013.

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***Revenue Recognition***

The Company generates revenue from buyers and sellers who use the Company's solution for the buying and selling of advertising inventory. The Company recognizes revenue when four basic criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fees are fixed or determinable, and (iv) collectibility is reasonably assured. The Company maintains separate arrangements with each buyer and seller either in the form of a master agreement, which specifies the terms of the relationship and access to the Company's solution, or by insertion orders which specify price and volume requests. The Company also generates revenue directly from sellers who maintain the primary relationship with buyers and utilize the Company's solution. The Company recognizes revenue upon the completion of a transaction, that is, when an impression has been delivered to the consumer viewing a website or application. The Company assesses whether fees are fixed or determinable based on impressions delivered and the contractual terms of the arrangements. Subsequent to the delivery of an impression, the fees are generally not subject to adjustment or refund. Historically, any refunds and adjustments have not been material. The Company assesses collectability based on a number of factors, including the creditworthiness of a buyer and seller and payment and transaction history. The Company's revenue arrangements do not include multiple deliverables. The Company generally bills buyers for the gross amount of advertising inventory they purchase plus fees, if any, and the Company remits to a seller the amount spent by the buyer for the advertising inventory purchased less the Company's fees.

The Company also reports revenue in conformity with *Revenue Recognition-Principal Agent Considerations*. The determination of whether the Company is the principal or agent, and hence whether to report revenue on a gross basis for the amount of the advertising inventory buyers purchase using the Company's platform, plus fees, if any, or on a net basis for the amount of fees charged to the buyer, if any, and retained fees from or charged to the seller, requires the Company to evaluate a number of indicators, none of which is presumptive or determinative. The Company's solution enables buyers and sellers to purchase and sell advertising inventory, and matches buyers and sellers and establishes rules and parameters for advertising inventory transactions. Pricing is generally determined through the Company's auction process. The Company does not purchase advertising inventory. As a result of these and other factors, the Company has determined it is not the principal in the purchase and sale of advertising inventory in all of its arrangements and the Company therefore reports revenue on a net basis.

***Expenses***

The Company classifies its expenses into four categories:

***Cost of Revenue***

The Company's cost of revenue consists primarily of data center costs, bandwidth costs, depreciation expense of hardware supporting the Company's revenue producing platform, amortization of software costs for the development of the Company's revenue producing platform, amortization expense associated with acquired developed technologies, personnel costs, and facilities related costs. Personnel costs include salaries, bonuses, stock-based compensation, and employee benefit costs, and are primarily attributable to salary and related compensatory costs associated with the Company's network operations group, which supports the Company's platform. The Company capitalizes costs associated with software that is developed or obtained for internal use and amortizes the costs associated with the Company's revenue producing platform in cost of revenue over its applicable estimated useful life.

***Sales and Marketing***

The Company's sales and marketing expenses consist primarily of personnel costs, including stock-based compensation and the sales bonuses associated with the Company's sales organization, and marketing expenses such as brand marketing, travel expenses, trade shows and marketing materials, professional services, and to a lesser extent, facilities related costs, and depreciation and amortization.

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### *Technology and Development*

The Company's technology and development expenses consist primarily of personnel costs, including stock-based compensation, and professional services associated with the ongoing development and maintenance of the Company's solution, and to a lesser extent, facilities related costs, and depreciation and amortization. These expenses include costs incurred in the development, implementation and maintenance of internal use software, including platform and related infrastructure. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with internal use software development that qualifies for capitalization which are then recorded as *internal use software development costs, net* on the Company's consolidated balance sheet. The Company amortizes internal use software development costs that relate to its revenue producing platform to cost of revenue and amortizes other internal use software development costs to technology and development costs or general and administrative expenses, depending on the nature of the related project.

### *General and Administrative*

The Company's general and administrative expenses consist primarily of personnel costs, including stock-based compensation, associated with the Company's executive, finance, legal, human resources and other administrative personnel, as well as accounting and legal professional services fees, facilities related costs and depreciation, and other corporate related expenses. General and administrative expenses also include amortization of internal use software development costs that relate to general and administrative functions.

### *Stock-Based Compensation*

Compensation expense related to employee stock-based awards is measured and recognized in the consolidated financial statements based on the fair value of the awards granted. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. Stock-based compensation expense is recognized on a straight-line basis, net of forfeitures, over the requisite service periods of the awards, which is generally four years.

Stock-based awards issued to non-employees are accounted for at fair value determined by using the Black-Scholes option-pricing model. The Company believes that the fair value of the stock options is more reliably measured than the fair value of the services received. The fair value of each non-employee stock-based compensation award is re-measured each period until a commitment date is reached, which is generally the vesting date.

Determining the fair value of stock-based awards at the grant date requires judgment. The Company's use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of the Company's common stock, risk-free interest rates, and the expected dividend yield of the Company's common stock. The assumptions used in the Company's option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, the Company's stock-based compensation expense could be materially different in the future.

These assumptions and estimates are as follows:

*Fair Value of Common Stock.* Because there is no public market for the Company's common stock, the board of directors has determined the fair value of the common stock at the time of the grant of options and restricted stock awards by considering a number of objective and subjective factors. The fair value of the underlying common stock will be determined by the board of directors until such time as the Company's common stock is listed on an established stock exchange or national market system. The fair value was determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants titled Valuation of Privately Held Company Equity Securities Issued as Compensation.

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*Risk-Free Interest Rate.* The Company bases the risk-free interest rate used in the Black-Scholes option-pricing model on the yields of U.S. Treasury securities with maturities appropriate for the term of employee stock option awards.

*Expected Term.* The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. Given insufficient historical data relating to stock-option exercises, to determine the expected term, the Company applies the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award.

*Volatility.* Because the Company does not have a trading history for the Company's common stock, the Company determines the price volatility based on the historical volatilities of a publicly traded peer group based on daily price observations over a period equivalent to the expected term of the stock option grants.

*Dividend Yield.* The dividend yield assumption is based on the Company's history and current expectations of dividend payouts. The Company has never declared or paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future, so the Company used an expected dividend yield of zero.

In addition to the assumptions used in the Black-Scholes option-pricing model, the Company also estimates a forfeiture rate to calculate the stock-based compensation expense for stock based awards. The Company's forfeiture rate is based on an analysis of the Company's historical forfeitures and estimated future forfeitures. Changes in the estimated forfeiture rate may have a significant impact on the Company's stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

The Company will continue to use judgment in evaluating the assumptions related to the Company's stock-based compensation. Future expense amounts for any particular period could be affected by changes in the Company's assumptions or market conditions.

Due to the full valuation allowance provided on its net deferred tax assets, the Company has not recorded any tax benefit attributable to stock-based awards for the years ended December 31, 2011, 2012 and 2013.

### ***Income Taxes***

Deferred income tax assets and liabilities are determined based upon the net tax effects of the differences between the Company's consolidated financial statements carrying amounts and the tax basis of assets and liabilities and are measured using the enacted tax rate expected to apply to taxable income in the years in which the differences are expected to be reversed.

A valuation allowance is used to reduce some or all of the deferred tax assets if, based upon the weight of available evidence, it is more likely than not that those deferred tax assets will not be realized. The Company has established a full valuation allowance to offset its domestic net deferred tax assets due to the uncertainty of realizing future tax benefits from the net operating loss carryforwards and other deferred tax assets.

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

The Company recognizes excess tax benefits associated with stock-based compensation to stockholders' deficit only when realized based on applying a with-and-without approach.

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***Net Loss Per Share Attributable to Common Stockholders***

Basic net loss per share of common stock is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding. Net loss attributable to common stockholders is equal to net loss adjusted for declared or cumulative preferred stock dividends for the period. Because the holders of the Company's convertible preferred stock are entitled to participate in dividends, the Company applies the two-class method in calculating earnings per share for periods when the Company generates net income. The two-class method requires net income to be allocated between the common and preferred stockholders based on their respective rights to receive dividends, whether or not declared. However, because the convertible preferred stock is not contractually obligated to share in the Company's losses, no such allocation was made for any period presented given the Company's net losses. Diluted loss per share attributable to common stockholders adjusts the basic weighted-average number of shares of common stock outstanding for the potential dilution that could occur if stock options, warrants and convertible preferred stock were exercised or converted into common stock. For purposes of this calculation, convertible preferred stock, options to purchase common stock and convertible preferred stock warrants are considered common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive.

Basic and diluted net loss per share attributable to common stockholders are the same for Class A and Class B common stock because they are entitled to the same liquidation and dividend rights.

***Comprehensive Loss***

Comprehensive loss encompasses all changes in equity other than those arising from transactions with stockholders, and consists of net loss and currency translation adjustments.

***Cash and Cash Equivalents***

The Company considers cash and cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in their value, including investments with original or remaining maturities from the date of purchase of three months or less. At December 31, 2012 and 2013, cash and cash equivalents consisted of cash balances of \$21.6 million and \$30.0 million, respectively.

***Restricted Cash***

The Company held restricted cash required to fulfill its payment obligations if the Company should default under a software license agreement and the building lease for its headquarters in Los Angeles, California. At December 31, 2012 and 2013, restricted cash included in prepaid expenses and other current assets was \$0.2 million and \$0.4 million, respectively. At December 31, 2012 and 2013, restricted cash included in other assets, non-current was \$0.4 million and \$1.3 million, respectively.

***Accounts Receivable Allowance for Doubtful Accounts***

Accounts receivable are recorded at the invoiced amount, are unsecured, and do not bear interest. The allowance for doubtful accounts is based on the best estimate of the amount of probable credit losses in existing accounts receivable. The allowance for doubtful accounts is determined based on historical collection experience and the review in each period of the status of the then-outstanding accounts receivable, while taking into consideration current customer information, subsequent collection history and other relevant data. The Company reviews the allowance for doubtful accounts on a quarterly basis. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered. The Company's allowance for doubtful accounts was approximately \$0.1 million and \$0.7 million at December 31, 2012 and

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2013, respectively. During the year ended December 31, 2013, the Company reserved an additional \$1.0 million for doubtful accounts and wrote-off \$0.4 million of accounts receivable. Activity for the years ended December 31, 2011 and 2012 was not significant.

***Property and Equipment, Net***

Property and equipment are recorded at historical cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets. The estimated useful lives of the Company's property and equipment are as follows:

	<u>Years</u>
Purchased and internally developed software	3
Computer equipment and network hardware	3
Furniture, fixtures and office equipment	5 to 7
Leasehold improvements	Shorter of useful life or life of lease
Computer equipment under capital leases	Shorter of useful life or life of lease

Repair and maintenance costs are charged to expense as incurred, while renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Company's results of operations.

***Internal Use Software Development Costs***

The Company capitalizes certain internal use software development costs associated with creating and enhancing internally developed software related to the Company's technology infrastructure. These costs include personnel and related employee benefits expenses for employees who are directly associated with and who devote time to software projects, and external direct costs of materials and services consumed in developing or obtaining the software. Software development costs that do not meet the qualification for capitalization, as further discussed below, are expensed as incurred and recorded in technology and development expenses in the results of operations.

Software development activities generally consist of three stages, (i) the planning phase, (ii) the application and infrastructure development stage, and (iii) the post implementation stage. Costs incurred in the planning and post implementation phases of software development, including costs associated with the post-configuration training and repairs and maintenance of the developed technologies, are expensed as incurred. The Company capitalizes costs associated with software developed for internal use when both the preliminary project stage is completed and management has authorized further funding for the completion of the project. Costs incurred in the application and infrastructure development phases, including significant enhancements and upgrades, are capitalized. Capitalization ends once a project is substantially complete and the software and technologies are ready for their intended purpose. Internal use software development costs are amortized using a straight-line method over the estimated useful life of three years, commencing when the software is ready for its intended use. The straight-line recognition method approximates the manner in which the expected benefit will be derived.

The Company does not transfer ownership of its software, or lease its software, to third parties.

***Intangible Assets***

Intangible assets primarily consist of acquired developed technology and non-compete agreements resulting from business acquisitions that occurred prior to December 31, 2012, which are recorded at cost, less accumulated amortization. The Company determines the appropriate useful life of its intangible assets by

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performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using a straight-line method, which approximates the pattern in which the economic benefits are consumed.

The estimated useful lives of the Company's intangible assets are as follows:

	<u>Years</u>
Developed technology	3
Non-compete agreements	2
Other intangible assets	1 to 1.5

***Impairment of Long Lived Assets including Internal Use Capitalized Software Costs***

The Company assesses the recoverability of its long-lived assets when events or changes in circumstances indicate their carrying value may not be recoverable. Such events or changes in circumstances may include: a significant adverse change in the extent or manner in which a long-lived asset is being used, significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company assesses recoverability of a long-lived asset by determining whether the carrying value of the asset group can be recovered through projected undiscounted cash flows over their remaining lives. If the carrying value of the asset group exceeds the forecasted undiscounted cash flows, an impairment loss is recognized, measured as the amount by which the carrying amount exceeds estimated fair value. An impairment loss is charged to operations in the period in which management determines such impairment. There were no impairment charges related to the identified long-lived assets for the years ended December 31, 2011, 2012 and 2013.

***Business Combinations***

The results of businesses acquired in a business combination are included in the Company's consolidated financial statements from the date of acquisition. The Company allocates the purchase price, which is the sum of the consideration provided which may consist of cash, equity or a combination of the two, in a business combination to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates and selection of comparable companies.

When the Company issues stock-based or cash awards to an acquired company's stockholders, the Company evaluates whether the awards are contingent consideration or compensation for post-business combination services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as expense over the requisite service period.

To date, the assets acquired and liabilities assumed in the Company's business combinations have primarily consisted of computer equipment and finite-lived intangible assets, consisting primarily of developed technologies. Fair value of the acquired computer equipment approximated their net book value. The Company estimates the fair value of intangible assets acquired using a discounted cash flow approach, which includes an analysis of the future



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cash flows expected to be generated by the asset and the risk associated with achieving these cash flows. The key assumptions used in the discounted cash flow model include the discount rate that is applied to the forecasted future cash flows to calculate the present value of those cash flows and the estimate of future cash flows attributable to the acquired intangible asset, which include revenue, expenses and taxes. The carrying value of acquired working capital approximates its fair value, given the short-term nature of these assets and liabilities.

Acquisition-related transaction costs are not included as a component of consideration transferred, but are accounted for as an expense in the period in which the costs are incurred.

### ***Goodwill***

Goodwill represents the excess of the aggregate fair value of the consideration transferred in a business combination over the fair value of the assets acquired, net of liabilities assumed. Goodwill is not amortized, but is subject to an annual impairment test. The Company tests for impairment of goodwill annually during the fourth quarter or more frequently if events or changes in circumstances indicate that the goodwill may be impaired.

Events or changes in circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of the Company's use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform the first of a two-step impairment test.

The first step involves comparing the estimated fair value of a reporting unit with its respective book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then a second step is required which requires the carrying amount of the goodwill be compared with its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible and tangible net assets. If the carrying amount of goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

No impairment of goodwill was recorded at December 31, 2012 and 2013.

### ***Operating and Capital Leases***

The Company records rent expense for operating leases, some of which have escalating rent payments, over the term of the lease, on a straight-line basis over the lease term. The Company begins recognition of rent expense on the date of initial possession, which is generally when the Company enters the leased premises and begins to make improvements in preparation for its intended use. Some of the Company's lease arrangements provide for concessions by the landlords, including payments for leasehold improvements and rent-free periods. The Company accounts for the difference between the straight-line rent expense and rent paid as a deferred rent liability.

The Company leases equipment under capital lease arrangements. The assets and liabilities under capital lease are recorded at the lesser of present value of aggregate future minimum lease payments, including estimated bargain purchase options, or the fair value of the asset under lease. Assets under capital lease are amortized using the straight-line method over the estimated useful lives of the assets.

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***Preferred Stock Warrant Liabilities***

The Company issued warrants to purchase preferred stock in connection with professional services and financing arrangements and accounts for these warrants as liabilities at fair value because the underlying shares of convertible preferred stock are contingently redeemable, including in the case of a deemed liquidation, which may obligate the Company to transfer assets to the warrant holders. The preferred stock warrants are recorded at fair value at the time of issuance and changes in the fair value of the preferred stock warrants each reporting period are recorded as part of other expense, net in the Company's consolidated statements of operations until the earlier of the exercise or expiration of the warrants or the warrants' conversion to warrants to purchase common stock, at which time any remaining liability is reclassified to additional paid-in capital.

***Fair Value of Financial Instruments***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value measurements are based on a fair value hierarchy, based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted market prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3—Unobservable inputs.

Observable inputs are based on market data obtained from independent sources. At December 31, 2012 and 2013 the Company's warrants to purchase preferred stock are measured using unobservable inputs that require a high level of judgment to determine fair value, and thus classified as Level 3 (Note 8).

The carrying amounts of cash equivalents, accounts receivable, accounts payable, accrued expenses, and seller payables approximate fair value due to the short-term nature of these instruments. The carrying value of the line of credit approximates fair value based on borrowing rates currently available to the Company for financing with similar terms and were determined to be Level 2.

Certain assets, including goodwill and intangible assets are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the years ended December 31, 2011, 2012 and 2013, no impairments were recorded on those assets required to be measured at fair value on a non-recurring basis.

***Concentration of Risk***

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash, cash equivalents, restricted cash and accounts receivable. The Company maintains its cash and cash equivalents with financial institutions which exceed the Federal Deposit Insurance Corporation ("FDIC") federally insured limits.

Accounts receivable include amounts due from buyers with principal operations primarily in the United States. The Company performs ongoing credit evaluations of its buyers.

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At December 31, 2012, one buyer accounted for 10% of consolidated accounts receivable. At December 31, 2013, two buyers accounted for 13% and 10%, respectively, of consolidated accounts receivable.

For the years ended December 31, 2011, 2012, and 2013, no buyer or seller of advertising inventory comprised 10% or more of consolidated revenue.

At December 31, 2012 and 2013, no seller of advertising inventory comprised 10% or more of consolidated accounts payable.

### ***Foreign Currency Transactions and Translation***

Transactions in foreign currencies are translated into U.S. Dollars at the rates of exchange in effect at the date of the transaction. Net transaction (gains) losses, net were approximately \$0.2 million, \$0.2 million and \$0.7 million for the years ended December 31, 2011, 2012 and 2013, respectively, and are included in other expense, net in the accompanying consolidated statements of operations.

The Company has entities in various countries. For entities where the local currency is different than the functional currency, the local currency financial statements have been re-measured from the local currency into the functional currency using the current exchange rate for monetary accounts and historical exchange rates for nonmonetary accounts, with exchange differences on re-measurement included in other expense, net. To the extent that the functional currency is different than the U.S. Dollar, the financial statements have then been translated into U.S. Dollars using period-end exchange rates for assets and liabilities and average exchange rates for the results of operations. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive loss on the consolidated balance sheet.

### ***Recent Accounting Pronouncements***

Under the Jumpstart Our Business Startups Act (“JOBS Act”), the Company meets the definition of an emerging growth company. The Company has irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In March 2013, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance clarifying the accounting for the release of cumulative translation adjustment into net income when a company either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. The adoption of this guidance is not expected to have any impact on the Company’s consolidated financial statements.

In July 2013, the FASB issued an accounting standards update clarifying that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the consolidated financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. The standards update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance is not expected to have any impact on the Company’s consolidated financial statements.

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**Note 3—Net Loss Per Share Attributable to Common Stockholders**

The following table presents the basic and diluted net loss per share attributable to common stockholders:

	Year Ended		
	December 31, 2011	December 31, 2012	December 31, 2013
	(in thousands, except per share data)		
Net loss attributable to common stockholders	\$ (19,653)	\$ (6,617)	\$ (13,493)
Weighted-average common shares outstanding	10,617	11,179	11,540
Weighted-average unvested restricted shares	(518)	(83)	(52)
Weighted-average common shares outstanding attributable to common stockholders	10,099	11,096	11,488
Basic and diluted net loss per share attributable to common stockholders	\$ (1.95)	\$ (0.60)	\$ (1.17)

The following shares have been excluded from the calculation of diluted net loss per share attributable to common stockholders for each period presented because they are anti-dilutive:

	December 31, 2011	December 31, 2012	December 31, 2013
		(in thousands)	
Options to purchase common stock	3,920	5,771	8,360
Preferred stock warrants	436	436	436
Unvested restricted stock	—	135	—
Conversion of convertible preferred stock	14,410	14,410	14,410
Total shares excluded from net loss per share attributable to common stockholders	18,766	20,752	23,206

**Unaudited Pro Forma Net Loss Per Share**

The following table sets forth the computation of the Company's unaudited pro forma basic and diluted net loss per share of common stock:

	Year Ended December 31, 2013 (in thousands, except per share data)
Net loss attributable to common stockholders	\$ (13,493)
Pro forma adjustment to reverse mark-to-market adjustment of preferred stock warrant liabilities	4,121
Pro forma adjustment to reverse cumulative preferred stock dividends	4,244
Net loss used in computing pro forma net loss per share attributable to common stockholders	\$ (5,128)
Weighted-average common shares outstanding attributable to common stockholders	11,488
Pro forma adjustment to reflect assumed conversion of convertible preferred stock to common stock	14,410
Weighted-average common shares outstanding for pro forma basic and diluted net loss per share	25,898
Pro forma net loss per share attributable to common stockholders—basic and diluted	\$ (0.20)

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[Table of Contents](#)**Note 4—Property and Equipment**

Major classes of property and equipment were as follows:

	December 31, 2012	December 31, 2013
	(in thousands)	
Purchased software	\$ 1,763	\$ 1,534
Computer equipment and network hardware	11,555	16,189
Furniture, fixtures and office equipment	926	1,047
Leasehold improvements	717	830
	<u>14,961</u>	<u>19,600</u>
Accumulated depreciation	<u>(8,028)</u>	<u>(10,888)</u>
	<u>\$ 6,933</u>	<u>\$ 8,712</u>

Depreciation expense on property and equipment totaled \$4.0 million, \$3.9 million and \$4.9 million for the years ended December 31, 2011, 2012 and 2013, respectively.

At December 31, 2012 and 2013, property and equipment includes property and equipment under capital leases with a cost basis of \$1.3 million and \$1.3 million, respectively. Accumulated depreciation on property and equipment under capital leases at December 31, 2012 and 2013 was \$0.4 million and \$0.9 million, respectively.

Depreciation expense on property and equipment under capital leases was \$40,000, \$0.4 million and \$0.5 million for the years ended December 31, 2011, 2012 and 2013, respectively.

**Note 5—Internal Use Software Development Costs**

Internal use software development costs were as follows:

	December 31, 2012	December 31, 2013
	(in thousands)	
Internal use software development costs, gross	\$ 8,730	\$ 12,656
Accumulated amortization	<u>(2,966)</u>	<u>(5,452)</u>
Internal use software development costs, net	<u>\$ 5,764</u>	<u>\$ 7,204</u>

During the years ended December 31, 2011, 2012 and 2013, the Company capitalized \$3.2 million, \$3.9 million and \$4.1 million of internal use software development costs. Amortization expense was \$0.9 million, \$2.0 million and \$2.7 million for the years ended December 31, 2011, 2012 and 2013. In the year ended December 31, 2013, amortization expense included the write-off of software development costs, net, of \$0.2 million. Based on the Company's internal use software development costs at December 31, 2013, estimated amortization expense of \$3.4 million, \$2.6 million, \$1.1 million and \$0.1 million is expected to be recognized in 2014, 2015, 2016, and 2017, respectively.

**Note 6—Business Combinations**

On May 22, 2012, the Company completed the acquisition of all the issued and outstanding shares of MobSmith, Inc. ("MobSmith"), a San Francisco, California based technology company focused on ad-delivery to mobile devices. MobSmith provided a mobile platform for sellers to directly sell their mobile web and in-app advertising inventory on leading mobile devices. Purchase consideration for the acquisition was approximately \$1.8 million in cash and 244,738 shares of the Company's Class A common stock, with a fair value of approximately \$1.2 million, valued on the acquisition date. The fair value of the Class A common stock was

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determined by the board of directors based on a valuation of common stock using the market comparable approach. The market comparable approach estimates value based on multiples of metrics of comparable public companies in a similar line of business. Goodwill is attributable to expected synergies of combining MobSmith's mobile solution with the platform providing buyers and sellers access to a single platform solution and marketplace for buying and selling of both display and mobile advertising inventory, and the acquired workforce.

The Company's allocation of the total purchase considerations is summarized below (in thousands):

Cash paid	\$ 1,750
Common shares	1,237
Total purchase consideration	<u>\$ 2,987</u>
Other assets, including cash acquired of \$9	\$ 52
Intangible assets	1,550
Goodwill	1,391
Other liabilities	(6)
Net assets acquired	<u>\$ 2,987</u>

The acquired intangible assets consisted of developed technology with a fair value of \$0.8 million, non-compete agreements with a fair value of \$0.6 million, customer relationships with a fair value of \$0.1 million, and a trademark with a fair value of \$10,000. The developed technology, non-compete agreements, customer relationships, and trademark are being amortized over a weighted-average useful life of 2.5 years.

The Company recognized approximately \$0.1 million of acquisition related costs during the year ended December 31, 2012, that are reflected within general and administrative expenses in the Company's consolidated statements of operations.

In addition, upon acquisition, the Company issued 135,000 restricted shares of Class A common stock, with a fair value of approximately \$0.6 million and agreed to pay \$0.8 million in cash upon the one year anniversary of the acquisition, subject to the continued employment of certain employees of MobSmith with the Company. The restricted shares and cash payout were recognized as a post-acquisition compensation expense over the one year period. At December 31, 2012, the 135,000 shares remained restricted and \$0.3 million of the cash compensation was unearned. In May 2013, upon the one-year anniversary of the acquisition, the share restrictions were satisfied and the cash was paid.

The operations of MobSmith were fully integrated into the operations of the Company upon acquisition. The results of operations of MobSmith were insignificant to the Company's consolidated statements of operations from the acquisition date of May 22, 2012 through the period ended December 31, 2012.

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[Table of Contents](#)**Unaudited Pro Forma Information**

The following table provides unaudited pro forma information for the years ended December 31, 2011 and 2012, as if MobSmith had been acquired as of the beginning of 2011. The unaudited pro forma results reflect certain adjustments such as the fair values of the assets acquired and liabilities assumed and additional depreciation and amortization resulting from the fair value adjustments. The unaudited pro forma results do not include any anticipated cost synergies or other effects of the integration of MobSmith or recognition of compensation expense relating to the earn-out. Accordingly, such unaudited pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition been completed on the dates indicated, nor is it indicative of the future operating results of the combined company.

	Year Ended December 31, 2011	Year Ended December 31, 2012
	(in thousands)	
Pro forma revenues	\$ 37,245	\$ 57,165
Pro forma net loss	\$ (17,099)	\$ (2,919)

**Note 7—Goodwill and Intangible Assets**

Details of the Company's goodwill were as follows:

	Amount (in thousands)
Balance as of December 31, 2011	\$ 100
Additions from the acquisition of MobSmith	1,391
Balance as of December 31, 2012 and 2013	<u>\$ 1,491</u>

Details of the Company's intangible assets were as follows:

	December 31, 2012	December 31, 2013
	(in thousands)	
Amortizable intangible assets:		
Developed technology	\$ 2,560	\$ 2,560
Non-compete agreements	610	610
Other intangible assets	130	130
	<u>3,300</u>	<u>3,300</u>
Accumulated amortization—developed technology	(1,657)	(2,177)
Accumulated amortization—non-compete agreements	(178)	(483)
Accumulated amortization—other intangible assets	(52)	(130)
Total accumulated amortization—intangible assets	<u>(1,887)</u>	<u>(2,790)</u>
Total identifiable intangible assets, net	<u>\$ 1,413</u>	<u>\$ 510</u>

Amortization expense of intangible assets for the years ended December 31, 2011, 2012 and 2013, were \$0.7 million, \$1.0 million, and \$0.9 million, respectively.

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As of December 31, 2013, the estimated remaining amortization expense associated with the Company's intangible assets for each of the next five fiscal years was as follows:

<u>Fiscal Year</u>	<u>Amount</u> <u>(in thousands)</u>
2014	\$ 397
2015	113
2016 and thereafter	—
Total	<u>\$ 510</u>

**Note 8—Fair Value Measurements**

The table below sets forth a summary of financial instruments that are measured at fair value on a recurring basis at December 31, 2012:

	<u>December 31,</u> <u>2012</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant Other</u> <u>Observable</u> <u>Inputs (Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs (Level 3)</u>
		<u>(in thousands)</u>		
Convertible preferred stock warrant liability	\$ 1,330	\$ —	\$ —	\$ 1,330

The table below sets forth a summary of financial instruments that are measured at fair value on a recurring basis at December 31, 2013:

	<u>December 31,</u> <u>2013</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant Other</u> <u>Observable</u> <u>Inputs (Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs (Level 3)</u>
		<u>(in thousands)</u>		
Convertible preferred stock warrant liability	\$ 5,451	\$ —	\$ —	\$ 5,451

The Company's preferred stock warrants are recorded at fair value and were determined to be Level 3 fair value items. The changes in the fair value of preferred stock warrants are summarized below:

	<u>Years Ended</u>		
	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2013</u>
	<u>(in thousands)</u>		
Beginning balance	\$ 511	\$ 815	\$ 1,330
Change in value of preferred stock warrants recorded in other expense, net	304	515	4,121
Ending balance	<u>\$ 815</u>	<u>\$ 1,330</u>	<u>\$ 5,451</u>



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[Table of Contents](#)**Note 9—Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses included the following:

	December 31, 2012	December 31, 2013
	(in thousands)	
Accounts payable—seller	\$ 75,073	\$ 111,078
Accounts payable—other	1,558	4,136
Accrued employee—related payables	4,313	4,984
	<u>\$ 80,944</u>	<u>\$ 120,198</u>

At December 31, 2012 and 2013, accounts payable—seller are recorded net of \$1.0 million and \$0.9 million, respectively, due from sellers for services provided by the Company to sellers, where the Company has the right of offset.

**Note 10—Debt and Capital Lease Arrangements**

Debt and capital lease arrangements consisted of the following:

	December 31, 2012	December 31, 2013
	(in thousands)	
Secured debt:		
Line of credit, at a weighted-average interest rate of 4.8% in 2012 and 4.0% in 2013	\$ 3,000	\$ 3,788
Equipment loan facilities, at a weighted-average interest rate of 6.5% in 2012 and 6.5% in 2013	1,284	—
Capital lease obligations, at a weighted-average interest rate of 6.2% in 2012 and 5.8% in 2013	931	393
	<u>\$ 5,215</u>	<u>\$ 4,181</u>

On March 26, 2009, the Company entered into a loan and security agreement with Silicon Valley Bank (“2009 Loan Agreement”). The agreement provided a senior secured revolving credit facility (“Line of Credit”) and a term loan for the purchase of equipment (“Equipment Loans”).

The loan and security agreement was amended and renewed on September 27, 2011 (“2011 Loan Agreement”). The 2011 Loan Agreement raised the borrowing ceiling for the credit facility to the lesser of \$15.0 million or 85% of eligible accounts due on September 27, 2013.

In July 2012, the Company further amended the 2011 Loan Agreement with Silicon Valley Bank to waive the loan covenants for the month ended May 31, 2012 relating to the acquisition of MobSmith, and amended certain financial covenants, as defined in the amendment.

Amounts outstanding under the 2011 Loan Agreement bore interest, at a rate per annum equal to prime rate plus 1.5% if the Company maintained a net cash balance exceeding \$1 or prime rate plus 3.0%, if such net cash balance was not maintained. “Net cash” is defined as the Company’s unrestricted cash maintained at the financial institution including, without duplication, up to \$3.0 million of unrestricted net cash maintained by the Company at the bank or other financial institutions located outside the United States, less the aggregate outstanding principal of amount of the advances on the line and the Equipment Loans.

The Equipment Loans consisted of two loans. The first Equipment Loan bore interest between 5.5% and 6.5%. The second Equipment Loan bore interest at 3.25% above the prime rate at the time of the advance. At

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December 31, 2012, the interest rate for both Equipment loans was 6.5%. Payments of interest and principal for both Equipment Loans were made monthly over 36 months from the time of the loan. No additional borrowings may be made under these facilities.

The 2011 Loan Agreement required the Company to comply with financial covenants including minimum levels of adjusted tangible net worth and a fixed charge coverage ratio, as well as certain affirmative covenants. The Company was in compliance with the financial covenants as of December 31, 2012. The Company was not in compliance with a non-financial covenant at December 31, 2012 and received a waiver for such non-compliance.

The 2011 Loan Agreement is collateralized by security interests in substantially all of the Company's assets. The 2011 Loan Agreement restricts the Company's ability to pay dividends and enter into certain transactions without the consent of the financial institution. The Company is required to maintain a lockbox arrangement where customer payments received in the lockbox will reduce the amounts outstanding on the credit facility only if the Company does not maintain a net cash balance of \$1 or in the event of a default, as defined in the arrangement.

On September 30, 2013, the Company further amended the 2011 Loan Agreement. The amendment eliminated the equipment term loan facilities and increased the borrowing limit on the credit facility up to \$40.0 million with a maturity date of September 27, 2018. An unused revolver fee in the amount of 0.15% per annum of the average unused portion of the revolver line will be charged and be payable monthly in arrears. The amendment requires the Company to maintain a fixed charge coverage ratio of no less than 1.10 to 1.00 calculated on a twelve month trailing basis as of the last day of each month on a consolidated basis. Amounts outstanding under the amended credit facility bear interest, at a rate per annum equal to LIBOR plus 2.0% if the Company maintains a net cash balance exceeding \$1. At the option of the bank, advances may bear interest at a rate of prime plus 0% if the Company maintains a net cash balance exceeding \$1 or 1.50% if the Company does not maintain a net cash balance of \$1. At December 31, 2013, \$36.2 million was available for borrowing under the credit facility and \$3.8 million was outstanding in debt obligations.

The 2011 Loan Agreement restricts the Company's ability to sell assets, make changes to the nature of its business, engage in mergers or acquisitions, incur, assume or permit to exist, additional indebtedness and guarantees, create or permit to exist, liens, pay dividends, make distributions or redeem or repurchase capital stock, or make other investments, engage in transactions with affiliates, and make payments in respect to subordinated debt.

In addition, in the event the amount available to be drawn is less than 20% of the maximum line amount of the credit facilities, or in the event that a default exists, the Company is required to satisfy a minimum fixed charge coverage ratio test. The Company does not currently satisfy this minimum fixed charge coverage ratio test defined as a ratio of Adjusted EBITDA to the sum of interest accrual and principal payments required to be paid during the relevant measurement period. However, the Company is not currently required to satisfy this test as it meets the specified excess availability threshold.

The 2011 Loan Agreement includes customary events of defaults, including a change of control default and an event of default in the event a material adverse change occurs. In case of such an event of default, Silicon Valley Bank would be entitled to, among other things, accelerate payment of amounts due under the credit facility and exercise all rights of a secured creditor.

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[Table of Contents](#)**Maturities of Debt and Capital Lease Arrangements**

Maturities with respect to debt and capital lease arrangements at December 31, 2013 were as follows:

<u>Fiscal Year</u>	<u>Amount</u> <u>(in thousands)</u>
2014	\$ 288
2015	105
2016	—
2017	—
2018	3,788
Thereafter	—
<b>Total</b>	<b>\$ 4,181</b>

**Note 11—Capitalization**

At December 31, 2013, the authorized capital stock of the Company consisted of 73,380,126 shares of common stock, of which 32,500,000 shares were designated Class A common stock and 4,190,063 shares were designated Class B common stock, and 29,691,524 shares of preferred stock, of which 6,154,000 shares were designated Series A preferred stock (“Series A preferred stock”), 13,588,160 shares were designated Series B preferred stock (“Series B preferred stock”), 4,765,173 shares were designated Series C preferred stock (“Series C preferred stock”), and 5,184,191 shares were designated Series D preferred stock (“Series D preferred stock”, and together with the Series A preferred stock, Series B preferred stock and Series C preferred stock, referred to as “convertible preferred stock”).

**Common Stock**

The rights of the Class A and Class B common stock are the same, except the shares of Class B common stock are not entitled to voting rights, other than as required by law. Each share of Class B common stock automatically converts to one share of Class A common stock immediately prior to the consummation of any underwritten public offering of the Company’s common stock, immediately prior to the consummation of a liquidation event, as defined in the Company’s Fifth Amended and Restated Certificate of Incorporate, as amended (the “Certificate of Incorporation”), or upon the conversion of all the outstanding convertible preferred stock into Class A common stock. Class A common stock and Class B common stock are collectively referred to herein as common stock.

At December 31, 2012, there were 7,210,858 and 4,190,063 shares of Class A and Class B common stock issued and outstanding, respectively. At December 31, 2013, there were 7,664,844 and 4,190,063 shares of Class A and Class B common stock issued and outstanding, respectively.

**Convertible Preferred Stock**

At December 31, 2012 and 2013, the Company’s outstanding convertible preferred stock consisted of the following:

	<u>December 31, 2012 and 2013</u>			<u>December 31,</u>	<u>December 31,</u>
	<u>Shares</u> <u>Authorized</u>	<u>Shares</u> <u>Outstanding</u>	<u>Carrying</u> <u>Values</u>	<u>2012</u> <u>Liquidation</u> <u>Preference</u>	<u>2013</u> <u>Liquidation</u> <u>Preference</u>
			(in thousands)		
Series A	6,154	6,154	\$ 4,000	\$ 5,797	\$ 6,118
Series B	13,588	13,563	21,087	29,066	30,754
Series C	4,765	3,919	9,484	12,018	12,779
Series D	5,184	5,184	18,000	21,647	23,121
<b>Total</b>	<b>29,691</b>	<b>28,820</b>	<b>\$52,571</b>	<b>\$ 68,528</b>	<b>\$ 72,772</b>

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The rights and preferences of the convertible preferred stock are as follows:

*Voting Rights:* On any matters presented to the Company's stockholders for their action or consideration, each holder of convertible preferred stock is entitled to one vote for each share of Class A common stock into which such holder's shares of convertible preferred stock are then convertible. Except as provided by law or the Certificate of Incorporation, the holders of the convertible preferred stock and Class A common stock vote together as a single class.

*Dividends:* The holders of the convertible preferred stock are entitled, when, as, and if declared by the board of directors, and prior and in preference to common stock, to cumulative dividends at the following per annum rates (pro-rated for partial years elapsed): \$0.052 per share for Series A, \$0.1244480 per share for Series B, \$0.1941832 per share for Series C, and \$0.2844824 per share for Series D. Cumulative preferred stock dividends at December 31, 2012 and 2013, were \$15.5 million, and \$19.7 million, respectively. Unless declared, dividends are not payable except in the event of a liquidation, dissolution or winding up of the Company. No dividends have been declared or paid to date.

*Liquidation:* In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company or a sale of the Company, the holders of the convertible preferred stock are entitled to receive out of the assets available for distribution to the Company's stockholders, on a pari passu basis prior to distribution of any assets of the Company to the holders of common stock, an amount equal to the greater of (a) the original issuance price plus accrued but unpaid dividends, or (b) such amount as would have been payable had the convertible preferred stock converted into common stock immediately prior to the liquidation, dissolution or winding up. If amounts available to be distributed are insufficient to pay the liquidation preferences of the preferred stock in full, then the entire assets and funds of the Company legally available for distribution will be distributed to the holders of convertible preferred stock ratably in proportion to the preferential amount each holder would have otherwise been entitled to receive. After payment of the liquidation preferences to the convertible preferred stock, all remaining assets are distributed to the common stock.

The liquidation preference provisions of the convertible preferred stock are considered contingent redemption provisions because there are certain elements that are not solely within the control of the Company, such as a change in control of the Company. Accordingly, the Company has presented the convertible preferred stock within the mezzanine portion of the accompanying consolidated balance sheets.

*Conversion:* Each outstanding share of convertible preferred stock is convertible, at the holder's option, into shares of Class A common stock at a conversion rate determined by dividing the original issue price for such share by the then Conversion Price for such share. The original issue price and conversion price of the each series of preferred stock are as follows:

	<b>Original Issue Price per share</b>	<b>Conversion Price per share</b>
Series A	\$ 0.65	\$ 1.30
Series B	\$ 1.55556	\$ 3.11112
Series C	\$ 2.42729	\$ 4.85458
Series D	\$ 3.55603	\$ 7.11206

The conversion price is subject to adjustment in the event of certain anti-dilutive issuances of shares of common stock. The conversion price per share in the table above reflects the adjustment for the 1-for-2 reverse stock split of the Company's common stock effected on March 18, 2014.

Each share of convertible preferred stock will automatically convert into shares of common stock at its then effective conversion rate immediately upon the earlier of (i) the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, with proceeds to the Company of not less than \$20 million (net of underwriting discounts and commissions) based on a pre-offering enterprise value of at least \$250 million, (ii) or upon the consent of the

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holders on the date specified by a vote of at least 75% of all then-outstanding shares of convertible preferred stock voting together as a single class on an as-converted to Class A common stock basis, provided that the Series C preferred stock shall not be converted as a result of such a vote without the consent of the holders of a majority of the shares of Series C preferred stock then outstanding, and the Series D preferred stock shall not be converted as a result of such a vote without the consent of the holders of a majority of the shares of Series D preferred stock then outstanding.

*Redemption:* The convertible preferred stock is not redeemable at the option of the holder.

### **Convertible Preferred Stock Warrants**

On March 1, 2009, the Company issued a fully vested, non-forfeitable warrant to purchase 25,174 shares of the Company's Series B preferred stock at an exercise price of \$1.55556 per share. The warrant was issued to the Company's bank, Silicon Valley Bank, in connection with securing an equipment term loan under the 2009 Loan Agreement. The warrant was fully vested upon issuance and expires on March 1, 2019. The holder of the warrant has the right to include shares issued upon exercise of the warrant in certain registered offerings by the Company of its common stock. The fair value of the warrants at issuance was recorded as a deferred financing cost and was amortized over the term of the loan.

On January 12, 2010, the Company issued a warrant to an investment bank to purchase 845,867 shares of the Company's Series C preferred stock at an exercise price of \$2.42729 per share. The warrant was issued for banking and financial advisory services provided to the Company. The warrant was fully vested upon issuance and expires on the earliest of January 12, 2015, a firm commitment underwritten initial public offering if the lead underwriter requests termination, or, under certain circumstances, a liquidation, dissolution, winding up or change in control as defined in the Certificate of Incorporation. The holder of the warrant has the right to exercise the warrant for cash or on a net issuance basis. In December 2013, the lead underwriter of the proposed initial public offering requested the termination of the warrant in connection with the offering, and in March 2014, the warrant holder agreed to net exercise the warrant upon the consummation of the offering.

The Company determined the fair value of the convertible preferred stock warrants utilizing the Black-Scholes model with the following weighted-average assumptions:

	Series B December 31, 2011	Series B December 31, 2012	Series B December 31, 2013	Series C December 31, 2011	Series C December 31, 2012	Series C December 31, 2013
Risk-free interest rate	1.35%	0.97%	0.18%	0.19%	0.16%	0.13%
Expected term (in years)	7.17	6.17	0.69	1.59	1	0.50
Estimated dividend yield	8.00%	8.00%	2.00%	7.60%	4.80%	2.00%
Weighted-average estimated volatility	66%	60%	64%	61%	46%	63%
Fair value (in thousands)	\$ 23	\$ 34	\$ 173	\$ 792	\$ 1,296	\$ 5,278

During the years ended December 31, 2011, 2012 and 2013, the Company recognized expense of \$0.3 million, \$0.5 million and \$4.1 million, respectively, from the re-measurement of the warrants to fair value.

### **Common Shares Reserved For Issuance**

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient to effect the conversion of all outstanding shares of preferred stock and all outstanding warrants, plus shares granted and available for grant under the Company's stock option plan.

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The amount of such shares of the Company's common stock reserved for these purposes at December 31, 2013 was as follows:

	<b>December 31, 2013</b>
	<b>(in thousands)</b>
Reserved under stock award plans	10,457
Conversion of preferred stock	14,410
Warrants to purchase convertible preferred stock	436
Total required availability	<u>25,303</u>

During February 2013 and September 2013, the Company increased the permitted number of shares of common stock the Company may issue under its incentive stock plan to 9,456,800 and 10,456,800, respectively.

### Note 12—Stock-Based Compensation

The Company's 2007 Stock Incentive Plan (the "Plan") provides for the grant of non-statutory or incentive stock options to the Company's employees, officers, directors or consultants. The Company's board of directors administers the Plan, selects the individuals to whom options will be granted, determines the number of options to be granted, and the term and exercise price of each option. Incentive stock options granted pursuant to the terms of the Plan cannot be granted with an exercise price of less than 100% of the fair market value on the date of the grant. For awards issued to a shareholder holding 10% or more of the Company, the option term cannot exceed 5 years. The term of the options granted under the Plan cannot be greater than 10 years. Non-statutory stock options granted pursuant to the terms of the Plan cannot be granted with an exercise price of less than 100% of the fair market value on the date of the grant (110% for awards issued to a shareholder holding 10% or more of the Company). Options granted vest at varying rates, but generally over four years with 25% vesting upon completion of one year of service and monthly thereafter. Options granted under the Plan accelerate on a change in control, as defined. An aggregate of 10,456,800 shares were reserved under the Plan, of which 858,822 shares remained available for issuance at December 31, 2013.

#### Stock Options

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

	<b>Shares Under Option</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted- Average Contractual Life</b>	<b>Aggregate Intrinsic Value</b>
	<b>(in thousands)</b>			<b>(in thousands)</b>
Outstanding at December 31, 2012	5,771	\$ 3.68		
Granted	4,299	\$ 7.36		
Exercised	(477)	\$ 2.62		
Cancelled	(1,233)	\$ 4.62		
Outstanding at December 31, 2013	<u>8,360</u>	\$ 6.13	8.38 years	\$ 84,319
Vested and expected to vest at December 31, 2013	7,552	\$ 6.00	8.31 years	\$ 77,124
Exercisable at December 31, 2013	2,924	\$ 3.30	7.04 years	\$ 37,800

The total intrinsic value of options exercised during the years ended December 31, 2011, 2012 and 2013 were \$0.6 million, \$0.6 million and \$4.6 million, respectively.

At December 31, 2013, the Company had unrecognized employee stock-based compensation relating to stock options of approximately \$17.3 million which is expected to be recognized over a weighted-average period of 2.6 years.

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The weighted average grant date per share fair value of stock options granted for the years ended December 31, 2011, 2012 and 2013 were \$2.00, \$2.58 and \$5.12, respectively.

The table below sets forth information regarding stock options granted from January 1, 2013 to December 31, 2013:

<u>Grant Date</u>	<u>Number of Shares (in thousands)</u>	<u>Exercise Price at Grant Date</u>	<u>Adjusted Exercise Price</u>	<u>Estimated per Share Fair Value of Common Stock at Grant Date</u>	<u>Intrinsic Value per Share at Grant Date</u>
February 22, 2013	2,197	\$ 5.00	\$ 7.80	\$ 7.80	\$ 2.80
April 24, 2013	317	\$ 7.80	\$ 7.80	\$ 7.80	\$ —
June 7, 2013	560	\$ 8.30	\$ 8.30	\$ 8.30	\$ —
July 24, 2013	700	\$ 9.80	\$ 9.80	\$ 9.80	\$ —
October 30, 2013	525	\$ 11.84	\$ 11.84	\$ 11.84	\$ —

Subsequent to original grant dates, and in light of valuation analyses performed in close proximity to the grant dates that reflected higher fair values, the board of directors reconsidered the original grant date exercise prices and increased the exercise prices of the February 2013 options. The modification to increase the exercise price did not result in any incremental stock-compensation expense.

The Company estimates the fair value of stock-based payments using the Black-Scholes-Merton option pricing model. The weighted-average input assumptions used by the Company were as follows:

	<u>Year Ended December 31, 2011</u>	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2013</u>
Year Expected term (in years)	5.9	5.8	6.0
Risk-free interest rate	1.91%	0.94%	1.28%
Expected volatility	57%	59%	58%
Dividend yield	—%	—%	—%

At December 31, 2012 and 2013, there were options to purchase 110,024 shares of common stock outstanding, respectively, awarded to non-employees at a weighted-average exercise price of \$1.86 per share, respectively. These awards generally vest over 4 years and expire through 2022. The Company recorded stock-based compensation of \$0.1 million for each of the years ended December 31, 2011, 2012 and 2013, relating to these awards.

During the years ended December 31, 2011, 2012 and 2013, the Company modified the terms of existing stock options granted to certain employees, to among other things, extend the exercise period and/or accelerate the vesting of options upon termination of employment, and modify the vesting of performance-based awards to time-based awards. In connection with these modifications the Company recorded stock-based compensation of \$0.2 million, \$0.1 million and \$0.6 million, in the years ended December 31, 2011, 2012 and 2013, respectively.

### ***Stock Awards***

The following table summarizes the activity of stock awards for the year ended December 31, 2013:

	<u>Number of Awards (in thousands)</u>
Unvested at December 31, 2012	135
Vested	(135)
Unvested at December 31, 2013	—

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During the years ended December 31, 2011, 2012 and 2013, the fair value of stock awards vested was \$0.9 million, \$0.1 million and \$1.1 million, respectively.

***Stock-Based Compensation Expense***

Total stock-based compensation expense, including expense related to stock options to employees and non-employees and stock awards, for the years ended December 31, 2011, 2012 and 2013, and recorded in the consolidated statements of operations were as follows:

	Year Ended		
	December 31, 2011	December 31, 2012 (in thousands)	December 31, 2013
Cost of revenue	\$ 270	\$ 78	\$ 87
Selling and marketing	309	1,039	1,105
Technology and development	858	828	1,645
General and administrative	831	1,099	3,515
Total stock-based compensation	<u>\$ 2,268</u>	<u>\$ 3,044</u>	<u>\$ 6,352</u>

During 2011, certain of the Company's existing principal investors purchased in aggregate 330,033 shares of common stock from the Company's Chief Executive Officer for approximately \$2.0 million, and additional investors purchased in aggregate 177,392 shares of common stock from the Company's chief executive officer for approximately \$1.1 million. The purchase price paid per share was higher than the then current fair market value of the Company's common stock at the time of the purchases. Accordingly, the Company recognized additional stock-based compensation expense of approximately \$0.7 million in general and administrative expense, included above, for the excess of consideration paid over the then fair value of the common stock.

**Note 13—Income Taxes**

The following are the domestic and foreign components of the Company's loss before income taxes for the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31, 2011	Year Ended December 31, 2012 (in thousands)	Year Ended December 31, 2013
	Domestic	\$ (15,276)	\$ (2,486)
International	3	258	533
Loss before income taxes	<u>\$ (15,273)</u>	<u>\$ (2,228)</u>	<u>\$ (9,002)</u>



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The following are the components of the provision for income taxes for the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2013
	(in thousands)		
<b>Current:</b>			
Federal	\$ —	\$ —	\$ —
State	21	19	58
Foreign	141	135	189
Total current provision	162	154	247
<b>Deferred:</b>			
Federal	—	1	9
State	—	—	1
Foreign	(26)	(21)	(10)
Total deferred benefit	(26)	(20)	—
Total provision for income taxes	<u>\$ 136</u>	<u>\$ 134</u>	<u>\$ 247</u>

Set forth below is a reconciliation of the components that caused the Company's provision for income taxes to differ from amounts computed by applying the U.S. Federal statutory rate of 34% for the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2013
U.S. federal statutory income tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	(0.1)%	(0.6)%	(0.4)%
Foreign income at other than U.S. rates	(0.7)%	(1.2)%	—%
Stock-based compensation expense	(3.2)%	(29.7)%	(10.0)%
Meals and entertainment	(0.3)%	(3.4)%	(1.3)%
Acquisition and related items	(2.4)%	(1.0)%	—%
Non-deductible gifts	(0.1)%	(2.0)%	(0.2)%
Research and development tax credits	2.5%	15.6%	5.6%
Other permanent items	(0.6)%	(0.7)%	(0.5)%
Change in valuation allowance	(30.0)%	(17.0)%	(29.9)%
Effective income tax rate	<u>(0.9)%</u>	<u>(6.0)%</u>	<u>(2.7)%</u>

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Set forth below are the tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities as of December 31, 2012 and 2013:

	December 31, 2012	December 31, 2013
(in thousands)		
<b>Deferred Tax Assets:</b>		
Accrued liabilities	\$ 330	\$ 577
Intangible assets	704	1,416
Stock-based compensation	491	1,762
Net operating loss carryovers	18,975	15,018
Research tax credit carryovers	2,494	3,176
Other	720	2,760
Total deferred tax assets	23,714	24,709
Less valuation allowance	(22,873)	(23,963)
Deferred tax assets, net of valuation allowance	841	746
<b>Deferred Tax Liabilities:</b>		
Fixed assets	(794)	(689)
Other	(1)	(11)
Total deferred tax liabilities	(795)	(700)
Net deferred tax assets	\$ 46	\$ 46

The change in valuation allowance for the year ended December 31, 2011, 2012 and 2013 was \$5.5 million, \$1.1 million and \$1.1 million, respectively.

At December 31, 2013, the Company had U.S. federal net operating loss carryforwards, or “NOLs,” of approximately \$36.7 million, which will begin to expire in 2027. At December 31, 2013, the Company had state NOLs of approximately \$43.3 million, which will begin to expire in 2027. At December 31, 2013, the Company had federal research and development tax credit carryforwards (“credit carryforwards”) of approximately \$3.0 million, which will begin to expire in 2027. At December 31, 2013, the Company had state research and development tax credits of approximately \$2.4 million, which carry forward indefinitely. Utilization of certain NOLs and credit carryforwards may be subject to an annual limitation due to ownership change limitations set forth in the Internal Revenue Code of 1986, as amended, or the Code, and comparable state income tax laws. Any future annual limitation may result in the expiration of NOLs and credit carryforwards before utilization. A prior ownership change and certain acquisitions resulted in the Company having NOLs subject to insignificant annual limitations.

The Company recognizes excess tax benefits associated with stock-based compensation to stockholders’ deficit only when realized based upon applying a with-and-without approach. At December 31, 2013, the Company had approximately \$1.0 million of unrealized excess tax benefits associated with stock-based compensation.

At December 31, 2013, the Company had approximately \$0.6 million of goodwill that is expected to be deductible for tax purposes.

At December 31, 2013, unremitted earnings of the subsidiaries outside of the United States were approximately \$0.8 million, on which no U.S. taxes had been paid. The Company’s intention is to indefinitely reinvest these earnings outside the United States. Upon distribution of those earnings in the form of a dividend or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. The amounts of such tax liabilities that might be payable upon repatriation of foreign earnings, after consideration of corresponding foreign tax credits, are not material.

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The following table summarizes the activity related to the unrecognized tax benefits (in thousands):

	<u>Amount</u> <u>(in thousands)</u>
Balance at January 1, 2011	\$ 476
Increases related to current year tax positions	312
Balance at December 31, 2011	788
Increases related to current year tax positions	279
Balance as of December 31, 2012	1,067
Increases related to current year tax positions	408
Decreases related to prior year tax positions	(21)
Balance as of December 31, 2013	<u>\$ 1,454</u>

Interest and penalties related to the Company's unrecognized tax benefits accrued at December 31, 2011, 2012 and 2013 were not material.

Due to the net operating loss carryforwards, the Company's U.S. federal and state returns are open to examination by the Internal Revenue Service and state jurisdictions for all years since inception. For Australia, Germany and the United Kingdom, all tax years remain open for examination by the local country tax authorities.

The Company does not expect its uncertain income tax positions to have a material impact on its consolidated financial statements within the next twelve months.

**Note 14—Geographic Information**

Substantially all of the Company's revenue is U.S. revenue, determined based on the location of the Company's legal entity that is a party to the relevant transaction. Revenue originated in foreign countries was not material during the years ended December 31, 2011, 2012, and 2013.

The Company's property and equipment, net by geographical region were as follows:

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2013</u>
	<u>(in thousands)</u>	
United States	\$ 5,594	\$ 7,388
Netherlands	1,298	864
Other international	41	460
	<u>\$6,933</u>	<u>\$ 8,712</u>

**Note 15—401(K) Savings Plan**

The Company has a defined contribution savings plan under Section 401(k) of the Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the plan may be made at the discretion of the board of directors. To date, there have been no contributions made to the plan by the Company.

**Note 16—Commitments and Contingencies**

The Company finances some of its property and equipment under capital lease and through its equipment line with Silicon Valley Bank (Note 10). The Company has commitments under non-cancelable operating leases for facilities and certain equipment, and its managed data center facilities. Total rental expenses were \$2.5 million, \$3.6 million and \$4.7 million for the years ended December 31, 2011, 2012 and 2013, respectively.

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As of December 31, 2013, the Company's non-cancelable minimum operating lease commitments were as follows:

<u>Fiscal Year</u>	<u>Amount</u> <u>(in thousands)</u>
2014	\$ 3,867
2015	2,026
2016	2,320
2017	110
2018	—
Thereafter	—
<b>Total</b>	<b>\$ 8,323</b>

### ***Guarantees and Indemnification***

The Company's agreements with sellers, buyers, and other third parties typically obligate it to provide indemnity and defense for losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally these indemnity and defense obligations relate to the Company's own business operations, obligations, and acts or omissions. However, under some circumstances, the Company agrees to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. For example, because the Company's business interposes the Company between buyers and sellers in various ways, buyers often require the Company to indemnify them against acts and omissions of sellers, and sellers often require the Company to indemnify them against acts and omissions of buyers. In addition, the Company's agreements with sellers, buyers, and other third parties typically include provisions limiting the Company's liability to the counterparty, and the counterparty's liability to the Company. These limits sometimes do not apply to certain liabilities, including indemnity obligations. These indemnity and limitation of liability provisions generally survive termination or expiration of the agreements in which they appear. The Company has also entered into indemnification agreements with its directors, executive officers and certain other officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon the Company to provide indemnification under such agreements and there are no claims that the Company is aware of that could have a material effect on the Company's consolidated financial statements.

### ***Litigation***

From time to time, the Company is party to various litigation and administrative proceedings relating to claims arising from its operations in the normal course of business. Based on the information presently available, including discussion with legal counsel, management believes that resolution of these matters will not have a material adverse effect on the Company's business, results of operations, financial condition or cash flows.

### ***Employment Contracts***

The Company has entered into severance agreements with certain employees and officers, all of whom are employed at-will. The Company may be required to accelerate the vesting of certain stock options in the event of changes in control, as defined and involuntary terminations.

### ***Other Contracts***

The Company is party to an engagement letter with an investment bank entered into in 2009 and amended in 2012. Pursuant to the engagement letter, the investment bank provided and may continue to provide strategic and consulting advice to the Company, in exchange for which the Company issued to the investment bank a warrant

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to purchase 845,867 shares of Series C preferred stock (Note 11). The engagement letter also provides that, in case of a merger, tender offer, stock purchase, or other transaction resulting in the acquisition of the Company by another entity or the transfer of ownership or control of the Company or substantially all of its assets to another entity (a "Change in Control Transaction") that is consummated before December 7, 2016 or pursuant to a definitive agreement entered into before that date, (i) the investment bank will provide investment banking services in connection with a Change in Control Transaction, if requested by the Company, and (ii) the Company will pay to the investment bank a fee equal to 2.5% of the total consideration paid or payable to the Company or its stockholders in the Change in Control Transaction, whether or not the Company requests such investment banking services. The investment bank is not entitled to participate in or receive any fee in connection with an initial public offering.

### **Note 17—Related Party Transactions**

For the years ended December 31, 2011, 2012 and 2013, the Company recognized revenue of approximately \$2.2 million, \$0.8 million and \$1.1 million, respectively, from entities affiliated with a holder of more than 10% of the Company's outstanding common stock. At December 31, 2012 and December 31, 2013, accounts payable and accrued expenses included \$1.8 million and \$2.9 million, respectively, related to these revenue transactions.

During January 2013, the Company entered into a sublease for its headquarters in Los Angeles, California with an entity affiliated with a holder of more than 10% of the Company's outstanding common stock. The sublease term began during June 2013 and terminates in April 2021; however, the Company has the option to terminate the sublease on its third anniversary date if the Company notifies the sublessor one year in advance of its intended departure and pays a termination fee of \$1.2 million. In addition, the early termination fee escalates dollar-per-dollar for any tenant improvement allowance that exceeds \$1.0 million. The Company expects to utilize its early termination option and has considered the estimated early termination fee in estimating its straight-line rent expense.

### **Note 18—Subsequent Events**

The Company has evaluated subsequent events through March 18, 2014, the date of issuance of the consolidated financial statements.

On March 3, 2014, the Company's Board of Directors approved an increase in the permitted number of shares of common stock the Company may issue under its 2007 incentive stock plan to 14,071,165.

On March 3, 2014, the Company granted options to purchase 500,000 shares of the Company's stock at an exercise price of \$16.22 per share. On March 3, 2014, the Company's Board of Directors approved the issuance of 2,200,371 shares of restricted stock, a portion of which was contingent upon stockholder approval of an amendment to the Company's certificate of incorporation to increase the authorized shares of common stock. On March 14, 2014 the amendment to increase the authorized shares of common stock to 80,608,856 was approved by stockholders. As a result of the option grants and restricted stock issuance, additional stock-based compensation expense of approximately \$40.0 million is expected to be recognized primarily over the next four years.

On March 18, 2014 the Company effected a 1-for-2 reverse stock split of its common stock and a proportional adjustment to the conversion ratio of its convertible preferred stock (Note 2).

Subsequent to December 31, 2013, the Company entered into new operating leases for office facilities in New York, Seattle and Berlin. Future non-cancelable minimum commitments relating to these operating leases totaling \$3.9 million are due from February 2014 through April 2019. In connection with the New York lease, the Company entered into an irrevocable letter of credit in the amount of \$0.7 million.



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**PART II**  
**INFORMATION NOT REQUIRED IN THE PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the various expenses, other than underwriting discounts and commissions, payable by the Registrant in connection with the sale of common stock being registered. All of the amounts shown are estimated except the Securities and Exchange Commission registration fee and the FINRA filing fee.

	<u>Amount</u> <u>To Be Paid</u>
SEC registration fee	\$ 17,050
FINRA filing fee	20,356
NYSE listing fee	170,000
Printing and engraving expenses	300,000
Legal fees and expenses	2,150,000
Accounting fees and expenses	700,000
Transfer agent and registrar fees	21,000
Total	<u>\$3,378,406</u>

\* To be completed by amendment

**Item 14. Indemnification of Directors and Officers.**

Registrant is a Delaware corporation. Section 145(a) of the Delaware General Corporation Law, or the DGCL, provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorney fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which the court shall deem proper.

Further subsections of DGCL Section 145 provide that:

- (1) to the extent a present or former director or officer of a corporation has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to in subsections



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- (a) and (b) of Section 145 or in the defense of any claim, issue or matter therein, such person shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by such person in connection therewith;
- (2) the indemnification and advancement of expenses provided for pursuant to Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise; and
- (3) the corporation shall have the power to purchase and maintain insurance of behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under Section 145.

As used in this Item 14, the term "proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether or not by or in the right of Registrant, and whether civil, criminal, administrative, investigative or otherwise.

Section 145 of the DGCL makes provision for the indemnification of officers and directors in terms sufficiently broad to indemnify officers and directors of Registrant under certain circumstances from liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended, or the Securities Act. Registrant's Amended and Restated Certificate of Incorporation provides, in effect, that, to the fullest extent and under the circumstances permitted by Section 145 of the DGCL, registrant will indemnify any and all of its executive officers and directors. Before the completion of this offering, registrant intends to enter into indemnification agreements with its directors, executive officers and certain other officers. Registrant may, in its discretion, similarly indemnify its employees and agents. Registrant's amended and restated certificate of incorporation also relieves its directors from monetary damages to Registrant or its stockholders for breach of such director's fiduciary duty as a director to the fullest extent permitted by the DGCL. Under Section 102(b)(7) of the DGCL, a corporation may relieve its directors from personal liability to such corporation or its stockholders for monetary damages for any breach of their fiduciary duty as directors except (i) for a breach of the duty of loyalty, (ii) for failure to act in good faith, (iii) for intentional misconduct or knowing violation of law, (iv) for willful or negligent violations of certain provisions in the DGCL imposing certain requirements with respect to stock repurchases, redemptions and dividends, or (v) for any transactions from which the director derived an improper personal benefit.

We have entered into indemnification agreements with each of our directors, executive officers and certain other officers that provide, in general, that we will indemnify them to the fullest extent permitted by law in connection with their service to us or on our behalf.

The underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the Registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

Registrant has purchased insurance policies which, within the limits and subject to the terms and conditions thereof, cover certain expenses and liabilities that may be incurred by directors and officers in connection with proceedings that may be brought against them as a result of an act or omission committed or suffered while acting as a director or officer of registrant.

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**Item 15. Recent Sales of Unregistered Securities.**

Since January 1, 2011, we have made the following sales of unregistered securities:

1. Since January 1, 2011 and through March 18, 2014, the Registrant has granted to its directors, officers, employees and consultants options to purchase 10,414,155 shares of common stock under its 2007 Equity Incentive Plan with per share exercise prices ranging from \$2.34 to \$16.22, has issued 1,429,267 shares of common stock upon exercise of such options, and has issued 2,200,371 shares of restricted stock.

2. In May 2012, the Registrant issued 379,738 shares of the Registrant's common stock in connection with the acquisition of MobSmith, Inc.

The sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act, Regulation D or Regulation S promulgated thereunder, or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701.

**Item 16. Exhibits and Financial Statement Schedules.**

(a) Exhibits

See Exhibit Index immediately following the Signature Pages.

(b) No financial statement schedules are provided because the information called for is not required or is shown in the financial statements or the notes thereto.

**Item 17. Undertakings.**

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing date specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be a part of this registration statement as of the time it was declared effective.
- (2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on March 20, 2014.

**THE RUBICON PROJECT, INC.**

By: \* \_\_\_\_\_  
Frank Addante  
Chief Executive Officer, Chief Product  
Architect and Chairman

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
* _____ Frank Addante	Chief Executive Officer, Chief Product Architect and Chairman <i>(principal executive officer)</i>	March 20, 2014
* _____ Gregory R. Raifman	President and Director	March 20, 2014
/s/ Todd Tappin _____ Todd Tappin	Chief Operating Officer and Chief Financial Officer <i>(principal financial officer)</i>	March 20, 2014
* _____ David Day	Chief Accounting Officer <i>(principal accounting officer)</i>	March 20, 2014
* _____ Sumant Mandal	Director	March 20, 2014
* _____ Jarl Mohn	Director	March 20, 2014
* _____ Lisa L. Troe	Director	March 20, 2014
*By: /s/ Todd Tappin _____	Attorney-in-Fact	March 20, 2014

**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description of Exhibit</u></b>
1.1	Form of Underwriting Agreement
3.1	Form of Amended and Restated Certificate of Incorporation
3.2†	Form of Amended and Restated Bylaws
5.1	Opinion of Gibson, Dunn & Crutcher LLP
10.1	2007 Stock Incentive Plan and forms of agreements thereunder
10.2	2014 Equity Incentive Plan and forms of agreements thereunder
10.3	Amended and Restated Investors' Rights Agreement, dated March 18, 2014, by and among The Rubicon Project, Inc. and certain of its stockholders
10.4†	Executive Employment Agreement, dated May 4, 2007, between adMonitor, Inc. and Frank Addante, as amended December 14, 2007
10.5†	Offer Letter, dated January 17, 2013, between The Rubicon Project, Inc. and Gregory R. Raifman
10.6†	Offer Letter, dated January 17, 2013, between The Rubicon Project, Inc. and Todd Tappin
10.7†	Loan and Security Agreement among Silicon Valley Bank, The Rubicon Project, Inc., SiteScout Corporation, Fox Audience Network, Inc. and Strategic Data Corp., dated September 27, 2011
10.8†	Consent and Amendment to Loan and Security Agreement among Silicon Valley Bank, The Rubicon Project, Inc., SiteScout Corporation, Fox Audience Network, Inc. and Strategic Data Corp., dated May 22, 2012
10.9†	First Amendment to Loan and Security Agreement among Silicon Valley Bank, The Rubicon Project, Inc., SiteScout Corporation, Fox Audience Network, Inc. and Strategic Data Corp., dated July 24, 2012
10.10†	Assumption and Second Amendment to Loan and Security Agreement among Silicon Valley Bank, The Rubicon Project, Inc., SiteScout Corporation, Fox Audience Network, Inc., Strategic Data Corp. and MobSmith, Inc., dated September 14, 2012
10.11†	Third Amendment to Loan and Security Agreement among Silicon Valley Bank, The Rubicon Project, Inc., SiteScout Corporation, Fox Audience Network, Inc., Strategic Data Corp. and MobSmith, Inc., dated September 28, 2012
10.12†	Fourth Amendment to Loan and Security Agreement among Silicon Valley Bank, The Rubicon Project, Inc., SiteScout Corporation, Fox Audience Network, Inc., Strategic Data Corp. and MobSmith, Inc., dated February 8, 2013
10.13†	Fifth Amendment to Loan and Security Agreement among Silicon Valley Bank, The Rubicon Project, Inc., SiteScout Corporation, Fox Audience Network, Inc., Strategic Data Corp. and MobSmith, Inc., dated September 30, 2013
10.14†	Sixth Amendment to Loan and Security Agreement among Silicon Valley Bank, The Rubicon Project, Inc., SiteScout Corporation, Rubicon-FAN, Inc., Strategic Data Corp. and Mobsmith, Inc., dated December 19, 2013
10.15†	Stock Pledge Agreement between Silicon Valley Bank and The Rubicon Project, Inc., dated October 3, 2013

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<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.16†	Stock Pledge Agreement between Silicon Valley Bank and Strategic Data Corp., dated October 3, 2013
10.17	Form of Indemnification Agreement to be entered into between The Rubicon Project, Inc. and each of its directors and executive officers
10.18†	Form of Executive Severance and Vesting Acceleration Agreement between The Rubicon Project, Inc. and certain of its executive officers
10.19†	Sublease between Fox Interactive Media, Inc. and The Rubicon Project, Inc., dated January 9, 2013
10.20†	Amended and Restated Voting Agreement, dated October 29, 2010, by and among The Rubicon Project, Inc. and certain of its stockholders (which Voting Agreement will automatically terminate upon the completion of this offering)
21.1	List of Subsidiaries of The Rubicon Project, Inc.
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)
24.1†	Power of Attorney
99.1	Director Nominee Consent of Robert Frankenberg
99.2	Director Nominee Consent of Robert Spillane

\* To be filed by amendment.

† Previously filed.

[ ] Shares

**THE RUBICON PROJECT, INC.  
COMMON STOCK (\$0.00001 PAR VALUE PER SHARE)  
UNDERWRITING AGREEMENT**

,2014

Morgan Stanley & Co. LLC  
Goldman, Sachs & Co.  
RBC Capital Markets, LLC  
c/o Morgan Stanley & Co. LLC  
1585 Broadway  
New York, New York 10036

Ladies and Gentlemen:

The Rubicon Project, Inc., a Delaware corporation (the “**Company**”), proposes to issue and sell to the several Underwriters named in Schedule II hereto (the “**Underwriters**”), and certain stockholders of the Company (the “**Selling Stockholders**”) named in Schedule I hereto severally propose to sell to the several Underwriters, an aggregate of \_\_\_\_\_ shares of the common stock (\$0.00001 par value per share) of the Company (the “**Firm Shares**”), of which \_\_\_\_\_ shares are to be issued and sold by the Company and \_\_\_\_\_ shares are to be sold by the Selling Stockholders, each Selling Stockholder selling the amount set forth opposite such Selling Stockholder’s name in Schedule I hereto.

The Company also proposes to issue and sell to the several Underwriters not more than an additional \_\_\_\_\_ shares of its common stock (\$0.00001 par value per share) (the “**Additional Shares**”), if and to the extent that Morgan Stanley & Co. LLC (“**Morgan Stanley**”), Goldman, Sachs & Co. (“**Goldman**”) and, together with Morgan Stanley, the “**Managers**”) and RBC Capital Markets, LLC, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the “**Shares**.” The shares of common stock (\$0.00001 par value per share) of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the “**Common Stock**.” The Company and the Selling Stockholders are hereinafter sometimes collectively referred to as the “**Sellers**.”

The Company has filed with the Securities and Exchange Commission (the “**Commission**”) a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the “**Securities Act**”), is hereinafter referred to as the “**Registration Statement**”; the prospectus in the form first used to confirm sales of Shares (or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act) is hereinafter referred to as the “**Prospectus**.” If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the “**Rule 462 Registration Statement**”), then any reference herein to the term “**Registration Statement**” shall be deemed to include such Rule 462 Registration Statement.

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For purposes of this underwriting agreement (the “**Agreement**”), “**free writing prospectus**” has the meaning set forth in Rule 405 under the Securities Act, “**Time of Sale Prospectus**” means the preliminary prospectus contained in the Registration Statement at the time of its effectiveness together with the documents, pricing information and the free writing prospectuses, if any, set forth in Schedule III hereto, and “**broadly available road show**” means a “bona fide electronic road show” as defined in Rule 433(h)(5) under the Securities Act that has been made available without restriction to any person. As used herein, the terms “Registration Statement,” “preliminary prospectus,” “Time of Sale Prospectus” and “Prospectus” shall include the documents, if any, incorporated by reference therein.

1. *Representations and Warranties of the Company.* The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not, as of the date of such amendment or supplement, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (iii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 5), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (v) as of its date and the Closing Date, the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through or on behalf of the Managers expressly for use therein.



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(c) The Company is not an “ineligible issuer” in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Except for the free writing prospectuses, if any, identified in Schedule III hereto, and electronic road shows, if any, each furnished to the Managers before first use, the Company has not prepared, used or referred to, and will not, without the prior consent of the Managers, prepare, use or refer to, any free writing prospectus.

(d) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own or lease its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) Each subsidiary of the Company has been duly incorporated or organized (or, if in a foreign jurisdiction, enjoys the equivalent status under the laws of the jurisdiction of organization outside of the United States), is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation or organization (to the extent such concepts are applicable under such laws), has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for the pledge of such shares as collateral for the Company’s credit facility with Silicon Valley Bank, and except to the extent that such liens, encumbrances, equities or claims would not reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(f) The Company is not (i) in violation of its certificate of incorporation or bylaws; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan

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agreement or other agreement or instrument to which the Company is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company is subject; or (iii), to its knowledge, in violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of clauses (ii) and (iii) above, for any such default or violation that would not reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(g) This Agreement has been duly authorized, executed and delivered by the Company.

(h) As of the Closing Date, the authorized capital stock of the Company will conform as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(i) The shares of Common Stock (including the Shares to be sold by the Selling Stockholders) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable.

(j) The Shares to be sold by the Company have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(k) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene (i) any provision of applicable law, (ii) the certificate of incorporation or bylaws of the Company, (iii) any agreement or other instrument binding upon the Company or any of its subsidiaries or (iv) any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, except, with respect to clauses (i), (iii) and (iv) above, where any such contravention would not, individually or in the aggregate have a material adverse effect on the Company and its subsidiaries taken as a whole or to perform its obligations under this Agreement, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states or the rules and regulations of the Financial Industry Regulatory Authority (“**FINRA**”) in connection with the offer and sale of the Shares.

(l) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

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(m) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject (i) other than proceedings accurately described in all material respects in the Time of Sale Prospectus and proceedings that would not reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement or the Prospectus and are not so described in all material respects; and there are no statutes, regulations, contracts or other documents to which the Company or its subsidiaries is subject or by which the Company or its subsidiaries is bound that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described in all material respects or filed as required.

(n) Each preliminary prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(o) The Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.

(p) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“**Environmental Laws**”), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(r) Except as described in the Time of Sale Prospectus and the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

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(s) Neither the Company nor any of its subsidiaries or controlled affiliates, nor any director, officer, or employee, nor, to the Company's knowledge, any agent or representative of the Company or of any of its subsidiaries or controlled affiliates, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to improperly influence official action or secure an improper advantage for the Company or its subsidiaries; and the Company and its subsidiaries and controlled affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein. For purposes of this Section 1(s), "**controlled affiliates**" shall mean any affiliate over which the Company possesses the power to direct or cause the direction of management or policies thereof.

(t) The operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(u) (i) Neither the Company nor any of its subsidiaries, nor any director or executive officer thereof, nor, to the Company's knowledge, any non-executive officer, employee, agent, affiliate or representative of the Company or any of its subsidiaries, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**"), the United Nations Security Council ("**UNSC**"), the European Union ("**EU**"), Her Majesty's Treasury ("**HMT**"), or other relevant sanctions authority (collectively, "**Sanctions**"), or

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(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Cuba, Iran, North Korea, Sudan and Syria).

(ii) The Company will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) For the past five years, the Company and its subsidiaries have not knowingly engaged in, are not now knowingly engaged in, and will not knowingly engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(v) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, or entered into any material transaction; (ii) the Company has not purchased any of its outstanding capital stock other than from its employees or other service providers in connection with the termination of their service, or declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(w) The Company and its subsidiaries do not own any real property. The Company and its subsidiaries have good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially diminish the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and, to the Company's knowledge, enforceable leases with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Time of Sale Prospectus.

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(x) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them in the manner set forth in the Time of Sale Prospectus, except where the failure to own, possess or acquire any of the foregoing, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(y) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(z) The Company and each of its subsidiaries, taken as a whole, are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are, in the Company's reasonable judgment, prudent and customary in the businesses in which they are engaged; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and the Company has no reason to believe that it and its subsidiaries, taken as a whole, will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(aa) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, except where the failure to possess any such certificate, authorization or permit would not reasonably be expected, when taken in the aggregate, to have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(bb) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in

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conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Time of Sale Prospectus, since the end of the Company’s most recent audited fiscal year, there has been (i) no material weakness in the Company’s internal control over financial reporting (whether or not remediated) and (ii) no change in the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

(cc) The financial statements of the Company filed with the Commission as part of the Registration Statement and included in the Time of Sale Prospectus and the Prospectus comply in all material respects with the requirements of the Securities Act and present fairly, in all material respects, the consolidated financial position of the Company as of the dates indicated and the results of its operations and cash flows for the periods specified. Such financial statements have been prepared in conformity with U.S. GAAP applied on a consistent basis throughout the periods involved.

(dd) Except as described in the Time of Sale Prospectus, the Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(ee) The Company and each of its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof (except where the failure to file would not reasonably be expected to, individually or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole) and have paid all taxes required to be paid thereon (except for cases in which the failure to file or pay would not have a material adverse effect, or, except as currently being contested in good faith and for which reserves required by U.S. GAAP have been created in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which has had (nor does the Company nor any of its subsidiaries have any notice or knowledge of any tax deficiency which would reasonably be expected to be determined adversely to the Company or its subsidiaries and which would reasonably be expected to have) a material adverse effect on the Company and its subsidiaries, taken as a whole.

(ff) From the time of initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an “emerging growth company,” as defined in Section 2(a) of the Securities Act (an “**Emerging Growth Company**”). “**Testing-the-Waters Communication**” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act.

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(gg) The Company (i) has not alone engaged in any Testing-the-Waters Communication and (ii) has not authorized anyone other than the Managers to engage in Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications. “**Written Testing-the-Waters Communication**” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act.

(hh) As of the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers, if any, none of (A) the Time of Sale Prospectus, (B) any free writing prospectus, when considered together with the Time of Sale Prospectus, and (C) any individual Written Testing-the-Waters Communication, when considered together with the Time of Sale Prospectus, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(ii) Nothing has come to the attention of the Company that has caused it to reasonably believe that the industry-related and market-related data included in the Time of Sale Prospectus and the Prospectus is not based on or derived from sources that are reliable and accurate in all material respects.

(jj) The Company has not taken, directly or indirectly, any action designed to or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Shares.

(kk) PricewaterhouseCoopers LLP, which has certified certain financial statements of the Company and its subsidiaries, is an independent registered public accounting firm with respect to the Company and its subsidiaries within applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Securities Act.

(ll) As of the date of the initial filing of the Registration Statement, there were no outstanding personal loans made, directly or indirectly, by the Company to any director or executive officer of the Company.

(mm) The Company and each of its subsidiaries have complied, and are presently in compliance, in all material respects, with its privacy policies and third-party obligations regarding the collection, use, transfer, storage, protection, disposal and disclosure by the Company and its subsidiaries of personally identifiable information, except to the extent that the failure to do so would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.



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2. *Representations and Warranties of the Selling Stockholders.* Each Selling Stockholder, severally and not jointly, represents and warrants to and agrees with each of the Underwriters that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(b) The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement, the Custody Agreement signed by such Selling Stockholder and \_\_\_\_\_, as Custodian, relating to the deposit of the Shares to be sold by such Selling Stockholder (the “**Custody Agreement**”) and the Power of Attorney appointing certain individuals as such Selling Stockholder’s attorneys-in-fact to the extent set forth therein, relating to the transactions contemplated hereby and by the Registration Statement (the “**Power of Attorney**”) will not contravene (i) any provision of applicable law, (ii) the certificate of incorporation or by-laws of such Selling Stockholder (if such Selling Stockholder is a corporation), (iii) any material agreement or other material instrument binding upon such Selling Stockholder or (iv) any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Stockholder except, in the case of clauses (i), (iii) and (iv), for any such contraventions that would not, individually or in the aggregate, materially interfere with the consummation of the transactions contemplated by this Agreement, the Custody Agreement or the Power of Attorney or the ability of such Selling Shareholder to perform its obligations hereunder and, thereunder (a “**Selling Stockholder Material Adverse Effect**”), and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required to be obtained by such Selling Stockholder for the performance by such Selling Stockholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Stockholder, except such as may be required by the securities or Blue Sky laws of any relevant jurisdictions in connection with the offer and sale of the Shares or such as may have previously been obtained or made, except for such consents, approvals, authorizations, orders or qualifications as would not, individually or in the aggregate, be reasonably expected to have a Selling Stockholder Material Adverse Effect.

(c) Such Selling Stockholder has, and on the Closing Date will have, valid title to, or a valid “security entitlement” within the meaning of Section 8-501 of the New York Uniform Commercial Code (the “**UCC**”) in respect of, the Shares to be sold by such Selling Stockholder free and clear of all security interests, claims, liens, equities or other encumbrances (other than those created by the Custody Agreement and Power of Attorney) and the legal right and power, and all authorization and approval required by law, to enter into this Agreement, the Custody Agreement and the Power of Attorney and to sell, transfer and deliver the Shares to be sold by such Selling Stockholder or a security entitlement in respect of such Shares.

(d) The Custody Agreement and the Power of Attorney have been duly authorized, executed and delivered by such Selling Stockholder and are valid and binding agreements of such Selling Stockholder.

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(e) Upon payment for the Shares to be sold by such Selling Stockholder pursuant to this Agreement, delivery of such Shares, as directed by the Underwriters, to Cede & Co. (“Cede”) or such other nominee as may be designated by the Depository Trust Company (“DTC”), registration of such Shares in the name of Cede or such other nominee and the crediting of such Shares on the books of DTC to securities accounts of the Underwriters (assuming that neither DTC nor any such Underwriter has notice of any adverse claim (within the meaning of Section 8-105 of the UCC to such Shares), (A) DTC shall be a “protected purchaser” of such Shares within the meaning of Section 8-303 of the UCC, (B) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Shares and (C) no action based on any “adverse claim”, within the meaning of Section 8-102 of the UCC, to such Shares may be successfully asserted against the Underwriters with respect to such security entitlement; for purposes of this representation, such Selling Stockholder may assume that when such payment, delivery and crediting occur, (x) such Shares will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company’s share registry in accordance with its certificate of incorporation, bylaws and applicable law, (y) DTC will be registered as a “clearing corporation” within the meaning of Section 8-102 of the UCC and (z) appropriate entries to the accounts of the several Underwriters on the records of DTC will have been made pursuant to the UCC.

(f) Such Selling Stockholder is not prompted by any material information concerning the Company or its subsidiaries which is not set forth in the Time of Sale Prospectus to sell its Shares pursuant to this Agreement.

(g) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain as of the date of such amendment or supplement any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (ii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 5), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iii) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (iv) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided, that the representations and warranties set forth in this paragraph 2(g) (A) do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus, the road show, or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein and (B) are limited in all respects to statements or omissions made in reliance upon and in conformity with information relating to such

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Selling Stockholder furnished to the Company in writing by such Selling Stockholder expressly for use in the Registration Statement, the Time of Sale Prospectus, a broadly available road show, the Prospectus or any amendments or supplements thereto, it being understood and agreed that the only information furnished by such Selling Stockholder consists of the name of such Selling Stockholder, the number of offered shares and the address and other information with respect to such Selling Stockholder (excluding percentages) which appear in the Time of Sale Prospectus in the table (and corresponding footnotes) under the caption "Principal and Selling Stockholders" (with respect to each Selling Stockholder, the "**Selling Stockholder Information**").

(h) Such Selling Stockholder has executed a "lock-up" agreement, substantially in the form of Exhibit A hereto, relating to sales and certain other dispositions of shares of Common Stock or certain other securities, that is in full force and effect as of the date hereof and shall be in full force and effect on the Closing Date.

(i) Such Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Shares. Such Selling Stockholder acknowledges that the Underwriters may engage in passive market making transactions in the Shares on the New York Stock Exchange in accordance with Regulation M promulgated under the Securities Exchange Act of 1934, as amended.

3. *Agreements to Sell and Purchase.* Each Seller, severally and not jointly, hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from such Seller at \$ \_\_\_\_\_ a share (the "**Purchase Price**") the number of Firm Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the number of Firm Shares to be sold by such Seller as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase, severally and not jointly, up to \_\_\_\_\_ Additional Shares at the Purchase Price, provided, however, that the amount paid by the Underwriters for any Additional Shares shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Firm Shares but not payable on such Additional Shares. The Managers may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in

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Section 5 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an “**Option Closing Date**”), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as the Managers may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that, without the prior written consent of Morgan Stanley and Goldman on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus (the “**Restricted Period**”), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) or any other securities so owned convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) file any registration statement with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock.

The restrictions contained in the preceding paragraph shall not apply to (a) the Shares to be sold hereunder, (b) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof that have been described in the Time of Sale Prospectus and Prospectus, (c) the filing of one or more registration statements with the Commission on Form S-8 relating to the offering of securities in accordance with the terms of a plan in effect on the date hereof or described in the Time of Sale Prospectus and Prospectus, (d) the grant of options or the issuance of shares of Common Stock by the Company to employees, officers, directors, advisors or consultants of the Company pursuant to employee benefit plans described in the Time of Sale Prospectus and Prospectus or pursuant to an employee stock purchase plan described in the Time of Sale Prospectus and Prospectus, (e) the sale or issuance of or entry into an agreement to sell or issue shares of Common Stock or securities convertible into or exercisable for Common Stock in connection with any (i) merger, (ii) acquisition of securities, businesses, property or other assets, (iii) joint ventures, (iv) strategic alliances, (v) equipment leasing arrangements or (vi) debt financing, provided, that the aggregate number of shares of Common Stock, or securities convertible into or exercisable for Common Stock, (on an as-converted or as-exercised basis, as the case may be) that the Company may sell or issue or agree to sell or issue pursuant to this clause (e) shall not exceed 10% of the total number of shares of the Common Stock issued and outstanding immediately following the completion of the transactions contemplated by this Agreement, and provided further, that each recipient of shares of Common Stock or securities convertible into or

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exercisable for Common Stock pursuant to this clause (e) shall execute a lock-up agreement substantially in the form of Exhibit A hereto; or (f) the sale or issuance of or entry into an agreement to sell or issue shares of Common Stock or securities convertible into or exercisable for Common Stock in connection with a bona fide third party tender offer, merger, consolidation or other similar transaction that is approved by the Board of Directors of the Company, made to all holders of the Common Stock involving a Change of Control (as defined below) of the Company occurring after Closing Date, provided that in the event that the tender offer, merger, consolidation or other such transaction is not completed, the Company shall remain subject to the restrictions contained in the preceding paragraph. For the purposes of clause (f) in the foregoing sentence, "Change of Control" shall mean the transfer (whether by tender offer, merger, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an Underwriter pursuant to the Public Offering), of the Company's voting securities if, after such transfer, such person or group of affiliated persons would hold two-thirds (2/3) or more of the outstanding voting securities of the Company (or the surviving entity).

If Morgan Stanley and Goldman, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter described in Section 6(h) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit B hereto through a major news service at least two business days before the effective date of the release or waiver.

4. *Terms of Public Offering.* The Sellers are advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Sellers are further advised by you that the Shares are to be offered to the public initially at \$ \_\_\_\_\_ a share (the "**Public Offering Price**") and to certain dealers selected by you at a price that represents a concession not in excess of \$ \_\_\_\_\_ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of \$ \_\_\_\_\_ a share, to any Underwriter or to certain other dealers.

5. *Payment and Delivery.* Payment for the Firm Shares to be sold by each Seller shall be made to such Seller in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on \_\_\_\_\_, 2014, or at such other time on the same or such other date, not later than \_\_\_\_\_, 2014, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "**Closing Date.**"

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 3 or at such other time on the same or on such other date, in any event not later than \_\_\_\_\_, 2014, as shall be designated in writing by you.

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The Firm Shares and Additional Shares shall be registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters. The Purchase Price payable by the Underwriters shall be reduced by (i) any transfer taxes paid by, or on behalf of, the Underwriters in connection with the transfer of the Shares to the Underwriters duly paid and (ii) any withholding required by law.

6. *Conditions to the Underwriters' Obligations.* The obligations of the Sellers to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Exchange Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus that, in the Managers' judgment, is material and adverse and that makes it, in the Managers' judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed on behalf of the Company by an executive officer of the Company, to the effect set forth in Section 6(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

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The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion and a negative assurance letter of Gibson, Dunn & Crutcher LLP (“**Gibson Dunn**”), outside counsel for the Company dated the Closing Date, to the effect agreed by such counsel and the Underwriters.

(d) The Underwriters shall have received on the Closing Date an opinion of Whalen LLP, counsel for the Selling Stockholders, dated the Closing Date, to the effect agreed by such counsel and the Underwriters.

(e) The Underwriters shall have received on the Closing Date an opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation (“**WSGR**”), counsel for the Underwriters, dated the Closing Date in the form and substance to be agreed upon by Morgan Stanley and such counsel.

(f) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from PricewaterhouseCoopers LLP, independent registered public accounting firm, containing statements and information of the type ordinarily included in accountants’ “comfort letters” to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; *provided* that the letter delivered on the Closing Date shall use a “cut-off date” not earlier than the date hereof.

(g) The Underwriters shall have received on the date hereof and on the Closing Date a certificate, dated as of the date hereof and as of the Closing Date respectively, and signed by the chief financial officer of the Company, in the form and substance satisfactory to the Managers and previously agreed to between you and the Company.

(h) The “lock-up” agreements, each substantially in the form of Exhibit A hereto, between you and certain stockholders, including the Selling Stockholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(i) The Shares have been approved for listing upon notice of issuance on the New York Stock Exchange.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

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7. *Covenants of the Company.* The Company covenants with each Underwriter as follows:

- (a) To furnish to you, without charge, signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 7(e) or 7(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.
- (b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.
- (c) To furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.
- (d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.
- (e) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when the Time of Sale Prospectus is delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.



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(f) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Prospectus, as amended or supplemented, will comply with applicable law.

(g) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request; provided, that in no event shall the Company be obligated to qualify to do business in any jurisdiction in which it is not now so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the offering or sale of the Shares, or taxation in any jurisdiction in which it is now so subject.

(h) To make generally available to the Company's security holders and to you as soon as practicable an earnings statement covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(i) If any Seller is not a U.S. person for U.S. federal income tax purposes, the Company will deliver to each Underwriter (or its agent), on or before the Closing Date, (i) a certificate with respect to the Company's status as a "United States real property holding corporation," dated not more than thirty (30) days prior to the Closing Date, as described in Treasury Regulations Sections 1.897-2(h) and 1.1445-2(c)(3), and (ii) proof of delivery to the IRS of the required notice, as described in Treasury Regulations 1.897-2(h)(2).

(j) The Company will promptly notify the Managers if the Company ceases to be an Emerging Growth Company at any time prior to the later of (a) completion of the distribution of the Shares within the meaning of the Securities Act and (b) completion of the Restricted Period referred to in Section 3.

(k) If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue

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statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify Morgan Stanley and Goldman and will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

8. *Covenants of the Sellers.* Each Seller, severally and not jointly, covenants with each Underwriter as follows:

(a) Each Seller will deliver to each Underwriter (or its agent), prior to or at the Closing Date, a properly completed and executed Internal Revenue Service (“IRS”) Form W-9 or an IRS Form W-8, as appropriate, together with all required attachments to such form.

9. *Expenses.* Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company agrees to pay or cause to be paid (a) all expenses incident to the performance of its obligations under this Agreement, including, without limitation, those listed in items (i) through (x) of this paragraph, and (b) the expenses listed in items (i) through (x) of this paragraph incident to the sale by the Selling Stockholders of Shares pursuant to this Agreement: (i) the fees, disbursements and expenses of the Company’s counsel and the Company’s accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares by the Company to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 7(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by FINRA (provided that the amount payable by the Company pursuant to subsection (iii) and (iv) shall not exceed \$40,000), (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the New York Stock Exchange, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depository, (viii) the costs and expenses of the Company relating to investor presentations on any “road show” undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated

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with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and 50% of the cost of any aircraft chartered in connection with the road show, *provided, however*, that 50% of the cost of any aircraft chartered in connection with the road show shall be paid by the Underwriters; (ix) the document production charges and expenses associated with printing this Agreement and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 11 entitled “Indemnity and Contribution” and the last paragraph of Section 13 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

Each Selling Stockholder will pay or cause to be paid all costs and expenses incident to the performance of such Selling Stockholder’s obligations hereunder which are not otherwise specifically provided to be paid for by the Company in this Section, or otherwise agreed to be paid for by the Company, which costs and expenses payable by each Selling Stockholder include (i) any fees and expenses of counsel for such Selling Stockholder (other than those fees and expenses of counsel agreed to be paid for by the Company), and (ii) all costs and expenses related to the transfer and delivery of the Shares by the Selling Stockholders to the Underwriters, including all taxes incident to the sale and delivery of the Shares to be sold by such Selling Stockholders to the Underwriters hereunder.

10. *Covenants of the Underwriters.* Each Underwriter severally covenants with the Company not to (i) take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter and (ii) engage in any Testing the Waters Communication without the prior written consent of the Company.

11. *Indemnity and Contribution.* (a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the

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Securities Act, any “road show” as defined in Rule 433(h) under the Securities Act (a “road show”), or the Prospectus or any amendment or supplement thereto, or any Written Testing-the-Waters Communication or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) Each Selling Stockholder agrees, severally and not jointly, to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any road show, or the Prospectus or any amendment or supplement thereto, or any Written Testing-the-Waters Communication or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Selling Stockholder furnished in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus, road show or the Prospectus or any amendment or supplement thereto; it being understood and agreed that such information consists only of the Selling Stockholder Information. The Selling Stockholders shall not be obligated to indemnify or hold harmless any Underwriter pursuant to this paragraph insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein. The aggregate liability of each Selling Stockholder under the indemnity agreement contained in this paragraph and the contribution provisions contained in paragraph 11(e) shall be limited to an amount equal to the aggregate Public Offering Price (net of underwriting discounts and commissions, but before deducting other expenses) of the Shares sold by such Selling Stockholder under this Agreement (with respect to each Selling Stockholder, the “**Selling Stockholder Proceeds**”).

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Stockholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or any Selling Stockholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any

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and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any road show or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus, road show, or the Prospectus or any amendment or supplement thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Sections 11(a), 11(b) or 11(c), such person (the “**indemnified party**”) shall promptly notify the person against whom such indemnity may be sought (the “**indemnifying party**”) in writing. The indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or who are affiliates of any Underwriter within the meaning of Rule 405 under the Securities Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Selling Stockholders and all persons, if any, who control any Selling Stockholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons and affiliates of any Underwriters, such firm shall be designated in writing by Morgan Stanley and Goldman. In the case of any such separate firm for the Company, and such directors, officers and

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control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Stockholders and such control persons of any Selling Stockholders, such firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Stockholders under the Powers of Attorney. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (x) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (y) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) To the extent the indemnification provided for in Section 11(a), 11(b) or 11(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 11(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 11(e)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each Seller and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Sellers on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by

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the Sellers or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 11 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint. The aggregate liability of each Selling Stockholder under the contribution agreement contained in this paragraph and the indemnification provisions contained in paragraph 11(b) shall be limited to an amount equal to Selling Stockholder Proceeds of such Selling Stockholder.

(f) The Sellers and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 11 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 11(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 11(e) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 11, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 11 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 11 and the representations, warranties and other statements of the Company and the Selling Stockholders contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter, any Selling Stockholder or any person controlling any Selling Stockholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

12. *Termination.* The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange or the NASDAQ Global Market, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States or other relevant jurisdiction shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial

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markets or any calamity or crisis that, in the Managers' judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in the Managers' judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus.

13. *Effectiveness; Defaulting Underwriters.* This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule II bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; *provided* that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 13 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to you, the Company and the Selling Stockholders for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Stockholders. In any such case either you or the relevant Sellers shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.



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If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of any Seller to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any Seller shall be unable to perform its obligations under this Agreement, the Sellers will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

14. *Entire Agreement.* (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Shares, represents the entire agreement between the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other, with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offering of the Shares: (i) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from those of the Company. The Company waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

15. *Counterparts.* This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

17. *Headings.* The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

18. *Notices.* All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to you at in care of (i) Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department, (ii) Goldman, Sachs & Co., 200 West Street, New York, New York 10282, Attention: Registration Department, and (iii) RBC Capital Markets, LLC, Three World Financial Center, 8th Floor, 200 Vesey Street, New York, New York 10281-8098, Attention: Michael Goldberg, Syndicate Director; if to the Company shall be delivered, mailed or sent to 12181 Bluff Creek Drive, 4th Floor, Los Angeles, CA 90094, with a copy to Gibson, Dunn & Crutcher, LLP, 333 South Grand Avenue, Los Angeles, California 90071, Attention: Bradford P. Weirick and Stewart McDowell; and if to the Selling Stockholders shall be delivered, mailed or sent to [address].

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19. *USA PATRIOT ACT*. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

Very truly yours,

THE RUBICON PROJECT, INC.

By: \_\_\_\_\_

Name:

Title:

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The Selling Stockholders named in Schedule I hereto, acting  
severally

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Attorney-in-Fact

Accepted as of the date hereof

Morgan Stanley & Co. LLC  
Goldman, Sachs & Co.  
RBC Capital Markets, LLC

Acting severally on behalf of themselves and the several  
Underwriters named in Schedule II hereto

By: Morgan Stanley & Co. LLC

By: \_\_\_\_\_  
Name:  
Title:

By: Goldman, Sachs & Co.

By: \_\_\_\_\_  
Name:  
Title:

By: RBC Capital Markets, LLC

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE I**

<u>Selling Stockholder</u>	<u>Number of Firm Shares To Be Sold</u>	<u>Maximum Number of Additional Shares To Be Sold, If Option Exercised</u>
[NAMES OF SELLING STOCKHOLDERS]		
Total:		

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**SCHEDULE II**

**Underwriter**

**Number of Firm Shares  
To Be Purchased**

Morgan Stanley & Co. LLC.	
Goldman, Sachs & Co.	
RBC Capital Markets, LLC	
Needham & Company, LLC	
Oppenheimer & Co. Inc.	
LUMA Securities LLC	
Total:	

**Time of Sale Prospectus**

1. Preliminary Prospectus issued [date]
2. [identify all free writing prospectuses filed by the Company under Rule 433(d) of the Securities Act]
3. [free writing prospectus containing a description of terms that does not reflect final terms, if the Time of Sale Prospectus does not include a final term sheet]
4. [orally communicated pricing information such as price per share and size of offering if a Rule 134 pricing term sheet is used at the time of sale instead of a pricing term sheet filed by the Company under Rule 433(d) as a free writing prospectus]

## FORM OF LOCK-UP LETTER

, 2013

Morgan Stanley & Co. LLC  
Goldman, Sachs & Co.  
RBC Capital Markets, LLC  
c/o Morgan Stanley & Co. LLC  
1585 Broadway  
New York, NY 10036

Ladies and Gentlemen:

The undersigned understands that Morgan Stanley & Co. LLC ("**Morgan Stanley**"), Goldman, Sachs & Co. ("**Goldman**") and RBC Capital Markets, LLC (collectively with Morgan Stanley and Goldman, the "**Managers**") proposes to enter into an Underwriting Agreement (the "**Underwriting Agreement**") with The Rubicon Project, Inc., a Delaware corporation (the "**Company**"), providing for the public offering (the "**Public Offering**") by the several Underwriters, including the Managers (the "**Underwriters**"), of shares (the "**Shares**") of the common stock, par value \$0.00001 of the Company (the "**Common Stock**").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley and Goldman on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the final prospectus (the "**Restricted Period**") relating to the Public Offering (the "**Prospectus**"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), by the undersigned or any other securities so owned convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering (including shares purchased in the Public Offering), *provided* that no filing under Section 16(a) of the Exchange Act (other than a filing on a Form 5, Schedule 13D or Schedule 13G (or 13D/A or 13G/A) made after the expiration of the Restricted Period)

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shall be required or shall be voluntarily made in connection with subsequent sales of Common Stock or other securities acquired in such open market transactions, (b) transfers of shares of Common Stock or any security convertible into Common Stock (i) as a bona fide gift or charitable contribution, (ii) by will or intestacy or (iii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, or (c) distributions of shares of Common Stock or any security convertible into Common Stock to beneficiaries or affiliates of the undersigned, including limited partners, members or stockholders of the undersigned; *provided* that in the case of any transfer or distribution pursuant to clause (b) or (c), (i) each donee or distributee shall sign and deliver a lock-up letter substantially in the form of this letter and (ii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Restricted Period, (d) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Common Stock, *provided* that (i) such plan does not provide for the transfer of Common Stock during the Restricted Period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required of or voluntarily made by or on behalf of the undersigned or the Company regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of Common Stock may be made under such plan during the Restricted Period; (e) the sale of securities pursuant to the Underwriting Agreement, (f) the exercise of an option to purchase shares of Common Stock granted under any stock incentive plan or stock purchase plan of the Company (including on a “**net**” basis), *provided* that (x) the underlying shares of Common Stock shall continue to be subject to the restrictions on transfer set forth in this letter and (y) in the event of an exercise on a “**net**” basis, (i) the Company becomes the owner of the shares of Common Stock surrendered in the net exercise and (ii) if any public reports or filings are required under Section 16 of the Exchange Act, any such public report or filing under Section 16 of the Exchange Act shall clearly indicate in the footnotes thereto that the filing relates to the exercise of a stock option, that no shares were sold by the reporting person and that the shares received upon exercise of the stock option are subject to a lock-up agreement with the Underwriters of the Public Offering; (g) in connection with the conversion of outstanding shares of preferred stock of the Company into shares of Common Stock, provided that any such shares of Common Stock received upon such conversion shall be subject to the terms of this agreement; or (h) transfers in connection with a bona fide third party tender offer, merger, consolidation or other similar transaction that is approved by the Board of Directors of the Company, made to all holders of the Common Stock involving a Change of Control (as defined below) of the Company occurring after the closing of the Public Offering, provided that in the event that the tender offer, merger, consolidation or other such transaction is not completed, the Common Stock owned by the undersigned shall remain subject to the restrictions contained in this agreement. For the purposes of clause (h) in the foregoing sentence, “Change of Control” shall mean the transfer (whether by tender offer, merger, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an Underwriter pursuant to the Public Offering), of the Company’s voting securities if, after such transfer, such person or group of affiliated persons would hold two-thirds ( $\frac{2}{3}$ ) or more of the outstanding voting securities of the Company (or the



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surviving entity). In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley and Goldman on behalf of the Underwriters, it will not, during the Restricted Period, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing provisions shall be equally applicable to any issuer-directed Shares the undersigned may purchase in the Public Offering.

If the undersigned is an officer or director of the Company, (i) Morgan Stanley and Goldman agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of Common Stock, Morgan Stanley and Goldman will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by Morgan Stanley and Goldman hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this letter to the extent and for the duration that such terms remain in effect at the time of the transfer.

The undersigned understands that the Company and the Underwriters are relying upon this agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

This agreement shall automatically terminate upon the earliest to occur of: (i) the Company advising the Managers in writing that it does not intend to proceed with the Public Offering, which written notice must be executed and delivered to the Managers prior to the signing of the Underwriting Agreement, (ii) the termination of the Underwriting Agreement (other than the provisions thereof which survive termination) before the closing of the Public Offering, (iii) the Company files an application to withdraw the registration statement related to the Public Offering and (iv) September 30, 2014, if the Underwriting Agreement has not been executed by that date.

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Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

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(Name)

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(Address)

FORM OF WAIVER OF LOCK-UP

, 20

[Name and Address of  
Officer or Director  
Requesting Waiver]

Dear Mr./Ms. [Name]:

This letter is being delivered to you in connection with the offering by the Rubicon Project, Inc. (the “**Company**”) of \_\_\_\_\_ shares of common stock, \$0.00001 par value (the “**Common Stock**”), of the Company and the lock-up letter dated \_\_\_\_\_, 20\_\_\_\_ (the “**Lock-up Letter**”), executed by you in connection with such offering, and your request for a [waiver] [release] dated \_\_\_\_\_, 20\_\_\_\_, with respect to \_\_\_\_\_ shares of Common Stock (the “**Shares**”).

Morgan Stanley & Co. LLC and Goldman, Sachs & Co. hereby agree to [waive] [release] the transfer restrictions set forth in the Lock-up Letter, but only with respect to the Shares, effective \_\_\_\_\_, 20\_\_\_\_; provided, however, that such [waiver] [release] is conditioned on the Company announcing the impending [waiver] [release] by press release through a major news service at least two business days before effectiveness of such [waiver] [release]. This letter will serve as notice to the Company of the impending [waiver] [release].

Except as expressly [waived] [released] hereby, the Lock-up Letter shall remain in full force and effect.

Very truly yours,

[ \_\_\_\_\_ ]

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Acting severally on behalf of themselves and the several Underwriters named in Schedule I hereto

By: \_\_\_\_\_  
Name:  
Title:

cc: Company

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FORM OF PRESS RELEASE

The Rubicon Project, Inc.

[Date]

The Rubicon Project, Inc. (the “**Company**”) announced today that Morgan Stanley & Co. LLC and Goldman, Sachs & Co., the lead book-running managers in the Company’s recent public sale of \_\_\_\_\_ shares of common stock is [waiving][releasing] a lock-up restriction with respect to \_\_\_\_\_ shares of the Company’s common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver][release] will take effect on \_\_\_\_\_, 20\_\_\_\_, and the shares may be sold on or after such date.

**This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.**

**SIXTH AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION**

**OF**

**THE RUBICON PROJECT, INC.  
(a Delaware corporation)**

The Rubicon Project, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

A. The name of the corporation is The Rubicon Project, Inc. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware under the name adMonitor on April 20, 2007.

B. All amendments to the Certificate of Incorporation reflected herein have been duly authorized and adopted by the Corporation's Board of Directors and stockholders in accordance with the provisions of Sections 242 and 245 of the Delaware General Corporation Law.

C. Upon this Sixth Amended and Restated Certificate of Incorporation becoming effective pursuant to the Delaware General Corporation Law (the "Effective Time"), each share of the Corporation's Class A Common Stock that is issued and outstanding immediately prior to the Effective Time (including shares of Class A Common Stock issued upon conversion of shares of the Company's Preferred Stock upon closing of a Qualified Public Offering under the Corporation's Fifth Amended and Restated Certificate of Incorporation), and each share of Class B Common Stock that is issued and outstanding and has not been converted into Class A Common Stock immediately prior to the Effective Time (collectively, the "Old Class A Common Stock"), will be automatically reclassified and converted into one share of Common Stock (as defined below in Section 4.1). Any stock certificate that, immediately prior to the Effective Time, represented shares of Old Class A Common Stock will, from and after the Effective Time, automatically and without the necessity of presenting the same for exchange, represent the number of shares of Common Stock as represented by the number of shares of Old Class A Common Stock represented by such certificate prior to the Effective Time.

D. The Corporation's Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

**ARTICLE I  
NAME**

The name of the corporation is The Rubicon Project, Inc. (the "Corporation").

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**ARTICLE II  
AGENT**

The address of the Corporation's registered office in the State of Delaware is 160 Greentree Drive, Suite 101, in the City of Dover, DE 19904, County of Kent. The name of its registered agent at such address is National Registered Agents, Inc.

**ARTICLE III  
PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

**ARTICLE IV  
STOCK**

Section 4.1 Authorized Stock. The total number of shares which the Corporation shall have authority to issue is 510,000,000, of which 500,000,000 shall be designated as Common Stock, par value \$.00001 per share (the "Common Stock"), and 10,000,000 shall be designated as Preferred Stock, par value \$.00001 per share (the "Preferred Stock").

Section 4.2 Common Stock.

(a) Each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation, including any certificate of designations relating to any series of Preferred Stock (each hereinafter referred to as a "Preferred Stock Designation"), that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation (including any Preferred Stock Designation).

(b) Dividends. Subject to the rights of the holders of any outstanding series of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive dividends out of any funds of the Corporation legally available therefor when, as and if declared by the Board of Directors.

(c) Liquidation. Upon the dissolution, liquidation or winding up of the Corporation, subject to the rights of the holders of any outstanding series of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive the assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

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Section 4.3 Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. Subject to limitations prescribed by law and the provisions of this Article IV, the Board of Directors is hereby authorized to provide by resolution and by causing the filing of a Preferred Stock Designation for the issuance of the shares of Preferred Stock in one or more series, and to establish from time to time the number of shares to be included in each such series, and to fix the designations, powers, preferences, and relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions, if any, of the shares of each such series.

The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(i) the number of shares constituting such series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares in any such series then outstanding), and the distinctive designation of such series, which may be by distinguishing number, letter or title;

(ii) the dividend rate on the shares of such series, if any; whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of such series;

(iii) whether the shares of such series shall have voting rights (including multiple, fractional or no votes per share) in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(iv) whether the shares of such series shall have conversion rights, and, if so, the terms and conditions of such rights, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(v) whether or not the shares of such series shall be redeemable, and if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption rates;

(vi) whether a sinking fund shall be provided for the redemption or purchase of shares of such series, and, if so, the terms and the amount of such sinking fund;

(vii) the restrictions, if any, on the issuance of the same series or of any other class or series;

(viii) the rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of such series; and

(ix) any other relative rights, powers, preferences and qualifications, limitations or restrictions of such series.



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Section 4.4 No Class Vote on Changes in Authorized Number of Shares of Stock. Subject to the rights of the holders of any outstanding series of Preferred Stock, the number of authorized shares of any class or classes of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of at least a majority of the voting power of the stock entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL.

**ARTICLE V  
BOARD OF DIRECTORS**

Section 5.1 Number. Except as otherwise provided for or fixed pursuant to the provisions of Article IV hereof (including any Preferred Stock Designation), the Board of Directors shall consist of such number of directors as shall be determined from time to time solely by resolution adopted by the affirmative vote of a majority of the total number of directors then authorized.

Section 5.2 Classification.

(a) The Board of Directors (other than those directors elected by the holders of any series of Preferred Stock provided for or fixed pursuant to the provisions of Article IV hereof (including any Preferred Stock Designation)) (the "Preferred Stock Directors") shall be divided into three classes, as nearly equal in number as possible, designated Class I, Class II and Class III. Class I directors shall initially serve until the first annual meeting of stockholders following the effectiveness of this Section 5.2; Class II directors shall initially serve until the second annual meeting of stockholders following the effectiveness of this Section 5.2; and Class III directors shall initially serve until the third annual meeting of stockholders following the effectiveness of this Section 5.2. Commencing with the first annual meeting of stockholders following the effectiveness of this Section 5.2, directors of each class the term of which shall then expire shall be elected to hold office for a three-year term and until the election and qualification of their respective successors in office. In case of any increase or decrease, from time to time, in the number of directors (other than Preferred Stock Directors), the number of directors in each class shall be apportioned as nearly equal as possible. The Board of Directors is authorized to assign members of the Board of Directors already in office to Class I, Class II or Class III, with such assignment becoming effective as of the effectiveness of this Section 5.2.

(b) Subject to the rights of the holders of any outstanding series of Preferred Stock, and unless otherwise required by law, newly created directorships resulting from any increase in the authorized number of directors and any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office and entitled to vote thereon, even though less than a quorum of the Board of Directors, or by the sole remaining director. Any director so

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chosen shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

(c) Except for such additional directors, if any, as are elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article IV hereof (including any Preferred Stock Designation), any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of at least 66 2/3% of the voting power of the stock outstanding and entitled to vote thereon.

(d) During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article IV hereof (including any Preferred Stock Designation), and upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such number of directors that the holders of any series of Preferred Stock have a right to elect, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions and (ii) each Preferred Stock Director shall serve until such Preferred Stock Director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, disqualification, resignation or removal. In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by the holders of Preferred Stock pursuant to said provisions. Except as otherwise provided for or fixed pursuant to the provisions of Article IV hereof (including any Preferred Stock Designation), whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to said provisions, the terms of office of all Preferred Stock Directors elected by the holders of such Preferred Stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total authorized number of directors of the Corporation shall be reduced accordingly.

Section 5.3 Powers. Subject to the provisions of the DGCL and to any limitations in this Certificate of Incorporation relating to action required to be approved by the stockholders, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 5.4 Election: Annual Meeting of Stockholders.

(a) Ballot Not Required. The directors of the Corporation need not be elected by written ballot unless the Bylaws of the Corporation so provide.

(b) Notice. Advance notice of nominations for the election of directors, and of business other than nominations, to be proposed by stockholders for consideration at a meeting of stockholders of the Corporation shall be given in the manner and to the extent provided in the Bylaws of the Corporation.

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(c) Annual Meeting. The annual meeting of stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, if any, either within or without the State of Delaware, on such date, and at such time as the Board of Directors shall fix.

**ARTICLE VI  
STOCKHOLDER ACTION**

Except as otherwise provided for or fixed pursuant to the provisions of Article IV hereof (including any Preferred Stock Designation), no action that is required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders may be effected by written consent of stockholders in lieu of a meeting of stockholders.

**ARTICLE VII  
SPECIAL MEETINGS OF STOCKHOLDERS**

Except as otherwise required by law, and except as otherwise provided for or fixed pursuant to the provisions of Article IV hereof (including any Preferred Stock Designation), a special meeting of the stockholders of the Corporation may be called at any time only by the Board of Directors. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

**ARTICLE VIII  
EXISTENCE**

The Corporation shall have perpetual existence.

**ARTICLE IX  
AMENDMENT**

Section 9.1 Amendment of Certificate of Incorporation. The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by the laws of the State of Delaware, and all powers, preferences and rights of any nature conferred upon stockholders, directors or any other persons by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to this reservation; provided, however, that except as otherwise provided in this Certificate of Incorporation and in addition to any requirements of law, the affirmative vote of at least 66 2/3% of the voting power of the stock outstanding and entitled to vote thereon, voting together as a single class, shall be required to adopt, amend or repeal, or adopt any provision inconsistent with, Article V, Article VI, Article VII or this Article IX of this Certificate of Incorporation.

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Section 9.2 Amendment of Bylaws. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation. Except as otherwise provided in this Certificate of Incorporation or the Bylaws of the Corporation, and in addition to any requirements of law, the affirmative vote of at least 66 2/3% of the voting power of the stock outstanding and entitled to vote thereon, voting together as a single class, shall be required for the stockholders to adopt, amend or repeal any provision of the Bylaws of the Corporation.

**ARTICLE X  
LIABILITY OF DIRECTORS**

Section 10.1 No Personal Liability. To the fullest extent permitted by the DGCL as the same exists or as may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

Section 10.2 Amendment or Repeal. Any amendment, alteration or repeal of this Article XI that adversely affects any right of a director shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

**ARTICLE XI  
FORUM FOR ADJUDICATION OF DISPUTES**

Unless the Corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for any stockholder (including any beneficial owner) to bring: (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or employee of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL or the Corporation's Certificate of Incorporation or Bylaws, or (d) any action asserting a claim governed by the internal affairs doctrine shall be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware); in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII.

If any provision of this Article XII shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and

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enforceability of such provision in any other circumstance and of the remaining provisions of this Article XII (including, without limitation, each portion of any sentence of this Article XII containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

[The remainder of this page has been intentionally left blank.]

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IN WITNESS WHEREOF, this Sixth Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of the Company on \_\_\_\_\_, 20\_\_ .

By: \_\_\_\_\_  
Name:  
Title:

March 19, 2014

The Rubicon Project, Inc.  
12181 Bluff Creek Drive, 4<sup>th</sup> Floor  
Los Angeles, CA 90094

Re: *The Rubicon Project, Inc.*  
*Registration Statement on Form S-1 (File No. 333-193739)*

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-1, File No. 333-193739, as amended (the "Registration Statement"), of The Rubicon Project, Inc., a Delaware corporation (the "Company"), filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), in connection with the offering by the Company of up to 6,432,445 shares (including shares that may be sold upon the exercise of the underwriters' option to purchase additional shares) of the Company's common stock (the "Common Stock"), par value \$0.00001 per share, (the "Company Shares"), and the sale by the selling stockholders identified in the Registration Statement of up to 1,354,199 shares of Common Stock (including shares that may be sold upon the exercise of the underwriters' option to purchase additional shares) (the "Secondary Shares").

In arriving at the opinion expressed below, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true and complete copies of the originals, of specimen common stock certificates and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as we have deemed necessary or advisable to enable us to render the opinions set forth below. In our examination, we have assumed without independent investigation the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies.

Based upon the foregoing, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that (1) the Company Shares, when issued against payment therefor as set forth in the Registration Statement, will be validly issued, fully paid and non-assessable and (2) the Secondary Shares have been validly issued and are fully paid and non-assessable.

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The Rubicon Project, Inc.  
12181 Bluff Creek Drive, 4<sup>th</sup> Floor  
Los Angeles, CA 90094  
Page 2

We consent to the filing of this opinion as an exhibit to the Registration Statement, and we further consent to the use of our name under the caption “Legal Matters” in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission.

Very truly yours,

/s/ Gibson, Dunn & Crutcher LLP



adMonitor, Inc.

**2007 STOCK INCENTIVE PLAN**

ARTICLE ONE

GENERAL PROVISIONS

**A. Purpose of the Plan**

1. This 2007 Stock Incentive Plan is intended to promote the interests of adMonitor, Inc., a Delaware corporation (the "Corporation"), by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in the Service of the Corporation.

2. Capitalized terms shall have the meanings assigned to such terms in the attached Appendix.

**B. Structure of the Plan**

1. The Plan shall be divided into two separate equity programs:

(a) the Discretionary Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock; and

(b) the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares, as bonus for services rendered the Corporation (or any Parent or Subsidiary), or pursuant to share right awards which entitle Participants to receive shares upon the attainment of designated Performance Goals or Service requirements; and

2. The provisions of Articles One and Four shall apply to all equity programs under the Plan and shall govern the interests of all persons under the Plan.

**C. Administration of the Plan**

1. The Board shall administer the Plan, However, any or all administrative functions otherwise exercisable by the Board may be delegated to the Committee. Members of the Committee shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

2. The Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority (subject to the provisions of the Plan) to

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establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Option Grant and Stock Issuance Programs and to make such determinations under, and issue such interpretations of, the provisions of such programs and any outstanding options or stock issuances thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Option Grant and Stock Issuance Programs under its jurisdiction or any option or stock issuance thereunder.

3. The Plan Administrator shall, within the scope of its administrative jurisdiction under the Plan, have full authority to determine: (i) with respect to the option grants under the Discretionary Option Grant Program, which eligible persons are to receive grants, the time or times when such grants are to be made, the number of shares to be covered by each such grant, the status of a granted option as either an Incentive Option or a Non-Statutory Option, the time or times when each option is to become exercisable, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding; and (ii) with respect to stock issuances under the Stock Issuance Program, which eligible persons are to receive stock issuances, the time or times when such issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration for such shares.

4. The Plan Administrator shall have the absolute discretion either to grant options in accordance with the Discretionary Option Grant Program or to effect stock issuances in accordance with the Stock Issuance Program.

5. Service on any Committee shall constitute service as a Board member, and members of each such Committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of any Committee shall be liable for any act or omission made in good faith with respect to the Plan or any option grants or stock issuances under the Plan,

**D. Eligibility**

1. The persons eligible to participate in the Discretionary Option Grant and Stock Issuance Programs are as follows:

- (a) Employees,
- (b) non-employee members of the Board or the board of directors of any Parent or Subsidiary, and
- (c) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

**E. Stock Subject to the Plan**

1. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock. The maximum number of shares of Common Stock initially reserved for issuance over the term of the Plan shall not exceed 3,000,000 shares.

2. Shares of Common Stock subject to outstanding options shall be available for subsequent issuance under the Plan to the extent those options expire or terminate for any reason prior to exercise in full. Unvested shares issued under the Plan and subsequently cancelled or repurchased by the Corporation at the original exercise or issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan, shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants or direct stock issuances under the Plan. In addition, should the exercise price of an option under the Plan be paid with shares of Common Stock or should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise of an option or the vesting of a stock issuance under the Plan, then the number of shares of Common Stock available for issuance under the Plan shall be reduced only by the net number of shares of Common Stock issued to the holder of such option or stock issuance, and not by the gross number of shares for which the option is exercised or which vest under the stock issuance.

3. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to:

(a) the maximum number and/or class of securities issuable under the Plan;

(b) the number and/or class of securities for which any one person may be granted stock options, direct stock issuances and share right awards under this Plan per calendar year; and

(c) the number and/or class of securities and the exercise price per share (without change in the total price applicable to the unexercised portion of the option).

The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

## ARTICLE TWO

### DISCRETIONARY OPTION GRANT PROGRAM

#### A. **Option Terms**

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such option.

##### 1. Exercise Price.

(a) The exercise price per share shall be fixed by the Plan Administrator but shall not be less than 100% of the Fair Market Value per share of Common Stock on the option grant date.

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(b) The exercise price shall become immediately due upon exercise of the option and may, subject to the provisions of Section 1 of Article Four and the documents evidencing the option, be payable in one or more of the forms specified below:

- 1) cash or certified check made payable to the Corporation, or
- 2) shares of Common Stock valued at Fair Market Value on the Exercise Date.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

2. Exercise and Term of Options.

Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. Except as otherwise provided by the Board in a stock option agreement entered into with an Optionee, 25% of the shares covered by the option shall become exercisable upon the expiration of one year from the Grant Date and, thereafter, the remaining 75% of the shares covered by the option shall become exercisable in thirty-six (36) equal monthly installments at the end of each calendar month for thirty-six (36) calendar months. No option shall have a term in excess of ten (10) years measured from the option grant date.

3. Effect of Termination of Service.

(a) The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

1) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option.

2) Any option held by the Optionee at the time of death and exercisable in whole or in part at that time may be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or in accordance with the laws of descent and distribution or, with respect to Non-Statutory Options, by the Optionee's designated beneficiary or beneficiaries of that option.

3) Except as otherwise determined in the discretion of the Plan Administrator either at the time an option is granted or at any time the option remains outstanding, should the Optionee's Service be terminated for Misconduct or should the Optionee otherwise engage in Misconduct while holding one or more outstanding options under this Article Two, then all those options shall terminate immediately and cease to be outstanding.

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(b) During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding to the extent the option is not otherwise at that time exercisable for vested shares.

(c) The Plan Administrator shall have compete discretion, either at the time an option is granted or at any time while the option remains outstanding, to:

1) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

2) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

#### 4. Stockholder Rights.

The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

#### 5. Repurchase Rights.

The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

#### 6. Limited Transferability of Options.

During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or by the laws of descent and distribution following the Optionee's death. Non-Statutory Options shall be subject to the same limitation, except that a Non-Statutory Option may be assigned in whole or

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in part during Optionee's lifetime to one or more members of the Optionee's Immediate Family or to a trust established for the exclusive benefit of one or more members of the Optionee's Immediate Family or the Optionee's former spouse, to the extent such assignment is in connection with Optionee's estate plan or pursuant to a domestic relations order. The assigned portion shall be exercisable only by the person or persons who acquire a proprietary interest in the option pursuant to such assignment. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate. Notwithstanding the foregoing, the Optionee may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding Non-Statutory Options under this Article Two, and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

**B. Incentive Options**

1. The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section B of Article Two, all the provisions of Articles One, Two and Four shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options when issued under the Plan shall NOT be subject to the terms of this Section B of Article Two.

2. Eligibility.

Incentive Options may only be granted to Employees.

3. Exercise Price.

The exercise price per share shall not be less than 100% of the Fair Market Value per share of Common Stock on the option grant date.

4. Dollar Limitation.

The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of \$100,000. To the extent the Employee holds two or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.

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5. Failure to Qualify as Incentive Option.

To the extent that any option governed by this Plan does not qualify as an Incentive Option by reason of the dollar limitation described in Section B.4 of this Article Two or for any other reason, such option shall continue to be outstanding and exercisable in accordance with its terms and conditions, but as a Non-Statutory Option under the Federal tax laws.

6. 10% Stockholder.

If any Employee to whom an Incentive Option granted is a 10% Stockholder, then the exercise price per share shall not be less than 110% of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

**C. Change in Control**

1. Except to the extent expressly provided in an option agreement pursuant to paragraphs 5 or 6 below, no option outstanding at the time of a Change in Control shall become exercisable on an accelerated basis if and to the extent:

(a) that option is, in connection with the Change in Control, assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction,

(b) such option is replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Change in Control on the shares of Common Stock for which the option is not otherwise at that time exercisable, provides for subsequent payout in accordance with the same exercise/vesting schedule applicable to those option shares and does not cause any IRC 409A Consequences, or

(c) the acceleration of such option is subject to other limitations imposed by the Plan Administrator at the time of the option grant.

However, if none of the foregoing conditions are satisfied, then each option outstanding at the time of the Change in Control but not otherwise exercisable for all the shares of Common Stock at that time subject to such option shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of Common Stock.

2. All of the Corporation's outstanding repurchase rights under the Discretionary Option Grant Program shall also terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent:

(a) those repurchase rights are assigned to the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction or

(b) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the repurchase right is issued.

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3. Immediately following the consummation of the Change in Control, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control transaction.

4. Each option which is assumed in connection with a Change in Control or otherwise continued in effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments to reflect such Change in Control shall also be made to:

(a) the exercise price payable per share under each outstanding option, provided the total exercise price payable for such securities shall remain the same;

(b) the maximum number and/or class of securities available for issuance over the remaining term of the Plan;

(c) the maximum number and/or class of securities available for issuance over the remaining term of the Plan;

(d) the maximum number and/or class of securities for which any one person may be granted options, direct stock issuances and share right awards under the Plan per calendar year; and

(e) the maximum number and class of securities which may be added to the Plan through the repurchase of shares. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control transaction, the successor corporation may, in connection with the assumption of the outstanding options under the Discretionary Option Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction.

5. The Plan Administrator shall have the discretionary authority to structure one or more outstanding options under the Discretionary Option Grant Program so that those options shall, immediately prior to the effective date of a Change in Control, become exercisable for all the shares of Common Stock at that time subject to such options on an accelerated basis and may be exercised for any or all of such shares as fully vested shares of Common Stock, whether or not those options are to be assumed or otherwise continued in full force and effect or replaced with a cash incentive program pursuant to the express terms of the Change in Control



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transaction. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Option Grant Program so that those rights shall immediately terminate at the time of such Change in Control and shall not be assignable to the successor corporation (or parent thereof), and the shares subject to those terminated rights shall accordingly vest in full at the time of such Change in Control.

6. The Plan Administrator shall have full power and authority to structure one or more outstanding options under the Discretionary Option Grant Program so that those options shall vest and become exercisable for all the shares of Common Stock at that time subject to such options on an accelerated basis in the event the Optionee's Service is subsequently terminated by reason of an Involuntary Termination within a designated period (not to exceed 18 months) following the effective date of any Change in Control in which those options do not otherwise accelerate. Any options so accelerated shall remain exercisable for fully vested shares of Common Stock until the expiration or sooner termination of the option term. In addition, the Plan Administrator may structure one or more of the Corporation's repurchase rights under the Discretionary Option Grant Program so that those rights shall immediately terminate with respect to any shares of Common Stock held by the Optionee at the time of his or her Involuntary Termination, and the shares subject to those terminated repurchase rights shall accordingly vest in full at that time.

7. The portion of any Incentive Option accelerated in connection with a Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable \$100,000 limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

8. The grant of options under the Discretionary Option Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

### ARTICLE THREE

#### STOCK ISSUANCE PROGRAM

##### A. **Stock Issuances**

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the attainment of designated Performance Goals or Service requirements.

##### B. **Stock Issuance Terms**

###### 1. Purchase Price.

(a) The purchase price per share shall be fixed by the Plan Administrator, but shall not be less than 100% of the Fair Market Value per share of Common Stock on the issuance date.

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(b) Subject to the provisions of Section 1 of Article Four, shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

- 1) cash or certified check made payable to the Corporation, or
- 2) past services rendered to the Corporation (or any Parent or Subsidiary).

## 2. Vesting Provisions.

(a) Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program shall be determined by the Plan Administrator and incorporated into the Stock Issuance Agreement. Except as otherwise provided by the Board in the Stock Issuance Agreement entered into with a Participant, 25% of the shares issued shall vest upon the expiration of one year from the Grant Date and, thereafter, the remaining 75% of the shares covered by the option shall vest in thirty-six (36) equal monthly installments at the end of each calendar month for thirty-six (36) calendar months. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the attainment of designated Performance Goals or Service requirements. Upon the attainment of such Performance Goals or Service requirements, fully vested shares of Common Stock shall be issued upon satisfaction of those share right awards. For purposes of qualifying grants of stock as "performance-based compensation" under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the stock to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting stock which is intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the stock under Section 162(m) of the Code (e.g., in determining the Performance Goals).

(b) Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to: a) the same vesting requirements applicable to the Participant's unvested shares of Common Stock; and b) such escrow arrangements as the Plan Administrator shall deem appropriate.

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(c) The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares. The holder of a share right award shall have no stockholder rights with respect to such award until shares of Common Stock have been issued to such Participant in satisfaction of such award.

(d) Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness), the Corporation shall repay to the Participant the cash consideration paid for the surrendered shares and shall cancel the unpaid principal balance of any outstanding purchase-money note of the Participant attributable to the surrendered shares.

(e) The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock which would otherwise occur upon the cessation of the Participant's Service or then on-attainment of the performance objectives applicable to those shares. Such waiver shall result in the immediate vesting of the Participant's interest in the shares as to which the waiver applies. Such waiver may be effected at anytime, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

(f) Outstanding share right awards under the Stock Issuance Program shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those awards, if the Performance Goals or Service requirements established for such awards are not attained. The Plan Administrator, however, shall have the discretionary authority to issue shares of Common Stock under one or more outstanding share right awards as to which the designated Performance Goals or Service requirements have not been attained.

### **C. Change in Control**

1. All of the Corporation's outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent (i) those repurchase rights are assigned to the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the express terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

2. The Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Stock Issuance Program so that those rights shall automatically terminate in whole or in part upon the occurrence of a Change in

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Control and shall not be assignable to the successor corporation (or parent thereof), and the shares of Common Stock subject to those terminated rights shall immediately vest in full at the time of such Change in Control.

3. The Plan Administrator shall also have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Stock Issuance Program so that those rights shall automatically terminate in whole or in part, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, upon the Involuntary Termination of the Participant's Service within a designated period (not to exceed 18 months) following the effective date of any Change in Control in which those repurchase rights do not otherwise terminate.

#### ARTICLE FOUR

##### MISCELLANEOUS

###### A. **Financing**

The Plan Administrator may permit any Optionee or Participant to pay the option exercise price under the Discretionary Option Grant Program or the purchase price of shares issued under the Stock Issuance Program by delivering an interest bearing promissory note payable in one or more installments that is recourse as to at least 25% of the purchase price and secured by the shares issuable, provided that such purchase with a promissory note shall not be permitted, and any outstanding promissory note shall be required to be repaid, if it will cause any violation of the Sarbanes-Oxley Act of 2002. The terms of any such promissory note (including the interest rate and the terms of repayment) shall be established by the Plan Administrator in its sole discretion. In no event may the maximum credit available to the Optionee or Participant exceed the sum of (i) the aggregate option exercise price or purchase price payable for the purchased shares plus (ii) any Federal, state and local income and employment tax liability incurred by the Optionee or the Participant in connection with the option exercise or share purchase.

###### B. **First Refusal Rights**

The Corporation shall have the right of first refusal with respect to any proposed disposition by the Optionee or Participant (or any successor in interest) of any shares of Common Stock issued under the Plan. Such right of first refusal shall be exercisable and lapse in accordance with the terms established by the Plan Administrator and set forth in the document evidencing such right.

###### C. **Share Escrow/Legends**

Unvested shares issued under the Plan may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

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**D. Tax Withholding**

1. The Corporation's obligation to deliver shares of Common Stock upon the exercise of options or the issuance or vesting of such shares under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

2. The Plan Administrator may, in its discretion, provide any or all holders of Non-Statutory Options or unvested shares of Common Stock under the Plan with the right to use shares of Common Stock in satisfaction of all or part of the Taxes incurred by such holders in connection with the exercise of their options or the vesting of their shares. Such right may be provided to any such holder in either or both of the following formats:

(a) *Stock Withholding*: The election to have the Corporation withhold from the shares of Common Stock otherwise issuable upon the exercise of such Non-Statutory Option or the vesting of such shares, a portion of those shares with an aggregate Fair Market Value equal to the amount of the Taxes (not to exceed one hundred percent (100%) of such Taxes) to be satisfied in such manner as designated by the holder in writing; or

(b) *Stock Delivery*: The election to deliver to the Corporation, at the time the Non-Statutory Option is exercised or the shares vest, one or more shares of Common Stock previously acquired by such holder (other than in connection with the option exercise or share vesting triggering the Taxes) with an aggregate Fair Market Value equal to the amount of the Taxes (not to exceed 100% of such Taxes) to be satisfied in such manner as designated by the holder in writing.

**E. Effective Date and Term of the Plan**

1. The Plan shall become effective immediately upon the Plan Effective Date. Options may be granted under the Discretionary Option Grant at any time on or after the Plan Effective Date. However, no options granted under the Plan may be exercised, and no shares shall be issued under the Plan, until the Plan is approved by the Corporation's stockholders. If such stockholder approval is not obtained within 12 months after the Plan Effective Date, then all options previously granted under this Plan shall terminate and cease to be outstanding, and no further options shall be granted and no shares shall be issued under the Plan.

2. The Plan shall terminate upon the EARLIEST of (1) the tenth (10<sup>th</sup>) anniversary of the Plan Effective Date, (2) the date on which all shares available for issuance under the Plan shall have been issued as fully-vested shares or (3) the termination of all outstanding options in connection with a Change in Control. Upon such plan termination, all outstanding option grants and unvested stock issuances shall thereafter continue to have force and effect in accordance with the provisions of the documents evidencing such grants or issuances.

**F. Amendment of the Plan**

1. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification

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shall adversely affect the rights and obligations with respect to stock options or unvested stock issuances at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification. In addition, certain amendments may require stockholder approval pursuant to applicable laws or regulations.

2. Options to purchase shares of Common Stock may be granted under the Discretionary Option Grant Program and shares of Common Stock may be issued under the Stock Issuance Program that are in each instance in excess of the number of shares then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained any required approval of an amendment sufficiently increasing the number of shares of Common Stock available for issuance under the Plan. If such approval is not obtained within twelve (12) months after the date the first such excess issuances are made, then (1) any unexercised options granted on the basis of such excess shares shall terminate and cease to be outstanding and (2) the Corporation shall promptly refund to the Optionees and the Participants the exercise or purchase price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically cancelled and cease to be outstanding.

**G. Use of Proceeds**

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

**H. Regulatory Approvals**

1. The implementation of the Plan, the granting of any stock option under the Plan and the issuance of any shares of Common Stock (1) upon the exercise of any granted option or (2) under the Stock Issuance Program shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the stock options granted under it and the shares of Common Stock issued pursuant to it.

2. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws, and all applicable listing requirements of any Stock Exchange (or the Nasdaq National Market, if applicable) on which Common Stock is then listed for trading.

**I. Financial Information**

The Corporation shall deliver a balance sheet and an income statement at least annually to each Optionee and Participant, unless such individual is a key Employee whose duties in connection with the Corporation (or any Parent or Subsidiary) assure such individual access to equivalent information.

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**J. No Employment/Service Rights**

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

ARTICLE FIVE

APPENDIX

The following definitions shall be in effect under the Plan:

A. BOARD shall mean the Corporation's Board of Directors.

B. CHANGE IN CONTROL shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

1. a stockholder-approved merger, consolidation or other reorganization in which securities representing more than 50% of the total combined voting power of the Corporation's outstanding securities become beneficially owned, directly or indirectly, by a person or related group of persons (other than a person or related group of persons that, immediately prior to such transaction, directly or indirectly controlled, was controlled by, or was under common control with, the Corporation);

2. a stockholder-approved sale, transfer or other disposition of all or substantially all of the Corporation's assets to any person or related group of persons (other than a person or related group of persons that, immediately prior to such transaction, directly or indirectly controlled, was controlled by, or was under common control with, the Corporation); or

3. the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13-d3 of the 1934 Act) of securities possessing more than 50% of the total combined voting power of the Corporation's outstanding securities from a person or persons other than the Corporation.

In no event shall any public offering of the Corporation's securities be deemed to constitute a Change in Control.

C. CODE shall mean the Internal Revenue Code of 1986, as amended.

D. COMMITTEE shall mean a committee or one or more Board members, appointed by the Board to exercise one or more administrative functions under the Plan.

E. COMMON STOCK shall mean the Corporation's common stock.

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F. CORPORATION shall mean adMonitor, Inc., a Delaware corporation, and its successors.

G. DISABILITY shall mean a medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months and which: (1) renders the individual unable to engage in any substantial gainful activity; or (2) results in the individual receiving income replacement benefits for a period of not less than three (3) months under any policy of long-term disability insurance maintained by a Corporation for the benefit of its employees.

H. DISCRETIONARY OPTION GRANT PROGRAM shall mean the discretionary option grant program in effect under the Plan.

I. EMPLOYEE shall mean an "employee" of the Corporation (or any Parent or Subsidiary) within the meaning of Section 3401(c) of the Code and the regulations thereunder.

J. EXERCISE DATE shall mean the date on which the Corporation shall have received written notice of the option exercise.

K. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

1. If the Common Stock is at the time listed on the Nasdaq Stock Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported by the National Association of Securities Dealers on the Nasdaq Stock Market and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

2. If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the stock exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

3. If the Common Stock is at the time neither listed on any Stock Exchange or the Nasdaq Stock Market, then the Fair Market Value shall be determined by the Plan Administrator after taking into account such factors as the Plan Administrator shall deem appropriate. In making any such determination, the Plan Administrator shall follow any procedures determined by it from time to time to be necessary to avoid the application of IRC 409A Consequences to any option.

L. IMMEDIATE FAMILY shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and shall include adoptive relationships.



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M. INCENTIVE OPTION shall mean an option which satisfies the requirements of Code Section 422.

N. INVOLUNTARY TERMINATION shall mean the termination of the Service of any individual which occurs by reason of:

1. such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

2. such individual's voluntary resignation following (1) a change in his or her position with the Corporation which materially reduces his or her level of responsibility or the level of management to which Optionee reports, (2) a reduction in his or her level of compensation (including base salary, fringe benefits and participation in any corporate-performance based bonus or incentive programs) by more than 15% or (3) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual's consent.

O. IRC 409A CONSEQUENCES shall mean, to the extent imposed by Section 409A of the Code, (1) inclusion in gross income of deferred compensation from current and prior years, (2) interest liability on deferred taxes at increased federal rate and (3) 20% excise tax on deferred compensation.

P. MISCONDUCT shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of any Optionee, Participant or other person in the Service of the Corporation (or any Parent or Subsidiary).

Q. 1934 ACT shall mean the Securities Exchange Act of 1934, as amended.

R. NON-STATUTORY OPTION shall mean an option not intended to satisfy the requirements of Code Section 422.

S. OPTIONEE shall mean any person to whom an option s granted under the Discretionary Option Grant Program.

T. PARENT shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

U. PARTICIPANT shall mean any person who is issued shares of Common Stock or a share right award under the Stock Issuance Program.

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V. PERFORMANCE GOALS shall mean the goal(s) (or combined goal(s)) determined by the Administrator (in its discretion) to be applicable to a Participant with respect to a share of stock. As determined by the Plan Administrator, the Performance Goals shall be objective and shall otherwise meet the requirements of Section 162(m)(4)(C) of the Code, and shall be based upon one or more of the following performance-based business criteria, either on a business unit or Company-specific basis or in comparison with peer group performance: net sales; gross sales; return on net assets; return on assets; return on equity; return on capital; return on revenues; asset turnover; economic value added; total stockholder return; net income; pre-tax income; operating profit margin; net income margin; sales margin; market share; inventory turnover; days sales outstanding; sales growth; capacity utilization; increase in customer base; cash flow; book value; share price performance (including options tied solely to appreciation in the fair market of the shares of Common Stock); earnings per share; stock price earnings ratio; earnings before interest, taxes, depreciation and amortization expenses ("EBITDA"); earnings before interest and taxes ("EBIT"); or EBITDA, EBIT or earnings before taxes and unusual or nonrecurring items as measured either against the annual budget or as a ratio to revenue. The Performance Goals may differ for each Participant and for each stock grant.

W. PLAN shall mean the Corporation's 2007 Stock Incentive Plan, as set forth in this document.

X. PLAN ADMINISTRATOR shall mean either the Board or the Committee acting in its capacity as administrator under the Plan.

Y. PLAN EFFECTIVE DATE shall mean the date on which the Plan was adopted by the Board.

Z. SERVICE shall mean the performance of services for the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, a non-employee member of the Board or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance.

AA. SHORT TERM FEDERAL RATE shall mean the federal short-term rate in effect under Section 1274(d) of the Code at the beginning of the period the shares were held in escrow.

BB. STOCK EXCHANGE shall mean either the American Stock Exchange or the New York Stock Exchange.

CC. STOCK ISSUANCE AGREEMENT shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

DD. STOCK ISSUANCE PROGRAM shall mean the stock issuance program in effect under the Plan.

EE. SUBSIDIARY shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

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FF. TAXES shall mean the Federal, state and local income and employment tax liabilities incurred by the holder of Non-Statutory Options or unvested shares of Common Stock in connection with the exercise of those options or the vesting of those shares.

GG. 10% STOCKHOLDER shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than 10% of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

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**The Rubicon Project, Inc.**

**2007 Stock Incentive Plan**

**Plan Addendum for UK Optionees**

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This Plan Addendum for UK Employees supplements and amends The Rubicon Project 2007 Stock Incentive Plan (the "Plan") for purposes of stock options granted under the Plan to UK residents ("UK Optionees"). Certain capitalized terms are defined below. Other terms used but not defined herein shall have the meanings given to them in the Plan.

1. UK Options. Options granted to UK Optionees under the Plan may be designated EMI Options or Unapproved Options. EMI Options may be granted to Eligible Employees only. Unapproved Options may be granted to Employees and other eligible optionees under the Plan who are not eligible to receive EMI Options or to Eligible Employees for whom the £120,000 EMI Options limit has been reached.
2. Date of Grant for EMI Options. For UK tax purposes, the date of Grant of an EMI Option shall be regarded as being the date on which the Company and the Optionee have signed the option agreement providing for such EMI Option.
3. UK Option Agreement. Stock options granted to UK Optionees under the Plan shall be made pursuant to a Stock Option Agreement (the "UK Option Agreement") approved by the Plan Administrator and which will contain provisions intended to comply with applicable provisions of the law of England and Wales and the appropriate UK tax legislation.
4. Certain Definitions. For purposes of stock options granted to UK Optionees, the following terms shall have the following meanings:
  - "Disqualifying Event" shall have the meaning given to it in sections 534, 535 and 536 of ITEPA.
  - "Employee" shall mean any employee of the Corporation or any Parent or Subsidiary of the Corporation.
  - "Eligible Employee" shall mean an Employee who fulfills the requirements of Part 4, Schedule 5 of ITEPA.
  - "EMI" means enterprise management incentive.
  - "EMI Option" means an option that satisfies the requirements of Schedule 5 of ITEPA.

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“ITEPA” means the Income Tax (Earnings and Pensions) Act 2003.

“Joint Election” means the election made between the Optionee and the Corporation or if and to the extent that there is a change in the law, any other company or person who is or becomes a secondary contributor for NIC purposes in respect of an Option, in such terms and such forms as provided in paragraphs 3A and 3B of Schedule 1 to the Social Security Contributions and Benefits Act 1992 which has been approved by HM Revenue & Customs, for the transfer of Secondary NIC Liability.

“NIC” means Class 1 national insurance contributions.

“Option” shall mean an Unapproved Option or an EMI Option granted under the Sub- Plan and entitling the holder to purchase Shares.

“Option Tax Liability” means any tax or employee’s social security liability to the extent arising from the grant, exercise, release or cancellation of an Option or arising out of the acquisition, retention and disposal of the Shares acquired pursuant to an Option or by a Disqualifying Event.

“Secondary NIC Liability” means any liability to employer’s Class 1 NIC to the extent arising from the grant, exercise, release or cancellation of an Option or arising out of the acquisition, retention and disposal of the Shares acquired pursuant to an Option.

“Section 431 Election” means an election under section 431 ITEPA in such form as may be determined by HM Revenue & Customs from time to time.

“Unapproved Option” means an option or part of an option which fails to meet the requirements of Schedule 5 of ITEPA.

5. Certain Definitions. Any references to the “Plan” in any UK Stock Option Agreement shall refer to the Plan including this Addendum.

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**THE RUBICON PROJECT, INC.**

**STOCK PLAN AMENDMENTS**

As used below, the “Company” refers to The Rubicon Project, Inc. (f/k/a adMonitor, Inc.) and the “Plan” refers to the Company’s 2007 Stock Incentive Plan.

The Plan was adopted on May 18, 2007.

Effective December 13, 2007, the Company’s name was changed from adMonitor, Inc. to The Rubicon Project, Inc.

Effective December 14, 2007, by action of the board of directors and stockholders, the number of shares reserved for issuance under the Plan was increased from 3,000,000 to 5,500,000.

Effective September 10, 2009, by action of the board of directors and stockholders, the number of shares reserved for issuance under the Plan was increased from 5,500,000 to 6,000,000.

Effective October 29, 2010, by action of the board of directors and stockholders, the number of shares reserved for issuance under the Plan was increased from 6,000,000 to 7,431,746.

Effective October 29, 2010, all shares of the Company’s Common Stock were reclassified into shares of Class A Common Stock and, accordingly, all shares issued or reserved for issuance under the Stock Plan are Class A Common Stock.

Effective July 21, 2011, the board of directors ratified the Plan Addendum for UK Optionees.

Effective December 7, 2011, by action of the board of directors and stockholders, the number of shares reserved for issuance under the Plan was increased from 7,431,746 to 9,019,664.

Effective May 21, 2012, by action of the board of directors and stockholders, the number of shares reserved for issuance under the Plan was increased from 9,019,664 to 13,217,815.

Effective February 22, 2013, by action of the board of directors and stockholders, the number of shares reserved for issuance under the Plan was increased from 13,217,815 to 18,913,600.

Effective September 30, 2013, by action of the board of directors and stockholders, the number of shares reserved for issuance under the Plan was increased from 18,913,600 to 20,913,600.

**The Rubicon Project, Inc.**

**2007 STOCK INCENTIVE PLAN  
NOTICE OF GRANT OF STOCK OPTION  
(Incentive Stock Option)**

Name: \_\_\_\_\_

Employee ID: \_\_\_\_\_

Location: \_\_\_\_\_

**Grant of Option**

You have been granted an option to buy shares of common stock of The Rubicon Project, Inc. (the "Company") as follows:

Incentive Stock Option Grant No.:	_____
Grant Date:	_____
Start Date:	_____
Option Price per Share:	_____
Total Number of Shares:	_____
Termination Date:	_____

**Vesting Schedule**

This option shall become exercisable on the following basis, subject in each case to Optionee's continued employment with the Company:

- (a) shares constituting 25% of the shares covered by this option upon the expiration of one year from the Start Date; and
- (b) the remaining 75% of the shares in 36 equal installments of \_\_\_\_\_ shares each at the end of each calendar month for 36 months.

**Agreement**

By your signature and the Company's signature below, you and the Company agree that this option is granted under and governed by the terms of the Company's 2007 Stock Incentive Plan (the "Plan"), and the Incentive Stock Option Agreement (the "Option Agreement") which is attached hereto and incorporated herein by this reference. PLEASE READ THE AGREEMENT.

"COMPANY"

The Rubicon Project, Inc.

"OPTIONEE"

Name: \_\_\_\_\_

Address: \_\_\_\_\_

By: \_\_\_\_\_

Frank Addante  
Chief Executive Officer

\_\_\_\_\_  
Signature

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**THE RUBICON PROJECT, INC.  
2007 STOCK INCENTIVE PLAN  
INCENTIVE STOCK OPTION AGREEMENT**

This Incentive Stock Option Agreement is made and entered into by and between The Rubicon Project, Inc., a Delaware corporation (“Company”), and the Employee identified in the “The Rubicon Project, Inc. Employee Stock Option Plan Notice of Grant of Stock Option” (“Grant Notice”) which is attached hereto (“Optionee”), as of the “Grant Date” set forth in the Grant Notice, with respect to the following facts:

A. The Company has adopted and the stockholders of the Company have approved the The Rubicon Project, Inc. 2007 Stock Incentive Plan (“Plan”) pursuant to which the Company is authorized to grant stock options to employees of the Company or its subsidiaries;

B. Optionee has received and reviewed a copy of the Plan; and

C. Optionee is an employee of the Company or a subsidiary.

NOW, THEREFORE, in consideration of the premises and intending to be legally bound, the parties agree as follows:

1. **Grant of Stock Option.** Subject to the terms and conditions set forth herein, the Company hereby grants to Optionee an incentive stock option (the “Stock Option”) to purchase from the Company, at the “Option Price Per Share” set forth in the Grant Notice, the “Total Number of Shares” of the Company’s authorized and unissued or reacquired shares of common stock set forth in the Grant Notice. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan.

2. **Incentive Stock Option.** The Stock Option granted to Optionee pursuant to this Agreement is intended to qualify as an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended (“Code”).

3. **Administration.** The Plan provides that it shall be administered by the Board of Directors of the Company (“Board”) or by a committee (“Committee”) appointed by the Board. Subject to the provisions of the Plan, the Plan Administrator shall have authority to construe and interpret the Plan and this Agreement, to promulgate, amend, and rescind rules and regulations relating to the administration of the Plan and this Agreement, and to make all of the determinations necessary or advisable for administration of the Plan and this Agreement. The interpretation and construction by the Plan Administrator of any provision of this Agreement, shall be final and binding upon all parties. No member of the Plan Administrator shall be liable for any action or determination undertaken or made in good faith with respect to the Plan or this Agreement.

4. **Term of Stock Option.** Unless earlier exercised pursuant to Section 5 below, the Stock Option shall terminate on, and shall not be exercisable after, the expiration of the earliest of (a) ten (10) years after the Grant Date set forth in the Grant Notice or, if earlier, the Termination Date set forth in the Grant Notice, (b) three (3) months after the date Optionee’s employment with the Company and its subsidiaries terminates, if such termination is for any reason other than permanent disability, death or cause, or (c) the date the Optionee’s employment with the Company and its subsidiaries terminates if such termination is for cause as determined



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by the Plan Administrator, in its sole discretion, or (d) one (1) year after the date Optionee's employment with the Company and its subsidiaries terminates, if such termination is a result of death or permanent disability (as defined in the Plan). Notwithstanding (a) above, in the case of a Stock Option granted at a time when Optionee owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, the term set forth in (a) above, shall not be more than five (5) years after the Grant Date set forth in the Grant Notice.

## 5. **Exercise.**

5.1 **Exercisability.** Subject to the terms and conditions of this Agreement, the Stock Option shall become exercisable at such time or times, during such period and for such number of shares as set forth in the Grant Notice. The Stock Option may be exercised by Optionee with respect to any shares of Common Stock of the Company covered by the Stock Option at any time on or after the date on which the Stock Option becomes exercisable with respect to such shares; provided that the Stock Option may not be exercised at any one time with respect to less than one hundred (100) shares of Common Stock of the Company, unless the number of shares with respect to which the Stock Option is exercised is the Total Number of Shares with respect to which the Stock Option is exercisable at that time.

During any post-Service exercise period, the Stock Option may not be exercised in the aggregate for more than the number of vested shares for which the Stock Option is exercisable on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the Stock Option term, the Stock Option shall terminate and cease to be outstanding for any vested shares for which the Stock Option has not been exercised. However, the Stock Option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding to the extent the Stock Option is not otherwise at that time exercisable for vested shares.

5.2 **Notice of Exercise.** Optionee shall exercise the Stock Option by delivering to the Company, either in person or by certified or registered mail, written notice of election to exercise and payment in full of the purchase price as provided in Subsection 5.3 of this Agreement. The written notice shall set forth the whole number of shares with respect to which the Stock Option is being exercised.

5.3 **Payment of Purchase Price.** The purchase price for any shares of common stock of the Company with respect to which Optionee exercises this Stock Option shall be paid in full at the time Optionee delivers to the Company the written notice of election to exercise. The purchase price shall be paid in (a) cash or certified check made payable to the Corporation, or (b) shares of Common Stock valued at Fair Market Value (determined as defined in the Plan) in the form and manner specified by the Plan Administrator (a "stock-for-stock exercise"). In addition to the purchase price, the Optionee shall pay the amount of tax required to be withheld (if any) by the Company or any parent or subsidiary corporation as a result of the exercise of the Stock Option. At the discretion of the Plan Administrator, upon such terms as the Plan Administrator shall approve, the Optionee may pay all or a portion of the tax withholding by (i) cash or check payable to the Company, (ii) stock-for-stock exercise, or (iii) a combination of (i) and (ii) on the Exercise Date. Notwithstanding the foregoing, the Company, in its sole discretion, may extend and maintain, or arrange for the extension and maintenance of, credit to Optionee to finance payment of the purchase price on such terms as may be approved by the Plan Administrator.

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5.4 **Change in Control.** In the event of a Change in Control (as defined in the Plan), the Stock Option shall not become exercisable on an accelerated basis if and to the extent: (1) the Stock Option is, in connection with the Change in Control, assumed by the successor corporation or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction, or (2) the Stock Option is replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Change in Control on the shares of Common Stock for which the Stock Option is not otherwise at that time exercisable, which provides for subsequent payout in accordance with the same vesting schedule applicable to the Stock Option shares and does not cause any IRC 409A Consequences (as defined in the Plan).

However, if none of the foregoing conditions are satisfied, then each Stock Option outstanding at the time of the Change in Control but not otherwise exercisable for all the shares of Common Stock at that time subject to such Stock Option shall automatically accelerate so that each such Stock Option shall, immediately prior to the effective date of the Change in Control, become exercisable for all the shares of Common Stock at the time subject to such Stock Option and may be exercised for any or all of those shares as fully vested shares of Common Stock.

6. **Issuance of and Restrictions on Shares.** Promptly after the Company's receipt of the written notice of election provided for in Subsection 5.2 above and Optionee's payment in full of the purchase price, the Company shall deliver, or cause to be delivered to Optionee, certificates for the whole number of shares with respect to which the Stock Option is being exercised by Optionee. Shares shall be registered in the name of Optionee. If any law or regulation of the Securities and Exchange Commission or of any other federal or state governmental body having jurisdiction shall require the Company or Optionee to take any action prior to issuance to Optionee of the shares of Common Stock of the Company specified in the written notice of election to exercise, or if any listing agreement between the Company and any national securities exchange requires such shares to be listed prior to issuance, the date for the delivery of such shares shall be adjourned until the completion of such action and/or such listing.

#### 7. **Right of First Refusal.**

7.1 **Right of First Refusal.** In the event that the Optionee proposes to sell, pledge or otherwise transfer to a third party any shares acquired pursuant to this Stock Option, or any interest in such shares, the Company shall have a right of first refusal (the "Right of First Refusal") with respect to such shares. If the Optionee has a bona fide intent to transfer such shares, the Optionee shall give a written notice to the Company describing fully the proposed transfer, including the number of shares proposed to be transferred, the proposed transfer price, the name and address of the proposed transferee (the "Transfer Notice") and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal or state securities laws. The Transfer Notice shall be signed both by the Optionee and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Shares, subject to the Right of First Refusal. The Company shall have the right to purchase some or all of the shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Section 7.2 below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company. The Company's rights under this Section 7.1 shall be freely assignable, in whole or in part.

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**7.2 Transfer of Shares.** If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee may, not later than 90 days following receipt of the Transfer Notice by the Company, effect a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal and state securities laws and not in violation of any other contractual restrictions to which the Optionee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Section 7.1. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

**7.3 Additional Shares or Substituted Securities.** In the event of the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any shares subject to this Section 7 or into which such Shares thereby become convertible shall immediately be subject to this Section 7. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the shares subject to this Section 7.

**7.4 Termination of Right of First Refusal.** Any other provision of this Section 7 notwithstanding, in the event that the shares issued upon exercise of this Stock Option are readily tradable on an established securities market when the Optionee desires to transfer such shares, the Company shall have no Right of First Refusal with respect thereto, and the Optionee shall have no obligation to comply with the procedures prescribed by Sections 7.1 and 7.2 above.

**7.5 Permitted Transfers.** This Section 7 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to the Optionee's spouse, children or to a trust established by the Optionee for the benefit of the Optionee or the Optionee's spouse, children or grandchildren, provided in either case that the transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any shares acquired under this Stock Option, either under this Section 7.5 or after the Company has failed to exercise the Right of First Refusal, then this Section 7.5 shall apply to the transferee to the same extent as to the Optionee.

**7.6 Termination of Rights as Stockholder.** If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the shares to be purchased in accordance with this Section 7, then after such time the person from whom such shares are to be purchased shall no longer have any rights as a holder of such shares (other than the right to receive payment of such consideration in accordance with this Section 7). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered.

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8. **Fractional Shares.** In no event shall the Company be required to issue fractional shares upon the exercise of any portion of the Stock Option.

9. **Rights as a Stockholder.** Optionee shall have no rights as a stockholder of the Company with respect to any shares covered by the Stock Option until the date of the issuance of a share certificate for such shares. No adjustment shall be made for any dividends (ordinary or extraordinary, whether cash, securities, or other property) or distributions or other rights for which the record date is prior to the date such share certificate is issued, except as provided in Section 11 below.

10. **“Market Stand-Off” Restrictions.**

10.1. The Optionee agrees that, following the effective date of a registration of the Company’s securities under the Securities Act, the Optionee will not, without the prior written consent of the Company or the representative(s) of any underwriters, (i) sell, pledge, offer to sell, contract to sell (including, without limitation, any short sale), sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are then owned by the Optionee or are thereafter acquired), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise.

10.2. The provisions of Section 10.1 above will not apply (i) unless the executive officers and directors of the Company have agreed to be bound by substantially the same terms and conditions, (ii) to public offerings other than the Company’s initial public offering and any public offering made within two years thereafter, (iii) to registrations relating solely to securities in connection with employee benefit plans or in connection with mergers, consolidations, reorganizations, or other transactions pursuant Rule 145 under the Securities Act, or (iv) to transfers to donees who agree to be similarly bound. The time period requested for such market stand-off will be determined by the Company and the representative(s) of any underwriters but will in no event exceed 180 days from the date of the final prospectus with respect to the applicable public offering. The Company may impose stop-transfer instructions during such stand-off period with respect to the securities of the Optionee subject to this restriction if necessary to enforce such restrictions. The underwriters in connection with any such public offering are intended third party beneficiaries of this Section 10 and will have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

11. **Capital Structure Adjustments.** Except as otherwise provided herein, appropriate and proportionate adjustments shall be made in the number and class of shares subject to the Stock Option and the purchase price of such shares in the event of a stock dividend (but only on Common Stock), stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, separation, or like change in the capital structure of the Company. In the event of a liquidation of the Company, or a merger, reorganization, or consolidation of the Company with any other corporation in which the Company is not the surviving corporation or the Company becomes a wholly owned subsidiary of another corporation, any unexercised portion of this Stock Option shall be deemed cancelled unless the surviving corporation in any such merger, reorganization, or consolidation elects to assume this Stock Option or to use substitute options in

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place thereof; provided, however, that, notwithstanding the foregoing, if such Stock Options would otherwise be cancelled in accordance with the foregoing, the Optionee shall have the right, exercisable during a ten-day period ending on the fifth day prior to such liquidation, merger, or consolidation, to exercise this Stock Option without regard to any restrictions on exercisability. To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Plan Administrator the determination of which shall be final, binding, and conclusive, provided that the Stock Option shall not be adjusted in a manner that causes it to fail to continue to qualify as an incentive stock option within the meaning of Section 422 of the Code.

12. **No Transfer of Stock Option.** Optionee may not transfer all or any part of the Stock Option except by will or the laws of descent and distribution, and the Stock Option shall not be exercisable during the lifetime of Optionee by any person other than Optionee.

13. **Investment Representation.** Optionee hereby represents and warrants to the Company that he is acquiring the Stock Option and the Common Stock thereto for his own account and not with a view to or for sale in connection with any distribution thereof. Optionee hereby further represents and warrants to, and agrees with, the Company that, if he exercises the Stock Option in whole or in part at a time when there is not in effect under the Securities Act of 1933, as amended, a registration statement covering the shares issuable upon exercise of the Stock Option and available for delivery a prospectus meeting the requirements of Section 10(a)(3) of said Act, that Optionee may be required, as a condition of issuance of the shares of Common Stock of the Company covered by the Stock Option, to represent to the Company that the shares issued pursuant to the exercise of the Stock Option are being acquired for investment and without a view to distribution thereof; and that in such case the Company may place a legend on the certificate(s) evidencing the shares of the Common Stock of the Company issued upon exercise of the Stock Option reflecting the fact that the shares were acquired for investment and cannot be sold or transferred unless registered under said Act or unless counsel for the Company is satisfied that the circumstances of the proposed transfer do not require such registration. In addition, the Company may place a legend on the certificates evidencing the shares reflecting the fact that they are subject to restrictions on transfer under the terms of Section 6 hereof.

#### 14. **General Provisions.**

14.1 **Entire Agreement.** The Plan and this Agreement contain the entire understanding between the parties with respect to the subject matter hereof, and supersedes any and all prior written or oral agreements between the parties with respect to the subject matter hereof. There are no representations, agreements, arrangements, or understandings, either written or oral, between or among the parties with respect to the subject matter hereof which are not set forth in this Agreement.

14.2 **Governing Plan Document.** The Stock Option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of the Stock Option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of the Stock Option and those of the Plan, the provisions of the Plan shall control.

14.3 **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

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14.4 **Notices.** Any notice given pursuant to this Agreement may be served personally on the party to be notified or may be mailed, with postage thereon fully prepaid, by certified or registered mail, with return receipt requested, addressed as set forth by the party's signature of this Agreement or at such other address as such party may designate in writing from time to time. Any notice given as provided in the preceding sentence shall be deemed delivered when given, if personally served, or ten (10) business days after mailing, if mailed.

14.5 **Further Acts.** Each party to this Agreement agrees to perform such further acts and to execute and deliver such other and additional documents as may be reasonably necessary to carry out the provisions of this Agreement.

14.6 **Severability.** If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable for any reason, such invalidity, illegality, or unenforceability shall not affect any of the other terms, provisions, covenants, or conditions of this Agreement, each of which shall be binding and enforceable.

14.7 **Modification and Amendment.** This Agreement may not be modified, extended, renewed or substituted without an amendment or other agreement in writing signed by the parties to this Agreement.

The Rubicon Project, Inc.

2007 STOCK INCENTIVE PLAN  
NOTICE OF GRANT OF STOCK OPTION

Name of Optionee: \_\_\_\_\_

**Grant of Option**

You have been granted an option to buy shares (the "Option Shares") of Class A Common Stock of The Rubicon Project (the "Company") as follows:

Stock Option Grant No.:	[     ]
Grant Date:	[     ]
Vesting Start Date:	[     ]
Option Price per Share:	[     ]
Option Shares:	[     ]
Termination Date:	[     ] (subject to the Option Agreement)
Type of Option	[   ] Incentive Stock Option (Employees only) [   ] Non-Statutory Stock Option

**Vesting Schedule**

This option shall become exercisable on the following basis:

- [     ] of the Option Shares (which is 25% of the total Option Shares) will become exercisable one year from the Vesting Start Date; and
- The remaining [     ] Option Shares will become exercisable in 36 equal installments of [     ] shares each at the end of each calendar month thereafter,

subject in each case to continued Service to the Company.

**Agreements**

By your signature and the Company's signature below, you and the Company agree that this option is granted under and governed by the terms of the Company's 2007 Stock Incentive Plan (the "Plan"), and the Stock Option Agreement (the "Option Agreement") which are attached hereto and incorporated herein by this reference. Capitalized terms used but not defined herein shall have the meanings given to them in the Plan or the Option Agreement, as the case may be.

You further acknowledge that your rights to any Option Shares will be earned only as you provide Service to the Company over time, that the grant of this option is not as consideration for Service you rendered to the Company prior to the Vesting Start Date, and that nothing herein or the attached documents confers upon you any right to continue your employment or other Service relationship with the Company for any period of time, nor does it interfere in any way with your right or the Company's right to terminate that relationship at any time, for any reason, with or without cause.

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Except as otherwise set forth in the Option Agreement, this option may be exercised for three months after termination of your Service to the Company (but in no event later than the Termination Date). You are responsible for keeping track of these exercise periods following termination for any reason of your Service to the Company. The Company is not obligated to provide further notice of such periods.

The Option Price Per Share is intended to be at least equal to the fair market value of the Company's Class A Common Stock at the date of grant. The Company has attempted in good faith to make the fair market value determination in compliance with applicable tax law although there can be no certainty that the IRS will agree. If the IRS does not agree and asserts the fair market value at the time of grant is higher than the Option Price Per Share, the IRS could seek to impose greater taxes on you, including interest and penalties under Internal Revenue Code Section 409A. While the Company thinks this is an unlikely event, the Company cannot provide absolute assurance and you may want to consult your own tax adviser with any questions.

“COMPANY”

The Rubicon Project, Inc.

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Craig Roah  
Chief Operating Officer

“OPTIONEE”

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Name

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Signature

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Address

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Address



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**THE RUBICON PROJECT  
2007 STOCK INCENTIVE PLAN  
STOCK OPTION AGREEMENT**

This Stock Option Agreement is made and entered into by and between The Rubicon Project, Inc. a Delaware corporation (“Company”), and the Optionee identified in the Notice of Grant of Stock Option (“Grant Notice”) which is attached hereto (“Optionee”).

1. **Grant of Stock Option.** Subject to the terms and conditions set forth herein, the Company hereby grants to Optionee a stock option (the “Stock Option”) to purchase from the Company, at the Option Price Per Share set forth in the Grant Notice, the number of Option Shares set forth in the Grant Notice. This Option is intended to be an Incentive Option or a Non-Statutory Option as set forth on the Grant Notice. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan or the Grant Notice.

2. **Incentive Stock Option.** If, and only to the extent, that this Stock Option is identified as an Incentive Stock Option on the Grant Notice, it is intended to qualify as an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended (“Code”) provided, however (a) this Stock Option shall cease to qualify as an Incentive Option under the Code to the extent it is exercised (i) more than 90 days after the date the Optionee ceases to be an Employee for any reason other than death or permanent and total disability (as defined in Section 22 (e)(3) of the Code), (ii) more than 12 months after the date the Optionee ceases to be an Employee by reason of such permanent and total disability or (iii) after the Optionee has been on a leave of absence for more than 90 days, unless the Optionee’s reemployment rights are guaranteed by statute or by contract; and (b) to the extent that the Stock Option (together with all other Company Incentive Options held by Optionee) becomes exercisable for the first time during any calendar year for shares having a Fair Market Value greater than \$100,000, the portion of such options which exceeds such amount will be treated as Non-statutory Options. If the Code is amended to provide for a different limitation from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date required or permitted by such amendment to the Code.

3. **Administration.** The Plan Administrator shall have authority to construe and interpret the Plan and this Agreement, to promulgate, amend, and rescind rules and regulations relating to the administration of the Plan and this Agreement, and to make all of the determinations necessary or advisable for administration of the Plan and this Agreement. The interpretation and construction by the Plan Administrator of any provision of this Agreement, shall be final and binding upon all parties.

4. **Term of Stock Option.** Unless earlier exercised pursuant to Section 5 below or as otherwise set forth herein, the Stock Option shall terminate on, and shall not be exercisable after, the expiration of the earliest of (a) ten (10) years after the Grant Date set forth in the Grant Notice or, if earlier, the Termination Date set forth in the Grant Notice, (b) three (3) months after the date Optionee’s Service with the Company and its subsidiaries terminates, if such termination is for any reason other than permanent disability, death or cause, or (c) the date the Optionee’s Service with the Company and its subsidiaries terminates if such termination is for cause as determined by the Plan Administrator, in its sole discretion, or (d) one (1) year after the date Optionee’s Service with the Company and its subsidiaries terminates, if such termination is a result of death or permanent disability (as defined in the Plan). Furthermore, notwithstanding (a)

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above, in the case of a Incentive Option granted at a time when Optionee owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, the term set forth in (a) above, shall not be more than five (5) years after the Grant Date set forth in the Grant Notice.

5. **Exercise.**

5.1 **Exercisability.** Subject to the terms and conditions of this Agreement, the Stock Option shall become exercisable at such time or times, during such period and for such number of Option Shares as is set forth in the Grant Notice; provided that the Stock Option may not be exercised at any one time with respect to less than one hundred Option Shares unless the number of Option Shares with respect to which the Stock Option is being so exercised is the total number of Option Shares with respect to which the Stock Option is exercisable at that time. During any post-Service exercise period, the Stock Option may not be exercised for more than the number of vested shares for which the Stock Option is exercisable on the date of the Optionee's cessation of Service. The Stock Option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding to the extent the Stock Option is not otherwise at that time exercisable for vested Option Shares. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the Stock Option term, the Stock Option shall terminate and cease to be outstanding for any Option Shares for which the Stock Option has not been exercised.

5.2 **Exercise Agreement.** Optionee may exercise the Stock Option by delivering to the Company, either in person or by certified or registered mail, a duly executed exercise agreement in a form approved by the Company from time to time for such exercises, which shall contain, among other things, restrictions on transfer without the Company's consent, rights of first refusal, securities laws provisions, voting provisions and market standoff provisions (the "Exercise Agreement"), and payment in full of the purchase price as provided in Section 5.3 of this Agreement. A copy of the Exercise Agreement will be provided by the Company to Optionee upon request, and no exercise of this Stock Option may be effected without the Optionee's execution of such Exercise Agreement in the form approved by the Company and containing the provisions noted above.

5.3 **Payment of Purchase Price.** The purchase price for any Option Shares for which this Stock Option is exercised shall be paid in full at the time Optionee delivers to the Company the Exercise Agreement. Unless otherwise approved by the Plan Administrator in its sole discretion, the purchase price shall be paid in cash or certified check made payable to the Company. In addition to the purchase price, the Optionee shall pay the amount of tax required to be withheld (if any) by the Company or any parent or subsidiary corporation as a result of the exercise of the Stock Option. The Company, in its sole discretion, may extend and maintain, or arrange for the extension and maintenance of, credit to Optionee to finance payment of the purchase price on such terms as may be approved by the Plan Administrator.

5.4 **Change in Control.** In the event of a Change in Control, as determined by the Plan Administrator in its sole discretion (and subject to the agreement of the acquiring entity): (1) the Stock Option may be continued (if the Company is the surviving entity); (2) the Stock Option may be assumed by the successor entity or parent thereof, (3) the successor entity or parent thereof may substitute a Stock Option with substantially similar terms; (4) an appropriate substitution of cash or other securities or property may be made for the Option Shares issuable upon exercise hereof based on the Fair Market Value of the Option Shares at the time of the Change in Control minus the Purchase Price Per Share; (6) vesting of the Stock Option may be

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accelerated, such that it is exercisable for all of the Option Shares upon the Change in Control; (7) the Stock Option may be cancelled as to any invested portion thereof and/or (8) the Stock Option may expire on such Change in Control on such conditions as the Plan Administrator may determine in its sole discretion. Subject to the foregoing, to the extent that the applicable agreement or plan relating to the Change in Control specifies the treatment of the Stock Option, the Stock Option shall be treated as so provided.

6. **Issuance of and Restrictions on Shares.** Promptly after the Company's receipt of the Exercise Agreement and Optionee's payment in full of the purchase price, the Company shall deliver, or cause to be delivered to Optionee, certificates for the whole number of shares with respect to which the Stock Option is being exercised by Optionee. If any law or regulation of the Securities and Exchange Commission or of any other federal or state governmental body having jurisdiction shall require the Company or Optionee to take any action prior to issuance to Optionee of Option Shares, or if any listing agreement between the Company and any national securities exchange requires such shares to be listed prior to issuance, the date for the delivery of such shares shall be adjourned until the completion of such action and/or such listing.

7. **Fractional Shares.** In no event shall the Company be required to issue fractional shares upon the exercise of any portion of the Stock Option.

8. **Rights as a Stockholder.** Optionee shall have no rights as a stockholder of the Company with respect to any Option Shares until such shares are issued by the Company. No adjustment shall be made for any dividends (ordinary or extraordinary, whether cash, securities, or other property) or distributions or other rights for which the record date is prior to the date such share certificate is issued, except as provided in Section 10 below.

9. **"Market Stand-Off" Restrictions.** In connection with any underwritten public offering by the Company of its equity securities pursuant to a registration statement filed under the Securities Act, including the Company's initial public offering, upon the request of the Company or the underwriters managing such offering, the Optionee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Option Shares without the prior written consent of the Company or its underwriters for such period of time after the effective date of the registration as is requested by the Company or the underwriters; provided that such period shall not exceed 180 days (or such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules). In order to enforce such restrictions the Company may impose stop-transfer instructions with respect to Option Shares issued upon exercise hereof until the end of the applicable period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Section 9. This Section 9 shall not apply to Shares included in the registration under the Securities Act for such offering. Optionee will enter into any agreement reasonably required by the underwriters to implement the foregoing.

10. **Capital Structure Adjustments.** Except as otherwise provided herein, appropriate and proportionate adjustments shall be made in the number and class of shares subject to the Stock Option and the purchase price of such shares in the event of a stock dividend (but only on Class A Common Stock), stock split, reverse stock split, recapitalization, reorganization,

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merger, consolidation, separation, or like change in the capital structure of the Company. In the event of a liquidation of the Company, or a merger, reorganization, or consolidation of the Company with any other corporation in which the Company is not the surviving corporation or the Company becomes a wholly owned subsidiary of another corporation, any unexercised portion of this Stock Option shall be deemed cancelled unless the surviving corporation in any such merger, reorganization, or consolidation elects to assume this Stock Option or to use substitute options in place thereof, or unless the Plan Administrator or the agreement or plan relating to such transaction provides otherwise. To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Plan Administrator the determination of which shall be final, binding, and conclusive.

11. **No Transfer of Stock Option.** Optionee may not transfer all or any part of the Stock Option except by will or the laws of descent and distribution, and the Stock Option shall not be exercisable during the lifetime of Optionee by any person other than Optionee.

12. **Investment Representation.** Optionee hereby represents and warrants to the Company that he is acquiring the Stock Option and the Class A Common Stock thereto for his or her own account and not with a view to or for sale in connection with any distribution thereof. Optionee hereby further represents and warrants to, and agrees with, the Company that, if he or she exercises the Stock Option in whole or in part at a time when there is not in effect under the Securities Act of 1933, as amended, a registration statement covering the shares issuable upon exercise of the Stock Option and available for delivery a prospectus meeting the requirements of Section 10(a)(3) of said Act, that Optionee may be required, as a condition of issuance of the Option Shares, to represent to the Company that the Option Shares issued pursuant to the exercise of the Stock Option are being acquired for investment and without a view to distribution thereof; and that in such case the Company may place a legend on the certificate(s) evidencing the shares of the Class A Common Stock of the Company issued upon exercise of the Stock Option reflecting the fact that the shares were acquired for investment and cannot be sold or transferred unless registered under said Act or unless counsel for the Company is satisfied that the circumstances of the proposed transfer do not require such registration.

13. **General Provisions.**

13.1 **Legends.** The Company may place such legends as it deems necessary, desirable or appropriate on any stock certificate evidencing the Option Shares.

13.2 **Restrictions on Grant of the Option and Issuance of Shares.** The grant of the Stock Option and the issuance of Option Shares upon exercise hereof shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Stock Option may not be exercised if the issuance of Option Shares upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Company's stock may then be listed. In addition, the Stock Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Stock Option be in effect with respect to the shares issuable upon exercise of the Stock Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Stock Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. THE OPTIONEE IS CAUTIONED THAT THE STOCK OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE OPTIONEE MAY NOT BE ABLE TO EXERCISE THE STOCK OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED. The

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inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Stock Option, the Company may require the Optionee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

**13.3 Tax Consequences.** The Company has not provided any tax advice with respect to this Stock Option or the disposition of the Option Shares. Optionee should obtain advice from an appropriate independent professional adviser with respect to the taxation implications of the grant, exercise, assignment, release, cancellation or any other disposal of this Stock Option (each, a "Trigger Event") and on any subsequent sale or disposition of the Stock Option Shares, and the taxation indemnity provisions below. The Option Price Per Share of the Stock Option is intended to be at least equal to the fair market value of the Company's Class A Common Stock at the Grant Date. The Company has attempted in good faith to make the fair market value determination in compliance with applicable tax law although there can be no certainty that the IRS will agree. If the IRS does not agree and asserts the fair market value at the time of grant is higher than the Option Price Per Share Price, the IRS could seek to impose greater taxes on Optionee, including interest and penalties under Code Section 409A. While the Company thinks this is an unlikely event, the Company cannot provide absolute assurance and Optionee may want to consult Optionee's own tax adviser with any questions. To the extent permitted by law, Optionee hereby agrees to indemnify and keep indemnified the Company and the Company as trustee for and on behalf of any affiliate entity, in respect of any liability or obligation of the Company and/or any affiliate entity to account for income tax or any other taxation provisions under the laws of Optionee's country or citizenship and/or residence to the extent arising from a Trigger Event or arising out of the acquisition, retention and disposal of the Shares. The Company shall not be obliged to allot and issue any of the Option Shares or any interest in the Option Shares unless and until Optionee has paid to the Company such sum as is, in the opinion of the Company, sufficient to indemnify the Company in full against any liability the Company has for any amount of, or representing, income tax or any other tax arising from a Trigger Event (the "Option Tax Liability"), or Optionee has made such other arrangement as in the opinion of the Company will ensure that the full amount of any Option Tax Liability will be recovered from Optionee within such period as the Company may then determine.

**13.4 Tax Withholding.** Whenever Option Shares are to be issued hereunder, the Company may require the Optionee to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of Option Shares. Whenever, payments of cash are to be made in cash by the Company in lieu of any issuance of Option Shares (if any), such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements

**13.5 Dispositions and Disqualifying Dispositions.** Optionee shall dispose of the Option Shares acquired pursuant to the exercise of this Stock Option only in accordance with the provisions of this Option Agreement or any other agreement among the Company and Optionee (including any exercise notice). In addition, if the Grant Notice designates this Stock Option as an Incentive Option, the Optionee shall (a) promptly notify the Chief Financial Officer of the Company, or equivalent officer, if the Optionee disposes of any of the shares acquired pursuant to the Stock Option within one year after the date the Optionee exercises all or part of the Option or within two years after the Grant Date and (b) provide the Company with a

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description of the circumstances of such disposition. At any time during the one-year or two-year periods set forth above, the Company may place a legend on any certificate representing shares acquired pursuant to the Option requesting the transfer agent for the Company's stock to notify the Company of any such transfers. The obligation of the Optionee to notify the Company of any such transfer shall continue notwithstanding that a legend has been placed on the certificate pursuant to the preceding sentence.

13.6 **No Retention Rights.** Nothing in this Stock Option or in the Plan shall confer upon the Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any parent or subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

13.7 **Proprietary Information.** Optionee agrees that all financial and other information relating to the Company furnished to Optionee pursuant to the Plan or otherwise in Optionee's capacity as such constitutes "Proprietary Information" of the Company. Optionee further agrees to hold in confidence and not disclose or, except within the scope of Optionee's Service, use any Proprietary Information. Optionee shall not be obligated under this paragraph with respect to information Optionee can document is or becomes readily publicly available without restriction through no fault of Optionee. Upon termination of Optionee's employment, Optionee shall promptly return to Company all items containing or embodying Proprietary Information (including all copies).

13.8 **No Other Equity Commitments.** Optionee acknowledges that the grant of the Stock Options pursuant to this Option Agreement (together with any other equity grants made on the date hereof, in any) satisfies all outstanding commitments, agreements and understandings between the Company and the Optionee with respect to the grant or issue of any stock, options or other Company equity or securities as of the date hereof.

13.9 **Entire Agreement.** The Plan, the Grant Notice and this Agreement contain the entire understanding between the parties with respect to the subject matter hereof, and supersedes any and all prior written or oral agreements between the parties with respect to the subject matter hereof. There are no representations, agreements, arrangements, or understandings, either written or oral, between or among the parties with respect to the subject matter hereof which are not set forth in this Agreement. Optionee hereby acknowledges receipt of a copy of the Plan and this Option Agreement. Participant has read and understands the terms and provisions thereof, and accepts the Option subject to all the terms and conditions of the Plan and this Agreement.

13.10 **Governing Plan Document.** The Stock Option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of the Stock Option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan.

13.11 **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

13.12 **Certain Information.** To facilitate the administration of the Stock Plan and this Agreement, it will be necessary for the Company (or its payroll administrators) to collect, hold and process certain personal information about Optionee and to transfer this data to certain

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third parties such as brokers with whom Optionee may elect to deposit any share capital under the Plan. Optionee consents to the Company (or its payroll administrators) collecting, holding and processing Optionee's personal data and transferring this data to the Company or any other third parties insofar as is reasonably necessary to implement, administer and manage the Plan.

13.13 **Notices.** Any notice required or permitted to be delivered under this Agreement shall be in writing (which shall include electronic transmission) and shall be deemed received (i) the business day following electronic verification of receipt if sent electronically, (ii) upon personal delivery to the party to whom the notice is directed, (iii) the business day following deposit with a reputable overnight courier, or (iv) five days after deposit in the U.S. mail, First Class with postage prepaid. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company.

13.13 **Further Acts.** Each party to this Agreement agrees to perform such further acts and to execute and deliver such other and additional documents as may be reasonably necessary to carry out the provisions of this Agreement.

13.14 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement, and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms. The parties agree to replace such illegal, void, invalid or unenforceable provision of this Agreement with a legal, valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such illegal, void, invalid or unenforceable provision.

**THE RUBICON PROJECT, INC.**

**2007 STOCK INCENTIVE PLAN**

**EXERCISE NOTICE AND AGREEMENT**

Name of Purchaser (the "Purchaser"): \_\_\_\_\_  
Grant Date of Option Being Exercised: \_\_\_\_\_  
Number of Shares Being Purchased: \_\_\_\_\_  
Purchase Price Per Share: \_\_\_\_\_  
Total Purchase Price: \_\_\_\_\_

To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning given to them in The Rubicon Project, Inc. (the "Company") 2007 Stock Incentive Plan (the "Plan") or the applicable Notice of Stock Option Grant and Stock Option Agreement (the "Option Agreement").

1. Exercise of Option. Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase the number of shares of the Company's Class A Common Stock set forth above (the "Shares") under and pursuant to the Plan and the above-referenced Option Agreement for the price(s) set forth above.

2. Representations of Purchaser. In connection with the purchase of the Shares, Purchaser represents to the Company and agrees as follows:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for his or her own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or under any applicable provision of state law. Purchaser does not have any present intention to transfer the Shares to any person or entity.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser acknowledges and understands that the Share must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the Shares. Purchaser understands that the certificate(s) evidencing the Shares will be imprinted with a legend that prohibits the transfer of the Shares unless they are registered or such registration is not required in the opinion of counsel for the Company.

(d) Purchaser understands and acknowledges that an investment in the Shares involves an extremely high degree of risk and may result in a complete loss of Purchaser's investment. Purchaser is aware of: (i) the highly speculative nature of the investment in the Shares; (ii) the financial hazards involved; (iii) the lack of liquidity of the Shares and the restrictions on transferability of the Shares, including that the Purchaser may not be able to sell or dispose of the Shares or use them as collateral for loans; and (iv) the tax consequences of



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investment in the Shares. Purchaser is capable of evaluating the merits and risks of this investment, has the ability to protect Purchaser's own interests in this transaction and is financially capable of bearing a total loss of this investment.

(e) Purchaser understands that he or she may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

(f) Purchaser understands that the Purchase Price per Share for the Shares is intended to be at least equal to the fair market value of the Company's Class A Common Stock at the Grant Date and that the Company has attempted in good faith to make the fair market value determination in compliance with applicable tax law although there can be no certainty that the IRS will agree. Purchaser understands that if the IRS does not agree and asserts that the fair market value at the time of grant is higher than the Exercise Price, the IRS could seek to impose greater taxes on Purchaser, including interest and penalties under Internal Revenue Code Section 409A.

3. Limitations on Transfer. Purchaser shall not sell, assign, encumber or dispose of any interest in the Shares except in compliance with applicable securities laws and the provisions in this Section 3.

(a) Consent to Transfer. Purchaser shall not sell, assign, encumber or dispose of any interest in the Shares without the prior written consent of the Company, which may be withheld in the Company's sole discretion, prior to the earliest of (i) a Change in Control; (ii) the Company's first sale of its Common Stock to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"); or (iii) seven years following the date hereof.

(b) Right of Repurchase. The Company shall have the right, but not the obligation, exercisable upon written notice to Purchaser during the 90 days after the termination of Purchaser's Service for any reason or after exercise of the Option if the Option is exercised after termination of Purchaser's Continuous Service Status for any reason, to repurchase the Shares at a price equal to the then current fair market value per Share.

(c) Right of First Refusal. Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), whether because the Company has consented to the transfer thereof pursuant to Section 3(a) or otherwise, the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 3(c) (the "Right of First Refusal").

(i) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the terms and conditions of each proposed sale or transfer. If requested by the Company, the Proposed Transferee shall acknowledge the Notice as a bona fide offer in writing. The Holder shall offer the Shares at the same price (the "Offered Price") and upon the same terms (or terms as similar as reasonably possible) to the Company or its assignee(s).

(ii) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase any the Shares proposed to be transferred at the purchase price determined in accordance with subsection (iii) below.

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(iii) Purchase Price. The purchase price (“Purchase Price”) for the Shares purchased by the Company or its assignee(s) under this Section 3(c) shall be the Offered Price. If the Offered Price includes consideration other than cash, the Board of Directors of the Company in good faith shall determine the cash equivalent value of the non-cash consideration.

(iv) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness, or by any combination thereof within 30 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(v) Holder’s Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 3(c), then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 60 days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this Agreement shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(vi) Exception for Certain Family Transfers. Notwithstanding the foregoing, the transfer of any or all of the Shares during Purchaser’s lifetime or on Purchaser’s death by will or intestacy to Purchaser’s Immediate Family or a trust for the benefit of Purchaser’s Immediate Family shall be exempt from the provisions of this Section 3(c). “Immediate Family” as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister or other person approved by the Company as Immediate Family. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Agreement, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3.

(d) Involuntary Transfer.

(i) Company’s Right to Purchase upon Involuntary Transfer. In the event, at any time after the date of this Agreement, of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(c)(vi) above) of all or a portion of the Shares by the record holder thereto the Company shall have an option to purchase the Shares transferred at the greater of the purchase price paid by Purchaser for the Shares pursuant to this Agreement (as adjusted for any stock splits, stock dividends and the like) or the fair market value of the Shares on the date of transfer. Upon such a transfer, the person acquiring the Shares shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice of such transfer.

(ii) Price for Involuntary Transfer. With respect to any stock to be transferred pursuant to Sections 3(b) or 3(d)(i), the fair market value per Share shall be a price set by the Board of Directors of the Company in good faith using a reasonable valuation method (and any valuation method used by the Company for purposes compliance with Section 409A of the Code shall be deemed reasonable). The Company shall notify Purchaser or his or her executor of the price so determined as soon as reasonably practicable after receipt by it of written notice of the transfer or proposed transfer of Shares.

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(e) Assignment. The right of the Company to purchase any part of the Shares hereunder may be assigned in whole or in part to any stockholder or stockholders of the Company or other persons or organizations.

(f) Restrictions Binding on Transferees. All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement. Any sale or transfer of the Company's Shares shall be void unless the provisions of this Agreement are satisfied.

(g) Termination of Rights. The right of first refusal and other rights granted the Company under this Section 3 shall terminate upon the Company's first sale of its Common Stock to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act.

4. Approved Sale Transactions. In the event that a Change in Control is approved by the Company's Board of Directors and the holders of a majority of the Company's voting stock (making such proposed transaction an "Approved Sale"), Purchaser agrees to take the actions set forth in Sections 4(a)-(d) below. In addition to any other restrictions set forth herein, any transfer of the Shares shall be conditioned upon the transferee agreeing in writing, on a form prescribed by the Company, to be bound by all provisions of this Agreement.

(a) If the Approved Sale requires stockholder approval, the Purchaser shall vote the Shares (in person, by proxy or by action by written consent, as applicable) in favor of, and adopt, such Approved Sale, and will vote the Shares in opposition to any and all other proposals that could reasonably be expected to delay or impair the ability of the Company or its stockholders to consummate such Approved Sale.

(b) If the Approved Sale requires the sale of Shares by Purchaser, Purchaser shall sell the Shares, in the same proportion and on the terms and conditions approved by the Board of Directors and stockholders as set forth above.

(c) Purchaser agrees to execute and deliver all reasonably required documentation and take such other action as is reasonably requested in order to carry out the Approved Sale, including without limitation executing and delivering instruments of conveyance and transfer, and any purchase agreement, merger agreement or similar or related agreement or document.

(d) Purchaser further agrees to refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such Approved Sale.

5. "Market Stand-Off" Restrictions. In connection with any underwritten public offering by the Company of its equity securities pursuant to a registration statement filed under the Securities Act, including the Company's initial public offering, upon the request of the Company or the underwriters managing such offering, the Purchaser shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any of the Shares without the prior written consent of the Company or its underwriters for such period of time after the effective date of the registration as is requested by the Company or the underwriters; provided that such period shall not exceed 180 days (or such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules). In order to enforce such restrictions, the Company may impose stop-transfer instructions with respect to the Shares issued hereunder

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until the end of the applicable period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Section 5. This Section 5 shall not apply to Shares included in the registration under the Securities Act for such offering. Purchaser will enter into any agreement reasonably required by the underwriters to implement the foregoing.

6. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. The certificate or certificates representing the Shares shall bear the following legends (as well as any legends required by applicable state and federal corporate and securities laws):

(i) THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED UNLESS EFFECTED PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR UNDER ANOTHER EXEMPTION AVAILABLE UNDER THE SECURITIES ACT OF 1933 (AS TO WHICH AVAILABILITY THE COMPANY MAY REQUIRE THE SELLER/TRANSFEROR TO PROVIDE AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY).

(ii) THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCKUP PERIOD OF UP TO 180 DAYS FOLLOWING THE EFFECTIVE DATE OF A REGISTRATION STATEMENT OF THE COMPANY FILED UNDER THE SECURITIES ACT, AS SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH LOCKUP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.

(iii) THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS TO THE COMPANY CERTAIN RIGHTS OF FIRST REFUSAL AND OTHER RIGHTS AND RESTRICTIONS UPON AN ATTEMPTED TRANSFER OF THE SHARES AND CERTAIN REPURCHASE RIGHTS UPON TERMINATION OF SERVICE WITH THE COMPANY. THE SECRETARY OF THE COMPANY WILL, UPON WRITTEN REQUEST, FURNISH A COPY OF SUCH AGREEMENT(S) TO THE HOLDER HEREOF WITHOUT CHARGE.

(b) Stop-Transfer Notices. Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

7. Dispositions and Disqualifying Dispositions. Purchaser shall dispose of the Shares acquired pursuant hereto only in accordance with the provisions of this Agreement or any other agreement among the Company and Purchaser. In addition, if the Grant Notice designated this Stock Option as an Incentive Stock Option, the Purchaser shall (a) promptly notify the Chief

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Financial Officer of the Company, or equivalent officer, if the Purchaser disposes of any of the shares acquired pursuant to the Stock Option within one year after the date the Purchaser exercises all or part of the Option or within two years after the Grant Date and (b) provide the Company with a description of the circumstances of such disposition. At any time during the one-year or two-year periods set forth above, the Company may place a legend on any certificate representing shares acquired pursuant to the Option requesting the transfer agent for the Company's stock to notify the Company of any such transfers. The obligation of the Purchaser to notify the Company of any such transfer shall continue notwithstanding that a legend has been placed on the certificate pursuant to the preceding sentence.

8. No Employment Rights. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent or subsidiary of the Company, to terminate Purchaser's employment, consulting or other relationship, for any reason, with or without cause.

9. Tax Consequences. Purchaser should obtain advice from an appropriate independent professional adviser with respect to the taxation implications of the grant, issuance, purchase, retention, assignment, release, cancellation, sale or any other disposal of the Shares (each, a "Trigger Event"). Participant should also take advice in respect of the taxation indemnity provisions under Section 10 below.

10. Purchaser's Taxation Indemnity.

(a) To the fullest extent permitted by law, Purchaser hereby agrees to indemnify and keep indemnified the Company and the Company as trustee for and on behalf of any affiliate entity, in respect of any liability or obligation of the Company and/or any affiliate entity to account for income tax or any other taxation provisions under the laws of Purchaser's country or citizenship and/or residence to the extent arising from a Trigger Event.

(b) The Company shall not be obliged to allot and issue any of the Shares or any interest in the Shares unless and until Purchaser has paid to the Company such sum as is, in the opinion of the Company, sufficient to indemnify the Company in full against any liability the Company has for any amount of, or representing, income tax or any other tax arising from a Trigger Event (the "Shares Tax Liability"), or Purchaser has made such other arrangement as in the opinion of the Company will ensure that the full amount of any Shares Tax Liability will be recovered from Purchaser within such period as the Company may then determine.

11. Other Agreements. If Purchaser holds more than 1% of the Company's capital stock, upon request of the Company, Purchaser shall be bound by the Voting Agreement and/or Right of First Refusal and Co-Sale Agreement by and among the Company and certain of its investors and stockholders, and Purchaser shall execute such agreements as may be requested by the Company in connection therewith.

12. Miscellaneous.

(a) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

(b) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement

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shall not be construed as a waiver of any rights of such party.

(c) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement, and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms. The parties agree to replace such illegal, void, invalid or unenforceable provision of this Agreement with a legal, valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such illegal, void, invalid or unenforceable provision.

(d) Construction. This Agreement shall be deemed to be the product of each of the parties hereto, and no ambiguity shall be construed in favor of or against anyone of the parties hereto. Section headings and titles are included herein for convenience only and shall not affect the meaning hereof.

(e) Notices. Any notice required or permitted to be delivered under this Agreement shall be in writing (which shall include electronic transmission) and shall be deemed received (i) the business day following electronic verification of receipt if sent electronically, (ii) upon personal delivery to the party to whom the notice is directed, (iii) the business day following deposit with a reputable overnight courier, or (iv) five days after deposit in the U.S. mail, First Class with postage prepaid. Notice shall be addressed to the Company at its principal executive office and to the Purchaser at the address that he or she most recently provided to the Company.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(g) Additional Shares or Substituted Securities. In the event of the declaration of a stock dividend, a spin-off, a stock split, a recapitalization or a similar transaction affecting the Company's Class A Common Stock without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Shares or into which such Shares thereby become convertible shall immediately be subject to the terms hereof to the same extent as the initial Shares.

(h) Transferee Obligations. Each person (other than the Company) to whom any Shares are transferred as permitted hereunder must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company, in form satisfactory to the Company, that such person is bound by the provisions of this Agreement and that the transferred Shares are subject to the transfer restrictions, right of first refusal, repurchase rights, market standoff and other provisions set forth above to the same extent such Shares would be so subject if retained by the Purchaser.

(i) Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of and be enforceable by the Company's successors and assigns. The rights and obligations of Purchaser under this Agreement may only be assigned with the prior written consent of the Company.

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IN WITNESS WHEREOF, the Purchaser has executed this Exercise Notice and Stock Purchase Agreement as of the date set forth below.

Name: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Social Security Number: \_\_\_\_\_  
Date: \_\_\_\_\_

Spousal Consent (if applicable)

I, \_\_\_\_\_, spouse of the above-referenced Purchaser, have read and hereby approve the foregoing terms. In consideration of the Company's granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement and further agree that any community property or other such interest shall hereby be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Name of Spouse: \_\_\_\_\_

Signature: \_\_\_\_\_

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**THE RUBICON PROJECT, INC.**  
**2007 STOCK INCENTIVE PLAN**  
**RESTRICTED STOCK AGREEMENT**  
(Service-Based Vesting)

This Restricted Stock Agreement consisting of the Notice of Grant immediately below (the “**Notice of Grant**”) and the accompanying Restricted Stock Agreement (the “**Restricted Stock Agreement**”) and together with the Notice of Grant, the “**Agreement**”) is made as of the Issuance Date set forth in below between The Rubicon Project, Inc. (the “**Company**”) and the undersigned individual (the “**Participant**”). Unless otherwise defined herein, the terms defined in the 2007 Stock Incentive Plan, as amended (the “**Plan**”) shall have the same defined meanings in this Agreement.

**NOTICE OF GRANT**

The Company hereby grants to Participant an award of shares of Class A Common Stock (“**Common Stock**”) subject to vesting as set forth below (“**Restricted Stock**”) under the Stock Issuance Program, subject to the terms and conditions of the Plan and this Agreement, as follows:

**Participant Name:**

\_\_\_\_\_

**Issuance Date:**

\_\_\_\_\_

**Vesting Commencement Date:**

\_\_\_\_\_

**Number of Shares of Restricted Stock:**

\_\_\_\_\_

**Vesting Schedule:**

*[Confirm following vesting terms]* For purposes of this Notice, “**Vesting Date**” means each May 15 and November 15; and a complete calendar month will begin on the first day of each calendar month and end on the last day of that calendar month. Subject to the Agreement and any Separate Agreement (as defined below), and subject to any acceleration provisions in the Plan (including as provided in Section 13 of the Restricted Stock Agreement):

(i) on the Vesting Date that is on or following the first anniversary of the Vesting Commencement Date (the “**First Vesting Date**”), there shall vest a number of shares of Restricted Stock equal to the sum of (A) 25% of the total number of shares of Restricted Stock and (B) a number of shares of Restricted Stock equal to the product of 2.0833% of the total number of shares of Restricted Stock and the number of complete calendar months, if any, elapsed during the period beginning on the first anniversary of the Vesting Commencement Date and ending on the First Vesting Date;

(ii) on each of the six Vesting Dates next succeeding the First Vesting Date, there shall vest an additional number of shares of Restricted Stock equal to 12.5% of the total number of shares of Restricted Stock, except that the number of shares of Restricted Stock vesting on the last of such six succeeding Vesting Dates will be less than 12.5% of the total number of shares of Restricted Stock if and to the extent that the number of shares of Restricted Stock vesting on the First Vesting Date exceeded 25% of the total number of shares of Restricted Stock;

(iii) except as provided in Section 7 of the Restricted Stock Agreement in connection with a termination of Service without Cause or due to death or disability, no shares of Restricted Stock will vest before the First Vesting Date, and vesting of Restricted Stock will occur only on Vesting Dates, without any ratable vesting for periods of time between Vesting Dates;



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(iv) if a Liquidity Event has not occurred as of a Vesting Date, then the vesting that would have occurred on that Vesting Date will not occur unless and until a Liquidity Event occurs before the Restricted Stock is otherwise forfeited, and for this purpose, “**Liquidity Event**” means the earlier of: (i) the date immediately prior to a date of the occurrence of a Change in Control, subject to the consummation of such Change in Control, or (ii) the expiration of the lock-up period set forth in Section 5 of the Restricted Stock Agreement following the Company’s initial public offering; and

(v) the Restricted Stock described in this Notice of Grant shall automatically be forfeited in its entirety, without any cost to or action by the Company, on the fourth anniversary of the Issuance Date if there has not then occurred either: (i) a Change in Control or (ii) the first sale of Common Stock by the Company or its successor to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act.

Subject to the provisions of Section 7 of the Restricted Stock Agreement, if Participant ceases to remain in Service for any or no reason before Participant vests in the Restricted Stock (including, for avoidance of doubt, if Participant ceases to remain in Service prior to a Liquidity Event), all unvested Restricted Stock will be forfeited and automatically reacquired by the Company. However, notwithstanding anything herein to the contrary, the vesting of the Restricted Stock shall be subject to any vesting acceleration provisions applicable to these shares of Restricted Stock contained in the Plan and/or any employment or service agreement, offer letter, severance agreement, or any other agreement between Participant and the Company or any Parent or Subsidiary (such agreement, a “**Separate Agreement**”). Furthermore, under all circumstances, the vesting of Restricted Stock shall be subject to the satisfaction of Participant’s obligations as set forth in Section 14(b).

Participant acknowledges and agrees that Participant has no legal rights to the receipt of any other compensatory stock awards of the Company or any changes to the terms and conditions of any outstanding compensatory stock awards of the Company granted to Participant, including but not limited to this grant of Restricted Stock, and hereby waives and releases any rights and claims which the Participant believes that he or she may have with respect to the grant of any stock option or other compensatory stock award of the Company or related to any changes in the exercise price or other terms and conditions of any previously granted or currently outstanding stock options or other compensatory stock awards. Participant further acknowledges that by signing this Agreement, Participant is expressly waiving the provisions of California Civil Code Section 1542, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.” *[Include to address changes in previously granted option awards.]*

Participant acknowledges receipt of a copy of the Plan and represents that Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands this Agreement and the Plan. Participant further acknowledges that this Agreement and the Plan (including any exhibits to each document) and any Separate Agreement (if applicable) set forth the entire understanding between Participant and the Company regarding the Shares subject to this Agreement and supersede all prior oral and written agreements with respect thereto, including, but not limited to, any other agreement or understanding between Participant and the Company relating to Participant’s continuous Service and any termination thereof, compensation, or rights, claims or interests in or to the Shares.

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PARTICIPANT:

THE RUBICON PROJECT, INC.:

Signature

By

Print Name

Name

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Title

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## RESTRICTED STOCK AGREEMENT

**1. Grant of Restricted Stock.** The Company hereby grants to the Participant named in the Notice of Grant under the Stock Issuance Program an award of Restricted Stock, subject to all of the terms and conditions in this Agreement, the Plan, and any Separate Agreement (if applicable), all of which is incorporated herein by reference. While no shares of Restricted Stock other than those described in the Notice of Grant are promised, this Agreement may also be used to govern any subsequent shares of Restricted Stock that may be awarded to Participant pursuant to an award document that references and incorporates this Agreement and sets forth the number of shares of Restricted Stock awarded, the schedule and any other conditions for vesting thereof, and such other terms and conditions as the Company may determine. The Notice of Grant and any other award document reflecting an award of shares of Restricted Stock under this Agreement, as described in the immediately preceding sentence, are each referred to in this Agreement as a “**Notice of Grant.**” Restricted Stock issued pursuant to a Notice of Grant and this Restricted Stock Agreement are referred to in this Agreement as “**Restricted Stock.**”

**2. Company’s Issuance of Common Stock.** As of the Issuance Date set forth in a Notice of Grant, the Company issues to you the number of shares of Common Stock as set forth in that Notice of Grant subject to the vesting requirements set forth in that Notice of Grant (each, a “**Share**” and collectively, the “**Shares**”). All shares of Restricted Stock issued hereunder shall be held in escrow by an authorized officer of the Company in accordance with the terms of the Joint Escrow Instructions attached hereto as Exhibit A. Participant will have no right to the release of any Shares from the escrow created by the Joint Escrow Instructions (the “**Escrow**”) unless and until the Shares have vested in the manner set forth in Section 4 and the restrictions in Sections 16 and 17 shall have lapsed.

### **3. Participant Representations.**

(a) Participant acknowledges that (i) Participant was and is free to use professional advisors of Participant’s choice in connection with this Agreement and any grant of Restricted Stock, that Participant understands this Agreement and the meaning and consequences of receiving a grant of Restricted Stock and unrestricted Shares released from the Escrow upon vesting of such Restricted Stock, and is entering into this Agreement freely and without coercion or duress; and (ii) Participant has not received and is not relying, and will not rely, upon any advice, representations or assurances made by or on behalf of the Company or any of its affiliates or any employee of or counsel to the Company or any of its affiliates regarding any tax or other effects or implications of receiving a grant of Restricted Stock or the holding of Shares or other matters contemplated by this Agreement.

(b) (i) Participant is aware of the Company’s business affairs and financial condition and understands that an investment in the Shares involves a high degree of risk. Participant is aware of the lack of liquidity of the Shares and the restrictions on transferability on the Restricted Stock and the Shares, whether vested or unvested, including that Participant may not be able to sell or dispose of them or use them as collateral for loans.

(ii) Participant is acquiring the Restricted Stock as Shares issued for investment for Participant’s own account only and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act of 1933, as amended (the “**Securities Act**”) or under any applicable provision of state law. Participant does not have any present intention to transfer Shares to any person or entity. Participant understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, and that the Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Participant further acknowledges and understands that the Company is under no obligation to register the Shares.

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(c) Participant acknowledges and understands that on the Issuance Date there is not in effect under the Securities Act a registration statement covering the Shares issued, and there is no prospectus meeting the requirements of Section 10(a)(3) of the Securities Act. Accordingly, Participant agrees that Participant shall (i) deliver to the Company Participant's Investment Representation Statement in the form attached hereto as Exhibit B; and/or (ii) make appropriate representations in a form satisfactory to the Company that such Shares will not be sold other than (A) pursuant to an effective registration statement under the Securities Act of 1933, as amended, or an applicable exemption from the registration requirements of such Act; (B) in compliance with all applicable state securities laws and regulations; and (C) in compliance with all terms and conditions of the Plan, this Agreement, and any other written agreement between Participant and the Company or any of its affiliates.

**4. Vesting Schedule.** Except as provided in Section 6, and subject to Section 7, the Restricted Stock will vest in accordance with the vesting schedule set forth in the Notice of Grant.

**5. Lock-Up.** In connection with any underwritten public offering by the Company of its equity securities pursuant to a registration statement filed under the Securities Act, upon the request of the Company or the underwriters managing such offering, during the Lock-up Period (as defined below) Participant shall not, without the prior written consent of the Company or its underwriters, directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares or other securities into which the Shares may be converted or that are issued in respect of the Shares (other than those included in the registration). For this purpose, the "**Lock-up Period**" means such period of time after the effective date of the registration as is requested by the Company or the underwriters; provided that such period shall not exceed 180 days (or such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules). The Company's underwriters shall be beneficiaries of the agreement set forth in this Section 5, and Participant shall execute and deliver such other agreements as may be reasonably requested by the Company or the underwriters that are consistent with the foregoing or that are necessary to give further effect thereto. In addition, if requested by the Company or the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required or reasonably requested by the Company or the underwriters in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 5 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the Shares (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees, and will cause any transferee to agree, that any transferee of the award of Restricted Stock or Shares acquired pursuant to the award of Restricted Stock shall be bound by this Section 5.

**6. Release from Escrow after Vesting.** Subject to Section 9, any restrictions that lapse with respect to shares of Restricted Stock upon vesting will lapse with respect to whole Shares.

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It is the intent of this Agreement that the issuance of Restricted Shares be exempt from the requirements of Section 409A pursuant to the regulations promulgated so that none of the Shares granted under the award of Restricted Stock will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, “**Section 409A**” means Section 409A of the Code, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

**7. Forfeiture Upon Termination of Service.** Except as otherwise provided in the vesting schedule set forth in the Notice of Grant or in a Separate Agreement, but notwithstanding any contrary provision of this Agreement, if Participant ceases to remain in Service for any reason other than due to a termination of Service by the Company without Cause or due to death or disability, in either case on or after the first vesting date for Shares of Restricted Stock, the then-unvested Shares of Restricted Stock will thereupon be forfeited and automatically reacquired by the Company at no cost to the Company and Participant will have no further rights with respect to such forfeited Shares. Upon a termination of Service by the Company without Cause or due to death or disability, in either case on or after the first vesting date for Shares of Restricted Stock, Participant shall become vested in a number of additional Shares of Restricted Stock that shall become vested as of the date of such termination of Service equal to the product obtained by multiplying the number of shares scheduled to vest on the scheduled vesting date next succeeding the date of termination of Service and a fraction, the numerator of which is the number of months from the vesting date immediately preceding the date of termination of Service to the date of termination of Service, and the denominator of which is the number of months from the vesting date immediately preceding the date of termination of Service to the scheduled vesting date next following the date of termination of Service. For these purposes, a month means the period from the date of one calendar month to the same date the next calendar month (e.g. from May 15 to June 15), or the last day of the next calendar month if the date is the 29<sup>th</sup>, 30<sup>th</sup>, or 31<sup>st</sup> and the next calendar month does not have at least 29, 30 or 31 days, as the case may be. Any Shares of Restricted Stock remaining unvested after such pro rata acceleration of vesting shall be forfeited and automatically reacquired by the Company at no cost to the Company and Participant will have no further rights with respect to such forfeited Shares. “**Cause**” shall mean a Participant’s (i) insubordination, (ii) failure to perform duties in a manner satisfactory to the Board or a Committee of the Board, (iii) dishonesty, (iv) fraud, (v) moral turpitude, (vi) willful misconduct, or (vii) willful failure or refusal to attempt in good faith to perform his or her duties or responsibilities for any reason other than illness or incapacity, in each case as determined by the Board or a Committee of the Board in its sole discretion.

**8. Death of Participant.** Any distribution or delivery of Shares to be made to Participant under this Agreement (including the Joint Escrow Instructions) will, if Participant is then deceased, be made to Participant’s designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant’s estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer, and (c) the agreement contemplated by Section 16(c).

**9. Tax Consequences, Withholding, and Liability.**

(a) Participant understands that Participant may suffer adverse tax consequences as a result of the grant or vesting of the Restricted Stock and issuance and/or disposition of the Shares. Neither the Company nor any of its employees, counsel or agents has provided to Participant, and Participant has not relied upon from the Company nor any of its employees, counsel or agents, any written or oral advice or representation regarding the U.S. federal, state, local and foreign tax

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consequences of the receipt, ownership and vesting of the Restricted Stock, the issuance of Shares pursuant to the grant of Restricted Stock, the other transactions contemplated by this Agreement, or the value of the Company or the Restricted Stock at any time. With respect to such matters, Participant relies solely on Participant's own advisors.

(b) Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of the receipt, ownership and vesting of the Restricted Stock, the issuance of Shares pursuant to the award of Restricted Stock, or the other transactions contemplated by this Agreement. Pursuant to such procedures as the Plan Administrator may specify from time to time, the Company shall satisfy its obligations to pay withholding taxes or other tax deposits in connection with the receipt, ownership and/or vesting of the Restricted Stock, the issuance of Shares pursuant to the award of Restricted Stock, or the other transactions contemplated by this Agreement in the minimum amount required to satisfy such obligations in accordance with applicable law or regulation (the "**Tax Obligations**"). If amounts paid by the Company in respect of Tax Obligations are less than Participant's tax obligations, Participant is solely responsible for any additional taxes due. If amounts paid by the Company in respect of Tax Obligations exceed Participant's tax obligations, Participant's sole recourse will be against the relevant taxing authorities, and the Company and its affiliates will have no obligation to issue additional shares or pay cash to Participant in respect thereof. Participant is responsible for determining Participant's actual income tax liabilities and making appropriate payments to the relevant taxing authorities to fulfill Participant's tax obligations and avoid interest and penalties.

(c) Payment by the Company of the Tax Obligations will result in a commensurate obligation of Participant to pay, or cause to be paid, to the Company or its affiliate the amount of Tax Obligations so paid, and the Escrow Agent shall not be required to release any of the affected Shares from the Escrow and the Company shall not be obligated to deliver any pecuniary interest in the affected Shares to the Participant unless and until Participant has satisfied this obligation. The Plan Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy the Tax Obligations, in whole or in part (without limitation) by any of the following means or any combination of two or more of the following means: (i) paying cash, (ii) having the Escrow Agent deliver to the Company Shares otherwise deliverable to Participant having a Fair Market Value equal to the amount of such Tax Obligations, (iii) having the Company withhold the amount of such Tax Obligations from Participant's paycheck(s), (iv) delivering to the Company already vested and owned Shares having a Fair Market Value equal to such Tax Obligations, or (v) selling such number of such Shares otherwise deliverable to Participant having an aggregate Fair Market Value equal to the amount of the Tax Obligations through such means as the Company may determine in its sole discretion (whether through a broker or otherwise). To the extent determined appropriate by the Company in its discretion, it shall have the right (but not the obligation) to cause Participant to satisfy any or all Tax Obligations by having the Escrow Agent deliver to the Company Shares otherwise deliverable to Participant having an aggregate Fair Market Value equal to the amount of such Tax Obligations. If, at the time Shares are to be issued, those Shares are not freely tradeable on a national securities exchange or market system (and for this purpose, a blackout pursuant to the Company's insider trading policy will not be considered to render the Shares not freely tradeable), Participant may in Participant's sole discretion satisfy the Tax Obligations by electing to have the Escrow Agent deliver to the Company such number of Shares otherwise deliverable to Participant, and/or by surrendering such number of Shares already delivered to Participant, having an aggregate Fair Market Value equal to the amount of such Tax Obligations.

(d) Under Section 83(a) of the Code, Participant will generally be taxed on the shares of Restricted Stock subject to this award on the date(s) such shares of Restricted Stock vest and the forfeiture restrictions lapse, based on their Fair Market Value on such date, at ordinary income rates subject to payroll and withholding tax and tax reporting, as applicable. Under Section 83(b) of the Code,

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Participant may elect to be taxed on the shares of Restricted Stock on the Issuance Date, based upon their Fair Market Value on such date, at ordinary income rates subject to payroll and withholding tax and tax reporting, as applicable. If Participant elects to accelerate the date on which Participant is taxed on the shares of Restricted Stock under Section 83(b), an election (an “**83(b) Election**”) to such effect must be filed with the Internal Revenue Service within 30 days from the Issuance Date and applicable withholding taxes must be paid to the Company at that time. The foregoing is only a summary of the federal income tax laws that apply to the shares of Restricted Stock under this Agreement and does not purport to be complete. The actual tax consequences of receiving or disposing of the shares of Restricted Stock are complicated and depend, in part, on Participant’s specific situation and may also depend on the resolution of currently uncertain tax law and other variables not within the control of the Company. THEREFORE, PARTICIPANT SHOULD SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE FEDERAL TAX LAW AND THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY TO WHICH PARTICIPANT IS SUBJECT. By receiving this grant of Restricted Stock, Participant acknowledges and agrees that Participant has either consulted with a competent tax advisor independent of the Company to obtain tax advice concerning the Shares in light of Participant’s specific situation or has had the opportunity to consult with such a tax advisor and has chosen not to do so. If Participant determines to make an 83(b) Election, it is Participant’s responsibility to file such an election with the Internal Revenue Service within the 30-day period after the Issuance Date, to deliver to the Company a signed copy of the 83(b) Election, to file an additional copy of such election form with Participant’s federal income tax return for the calendar year in which the Issuance Date occurs, and to pay applicable withholding taxes to the Company at the time that the 83(b) Election is filed with the Internal Revenue Service.

**10. Rights as Stockholder.** Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until such Shares have been issued and recorded on the records of the Company or its transfer agents or registrars. No adjustment shall be made for any dividends (ordinary or extraordinary, whether cash, securities, or other property) or distributions or other rights for which the record date is prior to the date Shares are issued, except as provided in Section 12. After such issuance and recordation, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares. Any dividends or distributions payable with respect to unvested Restricted Stock will be subject to the same restrictions as the shares of Common Stock underlying the Restricted Stock with respect to which they are paid and shall be held in escrow by an authorized officer of the Company in accordance with the terms of the Joint Escrow Instructions attached hereto as Exhibit A.

**11. No Guarantee of Continued Service.** PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING TO PROVIDE SERVICE AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF RESTRICTED STOCK OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT TO PROVIDE SERVICES FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT’S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT’S SERVICE AT ANY TIME, FOR ANY REASON OR NO REASON, WITH OR WITHOUT NOTICE, AND WITH OR WITHOUT CAUSE.

**12. Capital Structure Adjustments.** Except as otherwise provided herein, appropriate and proportionate adjustments shall be made in the number and class of Shares (or any other securities or other property as to which the Shares may be exchanged for, converted into, or otherwise transferred) subject to the award of Restricted Stock in the event of a stock dividend, stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, separation, or like change in the capital structure of the Company that directly affects the class of shares to which such Shares belong.

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### 13. Change in Control.

(a) Plan Provisions. For purposes of this award of Restricted Stock, Article III, Section 3 of the Plan is hereby replaced in its entirety to read as follows:

“1. The Restricted Stock outstanding at the time of a Change in Control shall immediately vest in full, in the event of any Change in Control, except to the extent (i) such shares of Restricted Stock are assumed by or substituted for a new award by the successor corporation (or parent thereof) with terms substantially similar to the replaced shares of Restricted Stock or otherwise are continued in full force and effect pursuant to the express terms of the Change in Control transaction or (ii) otherwise provided in this Agreement or any Separate Agreement.

2. The Plan Administrator shall have the discretionary authority to structure the shares of Restricted Stock subject to this Agreement to automatically vest in whole or in part upon the occurrence of a Change in Control.

3. The Plan Administrator shall also have the discretionary authority to structure the shares of Restricted Stock subject to this Agreement to automatically vest in whole or in part, upon the Involuntary Termination of Participant’s Service within a designated period (not to exceed 18 months) following the effective date of any Change in Control in which these shares of Restricted Stock do not otherwise vest.”

(b) Treatment of Restricted Stock. In the event of a Change in Control, in the Company’s discretion, (i) the shares of Restricted Stock may be continued (if the Company is the surviving entity); (ii) the shares of Restricted Stock may be assumed by the successor entity or parent thereof; (iii) the successor entity or parent thereof may substitute the shares of Restricted Stock with substantially similar terms; (iv) an appropriate substitution of cash or other securities or property may be made for the shares of Restricted Stock based on the Fair Market Value of the Shares issuable upon vesting of the Restricted Stock at the time of the Change in Control; and/or (v) vesting of the Restricted Stock may be accelerated upon the Change in Control.

### 14. Additional Conditions to Issuance of Stock.

(a) Legal and Regulatory Compliance. The issuance of Shares shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. If at any time the Company determines, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority is necessary as a condition to the issuance of Shares to Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. If the Company determines that the issuance of any Shares will violate federal securities laws or other applicable laws or regulations or the requirements of any exchange or market system upon which the Shares are listed, the Company may defer issuance until the earliest date at which the Company reasonably anticipates that the issuance of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority, but the inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any,



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deemed by the Company's legal counsel to be necessary to the lawful issuance of any Shares shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained. As a condition to the issuance of Shares, the Company may require Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

(b) **Obligations to the Company.** As a condition to issuance of any shares of Restricted Stock, Participant must enter into the Company's Intellectual Property Assignment and Confidential Information Agreement, or a similar or successor agreement for the protection of the Company's intellectual property and confidential information, in form specified by the Company (the "**Proprietary Interests Agreement**"), if the Participant has not already done so, and Participant's receipt of any Shares released from the Escrow will constitute Participant's agreement to the Proprietary Interests Agreement. If Participant breaches in any material respect the Proprietary Interests Agreement or any other contract between Participant and the Company, or Participant's common law duty of confidentiality or trade secret protection, the Company may suspend any vesting of any Restricted Stock pending Participant's cure of such breach.

#### **15. Handling of Shares; Restrictive Legends and Stop-Transfer Orders.**

(a) **Certificates or Book Entries.** The Company may in its discretion issue physical certificates representing Shares, or cause the Shares to be recorded in book entry or other electronic form and reflected in records maintained by or for the Company. The Secretary of the Company, or such other escrow holder as the Secretary may appoint, shall retain physical custody of any certificate representing Shares that are subject to restrictions on transfer or rights of first refusal under Section 16 or Section 17 of this Agreement.

(b) **Legends.** Each certificate or data base entry representing any Shares may be endorsed with legends substantially as set forth below, as well as such other legends as the Company may deem appropriate to comply with applicable laws and regulations:

THE SECURITIES REPRESENTED HEREBY (A) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF; AND (B) MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL IN FAVOR OF THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL IN FAVOR OF THE ISSUER OR ITS ASSIGNEE(S) ARE BINDING ON TRANSFERREES OF THESE SHARES.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO

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RESTRICTIONS ON TRANSFER FOR A PERIOD OF TIME FOLLOWING THE EFFECTIVE DATE OF THE UNDERWRITTEN PUBLIC OFFERING OF THE COMPANY'S SECURITIES SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF BY THE HOLDER PRIOR TO THE EXPIRATION OF SUCH PERIOD WITHOUT THE CONSENT OF THE COMPANY OR THE MANAGING UNDERWRITER.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING REQUIREMENTS AND RESTRICTIONS ON TRANSFER SET FORTH IN A RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH REQUIREMENTS AND RESTRICTIONS IN FAVOR OF THE ISSUER OR ITS ASSIGNEE(S) ARE BINDING ON THE TRANSFEREES OF THESE SHARES.

(c) Stop-Transfer Notices. In order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(d) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or any other agreement to which the Shares are subject or any laws governing the Shares or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

#### **16. Restrictions on Transfer.**

(a) Restricted Stock. Except as otherwise expressly provided in this Agreement, the Restricted Stock and the rights and privileges conferred by this Agreement will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Restricted Stock or any right or privilege conferred by this Agreement, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

(b) Shares. Except as set forth in Section 17(a)(vi), Participant shall not sell, assign, encumber or dispose of any interest in the Shares without the prior written consent of the Company, which may be withheld in the Company's sole discretion, prior to the earliest of (i) a Change in Control in which the successor company has equity securities that are publicly traded; (ii) the first sale of Common Stock by the Company or its successor to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act; or (iii) seven years following the Issuance Date.

(c) Restrictions Binding on Transferees. In addition to any other restrictions set forth herein, any transfer of the Shares or any interest therein shall be conditioned upon the transferee agreeing in writing, on a form prescribed by the Company, to be bound by all provisions of this Agreement. Any sale or transfer of the Company's Shares shall be void unless the provisions of this Agreement are satisfied.

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## 17. Company's Right of First Refusal and Purchase Right.

(a) **Right of First Refusal.** Subject to Section 16, before any Shares held by Participant or any transferee (either being sometimes referred to herein as the "**Holder**") may be sold or otherwise transferred (including transfer by gift or operation of law), whether because the Company has consented to the transfer pursuant to Section 16(b) or otherwise, the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 17 (the "**Right of First Refusal**").

(i) **Notice of Proposed Transfer.** The Holder of the Shares shall deliver to the Company a written notice (the "**Notice**") stating: (A) the Holder's bona fide intention to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or other transferee ("**Proposed Transferee**"); (C) the number of Shares to be transferred to each Proposed Transferee; and (D) the bona fide cash price or other consideration for which the Holder proposes to transfer the Shares (the "**Offered Price**") and other terms and conditions of the proposed sale or transfer. If requested by the Company, the Notice shall be acknowledged in writing by the Proposed Transferee as a bona fide offer. The Holder shall offer the Shares at the Offered Price and upon the same terms (or terms as similar as reasonably practicable) to the Company or its assignee(s).

(ii) **Exercise of Right of First Refusal.** At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, for cash at the purchase price determined in accordance with subsection (iii) below.

(iii) **Purchase Price.** The purchase price ("**Right of First Refusal Price**") for the Shares purchased by the Company or its assignee(s) under this Section 17 shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board in good faith.

(iv) **Payment.** Payment of the Right of First Refusal Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company or any affiliate of the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times set forth in the Notice, against delivery of the Shares being purchased.

(v) **Holder's Right to Transfer.** If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 17, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price and on the other terms and conditions set forth in the Notice, *provided* that such sale or other transfer is consummated within sixty (60) days after the date of the Notice, that any such sale or other transfer is effected in accordance with any applicable securities laws and that the Proposed Transferee agrees in writing in form reasonably satisfactory to the Company that the Agreement, including the provisions of this Section 17, shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms set forth in the Notice, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

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(vi) Exception for Certain Family Transfers. Notwithstanding anything in this Section 17 or in Section 16(b) to the contrary, the voluntary transfer of any or all of the Shares during Participant's lifetime, or on Participant's death by will or intestacy, to Participant's Immediate Family or a trust for the benefit of Participant's Immediate Family shall be exempt from the provisions of this Section 17(a) and Section 16(b). In such case, the transferee or other Participant shall receive and hold the Shares so transferred subject to the provisions of this Agreement, including but not limited to this Section 17 and Section 16(b).

(b) Right to Purchase.

(i) Involuntary Transfer. In the event, at any time after the date of this Agreement, of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a voluntary transfer to Immediate Family as set forth in Section 17(a)(vi)) of all or a portion of the Shares by the record holder thereof the Company shall have an option to purchase the Shares transferred at the Fair Market Value of the Shares on the date of transfer. Upon such a transfer, the person acquiring the Shares shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of thirty (30) days following receipt by the Company of written notice of such transfer.

(ii) Private Company. The Company shall have the right, but not the obligation, exercisable upon written notice to Participant during the 90 days after the termination of Participant's Service for any reason, or if later, during the 90 days after any vesting that occurs after termination of Participant's Service, to repurchase the Shares at a price equal to the then current Fair Market Value per Share as of the date the Company provides notice to Participant of the Company's election to exercise this purchase right.

(c) Assignment. The Company's rights under this Section 17 may be assigned in whole or in part to any stockholder or stockholders of the Company or other persons or organizations.

(d) Termination of Company Rights. The Company's Right of First Refusal and Purchase Right as set forth in this Section 17 shall terminate as to any Shares upon the earlier of (i) the first sale of Common Stock by the Company or its successor to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act, or (ii) a Change in Control in which the successor company has equity securities that are publicly traded.

**18. Additional Agreements.**

(a) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock or Shares by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to administration of this Agreement, the Restricted Stock and the Shares through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.

(b) Personal Information. To facilitate the administration of the Plan and this Agreement, it may be necessary for the Company (or its payroll administrators) to collect, hold and process certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Company Common Stock or directorships held in the Company, details of all awards issued under the Plan or any other entitlement to shares of Company Common Stock

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awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data") and to transfer this Data to certain third parties such as transfer agents, stock plan administrators, and brokers with whom Participant or the Company may elect to deposit any Shares. Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's Data for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be transferred to the Company's transfer agent, broker, administrative agents or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the Company, the Company's broker, administrative agents, and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. The Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Company will not be adversely affected; the only adverse consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Restricted Stock or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

(c) Proprietary Information. Participant agrees that all financial and other information relating to the Company furnished to Participant constitutes "Proprietary Information" that is the property of the Company. Participant shall hold in confidence and not disclose or, except within the scope of Participant's Service, use any Proprietary Information. Participant shall not be obligated under this paragraph with respect to information Participant can document is or becomes readily publicly available without restriction through no fault of Participant. Upon termination of Participant's employment, Participant shall promptly return to Company all items containing or embodying Proprietary Information (including all copies). This paragraph supplements, but does not limit, any other agreement between Participant and the Company, or any applicable law, related to protection, ownership, or use of the Company's information or property.

(d) Voting in Approved Sale Transactions. If a Change in Control is approved by the Company's Board of Directors and the holders of a majority of the Company's voting stock (making such proposed transaction an "Approved Sale"), Participant shall take the actions set forth in paragraphs (i) - (iv) below with respect to Shares granted to Participant hereunder and owned by Participant or over which Participant has control ("Approved Sale Voting Shares").

(i) If the Approved Sale requires stockholder approval, Participant shall vote

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the Approved Sale Voting Shares (in person, by proxy or by action by written consent, as applicable) in favor of, and adopt, such Approved Sale, and will vote the Approved Sale Voting Shares in opposition to any and all other proposals that could reasonably be expected to delay or impair the ability of the Company or its stockholders to consummate such Approved Sale.

(ii) If the Approved Sale requires the sale of Shares by Participant, Participant shall sell the Approved Sale Voting Shares, in the same proportion and on the terms and conditions approved by the Board of Directors and stockholders as set forth above.

(iii) Participant shall execute and deliver all reasonably required documentation and take such other action as is reasonably requested in order to carry out the Approved Sale, including without limitation executing and delivering instruments of conveyance and transfer, and any purchase agreement, merger agreement or similar or related agreement or document. Upon request by the Company, Participant shall deliver to the Company Recipient's proxy to vote the Approved Sale Voting Shares consistent with this Section 18(d), and any such proxy shall be irrevocable and coupled with an interest.

(iv) Participant shall refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such Approved Sale.

#### **19. General.**

(a) No Waiver. Remedies. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party from thereafter enforcing such provision and each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

(b) Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Participant and Participant's heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Agreement may only be assigned with the prior written consent of the Company.

(c) Notices. Any notice under this Agreement shall be in writing (which shall include electronic transmission) and shall be deemed received (i) the business day following electronic verification of receipt if sent electronically, (ii) upon personal delivery to the party to whom the notice is directed, (iii) the business day following deposit with a reputable overnight courier, or (iv) five days after deposit in the U.S. mail, First Class with postage prepaid. Notice shall be addressed to the Company at its principal executive office and to Participant at the address that he or she most recently provided to the Company. Participant agrees that it is Participant's responsibility to notify the Company of any changes to his or her mailing address so that Participant may receive any shareholder information to be delivered by regular mail.

(d) Interpretation. Headings herein are for convenience of reference only, do not constitute a part of this Agreement, and will not affect the meaning or interpretation of this Agreement. References herein to Sections are references to the referenced Section hereof, unless otherwise specified. The Plan Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any

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shares of Restricted Stock have vested). All actions taken and all interpretations and determinations made by the Plan Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Plan Administrator nor any person acting on behalf of the Plan Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

(e) Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that Participant is not executing this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement can be made only in an express written contract executed by a duly authorized officer of the Company and shall not require the consent of the Participant unless such modification would materially adversely affect the rights of the Participant under this Agreement. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this award of Restricted Stock.

(f) Governing Law; Severability. This Agreement is governed by the internal substantive laws, but not the choice of law rules, of Delaware. If any provision of this Agreement becomes or is declared by a court or arbitrator having jurisdiction over a dispute hereunder to be illegal, unenforceable or void, such provision shall be amended to the extent necessary to conform to applicable law so as to be valid and enforceable and to achieve, to the extent possible, the economic, business and other purposes of such illegal, unenforceable, or void provision or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be deleted from this Agreement and the remainder of this Agreement shall continue in full force and effect.

(g) Entire Agreement. The Plan is incorporated herein by reference. The Plan and this Agreement (including the exhibits referenced herein, including the Joint Escrow Instructions), along with any Separate Agreement (to the extent applicable) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. Participant has read and understands the terms and provisions of the Plan and this Agreement, and agrees with the terms and conditions of this grant of Restricted Stock in accordance with the Plan and this Agreement.

(h) Counterparts. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument. Facsimile or photographic copies of originally signed copies of this Agreement will be deemed to be originals.

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**EXHIBIT A**

**EXPLANATORY COVER SHEET**

**JOINT ESCROW INSTRUCTIONS**

These Joint Escrow Instructions are intended for use with The Rubicon Project, Inc. 2007 Stock Incentive Plan Restricted Stock Agreement (the “**Restricted Stock Agreement**”).

These Joint Escrow Instructions are used for issuances of shares of the Corporation’s Common Stock subject to vesting (“**Restricted Stock**”) pursuant to the Restricted Stock Agreement. The Restricted Stock is subject to forfeiture to the Corporation unless and until the Restricted Stock shall have vested in the manner set forth in the Restricted Stock Agreement and the restrictions set forth in the Restricted Stock Agreement shall have lapsed. The Restricted Stock is also subject to various restrictions on transfer as set forth in the Restricted stock Agreement until the time that the Common Stock is publicly traded and any lock-up period has expired or a Change in Control of the Corporation occurs. The Escrow Agent, generally the Secretary, Assistant Secretary or General Counsel of the Corporation, holds any stock certificate or other documentation representing the shares underlying the grant of Restricted Stock in escrow in a secure location. **If the Corporation is holding the certificate or other documentation, please use the following procedures:**

Get an originally signed copy of the Restricted Stock Agreement and the Joint Escrow Instructions.

Place these original documents, together with any **original stock certificate or other original documentation** representing the escrowed shares **and** a copy of the check used for payment (if applicable) in a secure (preferably locked) location. These documents should be delivered personally to the Escrow Agent. The documents should be in an envelope (one for each grantee) clearly labeled with the grantee’s name and the grant number on the outside.

Place a note in any other files or records referring to the Restricted Stock Agreement that the original stock certificate or other documentation has been transferred to the secure location on a specific date. Put a copy of the stock certificate or other documentation, the Restricted Stock Agreement and the Joint Escrow Instructions in a separate file used for day to day administration of the 2007 Stock Incentive Plan.

Calendar the expiration of the vesting on the administrative calendar so that the shares can be released from escrow in a timely manner. Confirm that the restrictions on transfer have lapsed before releasing any shares from escrow, even vested shares.



**JOINT ESCROW INSTRUCTIONS**

[Title of Escrow Agent]  
[NAME OF CORPORATION]  
[ADDRESS]  
[CITY, STATE, ZIP]

Dear Sir:

As Escrow Agent for both The Rubicon Project, Inc., a Delaware corporation (“Corporation”), and the undersigned grantee of stock of the Corporation (“Grantee”), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain The Rubicon Project, Inc. 2007 Stock Incentive Plan Restricted Stock Agreement (“Agreement”), dated \_\_\_\_\_, 20\_\_\_\_, to which a copy of these Joint Escrow Instructions is attached as Exhibit A, in accordance with the following instructions:

These Joint Escrow Instructions are used for issuances of shares of the Corporation’s Common Stock subject to vesting (“**Restricted Stock**”) pursuant to the Agreement. The Restricted Stock is subject to forfeiture to the Corporation unless and until the Restricted Stock shall have vested in the manner set forth in the Agreement and the restrictions set forth in the Agreement shall have lapsed. At such time, the shares underlying the Restricted Stock shall be released from escrow to the Grantee.

Any dividends or distributions payable with respect to unvested Restricted Stock will be subject to the same restrictions as the shares of Common Stock underlying the Restricted Stock with respect to which they are paid and will be deposited in the Escrow and held by the Escrow Agent, and will be released from the Escrow at the same time as the underlying shares of Restricted Stock.

In the event the Restricted Stock shall fail to vest as set forth in the Agreement, the Corporation or its assignee will give to Grantee and you a written notice specifying the number of shares of stock to be forfeited to the Corporation, the purchase price (if any), and the time for a closing hereunder at the principal office of the Corporation. Grantee and the Corporation hereby irrevocably authorize and direct you to close the transaction contemplated by such notice in accordance with the terms of said notice.

At the closing you are directed (a) to date any stock assignments necessary for the transfer in question, (b) to fill in the number of shares being transferred, and (c) to deliver same, together with any certificate or other documentation evidencing the shares of stock to be transferred, to the Corporation against the simultaneous delivery to you of the purchase price (if any) of the number of shares of stock being forfeited to the Corporation.

Grantee irrevocably authorizes the Corporation to deposit with you any certificates or other documentation evidencing shares of stock to be held by you hereunder and any additions and substitutions to said shares as specified in the Agreement. Grantee does hereby irrevocably constitute and appoint you as Grantee’s attorney-in-fact and agent for the term of this escrow to

execute with respect to such securities and other property all documents of assignment and/or transfer and all stock certificates or other documentation necessary or appropriate to make all securities negotiable and complete any transaction herein contemplated.

This escrow shall terminate upon vesting of the Restricted Stock but only if the restrictions placed on the Restricted Stock and described in Sections 16 and 17 of the Agreement relating to restrictions on transfer, right of first refusal and purchase right shall have lapsed. At such time, the shares underlying the Restricted Stock shall be released to the Grantee but only upon Grantee's satisfaction of any and all Tax Obligations (as defined in the Agreement).

If at the time of termination of this escrow you should have in your possession any documents, securities, or other property belonging to Grantee, you shall deliver all of same to Grantee and shall be discharged of all further obligations hereunder; *provided, however*, that if at the time of termination of this escrow you are advised by the Corporation that the property subject to this escrow is the subject of a pledge or other security agreement, you shall deliver all such property to the pledgeholder or other person designated by the Corporation.

Except as otherwise provided in these Joint Escrow Instructions, your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties or their assignees. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact for Grantee while acting in good faith and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or corporation, excepting only orders or process of courts of law, and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree of any court, you shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

You shall not be liable in any respect on account of the identity, authority or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

You shall not be liable for the outlawing of any rights under any statute of limitations with respect to these Joint Escrow Instructions or any documents deposited with you.

Your responsibilities as Escrow Agent hereunder shall terminate if you shall cease to be [fill in title] of the Corporation or if you shall resign by written notice to each party. In the event of any such termination, the Corporation may appoint any officer or assistant officer of the Corporation as successor Escrow Agent and Grantee hereby confirms the appointment of such successor or successors as Grantee's attorney-in-fact and agent to the full extent of your appointment.

If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall cooperate in furnishing such instruments.

It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities, you are authorized and directed to retain in your possession without liability to any person all or any part of said securities until such dispute shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, delivery by express courier or five days after deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties hereunto entitled at the following addresses, or at such other addresses as a party may designate by ten days' advance written notice to each of the other parties hereto:

**CORPORATION:**                    **THE RUBICON PROJECT, INC.**  
 \_\_\_\_\_  
 \_\_\_\_\_

**GRANTEE:**                        **[GRANTEE NAME]**  
 \_\_\_\_\_  
 \_\_\_\_\_

**ESCROW AGENT:**                **[ESCROW AGENT NAME]**  
 \_\_\_\_\_  
 \_\_\_\_\_

By signing these Joint Escrow Instructions you become a party hereto only for the purpose of said Joint Escrow Instructions; you do not become a party to the Agreement.

You shall be entitled to employ such legal counsel and other experts (including without limitation the firm of Gibson, Dunn & Crutcher LLP) as you may deem necessary properly to advise you in connection with your obligations hereunder. You may rely upon the advice of such counsel, and may pay such counsel reasonable compensation therefor. The Corporation shall be responsible for all fees generated by such legal counsel in connection with your obligations hereunder.

This instrument shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. It is understood and agreed that references to "you" or "your" herein refer to the original Escrow Agent and to any and all successor Escrow Agents. It is understood and agreed that the Corporation may at any time or from time to time assign its rights under the Agreement and these Joint Escrow Instructions in whole or in part.

This Agreement shall be governed by and interpreted and determined in accordance with the laws of the State of [California], as such laws are applied by the [California] courts to contracts made and to be performed entirely in [California] by residents of that state.

Very truly yours,

**[CORPORATION NAME]**

By \_\_\_\_\_  
**[NAME AND TITLE]**

**GRANTEE:**

\_\_\_\_\_  
**[NAME]**

**ESCROW AGENT:**

\_\_\_\_\_  
**[NAME]**

**EXHIBIT B****INVESTMENT REPRESENTATION STATEMENT**

PARTICIPANT :  
COMPANY : THE RUBICON PROJECT, INC.  
SECURITY : COMMON STOCK  
AMOUNT :  
DATE :

In connection with the receipt of the above-listed Securities, the undersigned Participant represents to the Company the following:

(a) Participant is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Participant is acquiring these Securities for investment for Participant's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) Participant acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Participant's investment intent as expressed herein. In this connection, Participant understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Participant's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. Participant further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Participant further acknowledges and understands that the Company is under no obligation to register the Securities. Participant understands that the certificate evidencing the Securities shall be imprinted with any legend required under applicable securities laws and regulations.

(c) Participant is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of Restricted Stock to Participant, the grant shall be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of the applicable conditions specified by Rule 144, including in the case of affiliates (1) the availability of certain public information about the Company, (2) the amount of Securities being sold during any three (3) month period not exceeding specified limitations, (3) the resale being made in an

unsolicited “broker’s transaction”, transactions directly with a “market maker” or “riskless principal transactions” (as those terms are defined under the Securities Exchange Act of 1934) and (4) the timely filing of a Form 144, if applicable.

If the Company does not qualify under Rule 701 at the time of grant of Restricted Stock, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which may require (i) the availability of current public information about the Company; (ii) the resale to occur more than a specified period after the purchase and full payment (within the meaning of Rule 144) for the Securities; and (iii) in the case of the sale of Securities by an affiliate, the satisfaction of the conditions set forth in sections (2), (3) and (4) of the paragraph immediately above.

(d) Participant further understands that if all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption shall be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 shall have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Participant understands that no assurances can be given that any such other registration exemption shall be available in such event.

PARTICIPANT

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

THE RUBICON PROJECT, INC.

2014 EQUITY INCENTIVE PLAN

ADOPTED BY THE BOARD: March , 2014

APPROVED BY THE STOCKHOLDERS: , 2014

EFFECTIVE DATE: [ ], 2014

1. GENERAL.

(a) **Successor to and Continuation of Prior Plan.**

(i) The Plan is the successor to and continuation of the Company's 2007 Stock Incentive Plan, as amended (the "**Prior Plan**"). From and after 12:01 a.m. Pacific time on the Effective Date, no additional stock awards will be granted under the Prior Plan. All stock awards granted under the Prior Plan remain subject to the terms of the Prior Plan. All Awards granted on or after 12:01 a.m. Pacific Time on the Effective Date are subject to the terms of this Plan.

(ii) Any shares that would otherwise remain available for future grants under the Prior Plan as of 12:01 a.m. Pacific Time on the Effective Date ceased to be available under the Prior Plan at such time. Instead, that number of shares of Common Stock equal to the number of shares of Class A common stock of the Company then available for future grants under the Prior Plan (the "**Prior Plan's Available Reserve**") was added to the Share Reserve (as further described in Section 3(a) below) and became immediately available for grants and issuance pursuant to Stock Awards under this Plan, up to the maximum number set forth in Section 3(a) below.

(iii) From and after 12:01 a.m. Pacific time on the Effective Date, a number of shares of Common Stock equal to the total number of shares of Class A common stock subject to outstanding stock awards granted under the Prior Plan that (A) expire or terminate for any reason prior to exercise or settlement, (B) are forfeited because of the failure to meet a contingency or condition required to vest or issue such shares or repurchased at the original issuance price, or (C) are otherwise reacquired or are withheld (or not issued) to satisfy a tax withholding obligation in connection with an award (the "**Returning Shares**") will immediately be added to the Share Reserve (as further described in Section 3(a) below) as and when such shares become Returning Shares (up to the maximum number set forth in Section 3(a)), and become available for issuance pursuant to Stock Awards granted hereunder.



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(b) **Eligible Award Recipients.** Employees, Directors and Consultants are eligible to receive Awards.

(c) **Available Awards.** The Plan provides for the grant of the following Awards: (i) Incentive Stock Options; (ii) Nonstatutory Stock Options; (iii) Stock Appreciation Rights; (iv) Restricted Stock Awards; (v) Restricted Stock Unit Awards; (vi) Performance Stock Awards; (vii) Performance Cash Awards; and (viii) Other Stock Awards.

(d) **Purpose.** This Plan, through the granting of Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

## 2. ADMINISTRATION.

(a) **Administration by Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine: (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Document or in the written terms of a Performance Cash Award, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate, in whole or in part, or to extend, in whole or in part, the time during which an Award may be exercised or vest, or at which cash or shares of Common Stock may be issued.

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Document, suspension or termination of the Plan will not materially impair a Participant's rights under his or her then-outstanding Award without his or her written consent except as provided in subsection (viii) below.

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(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, adopting amendments relating to Incentive Stock Options and nonqualified deferred compensation under Section 409A of the Code and/or making the Plan or Awards granted under the Plan exempt from or compliant with the requirements for Incentive Stock Options or exempt from or compliant with the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. If required by applicable law or listing requirements, and except as provided in Section 10(a) relating to Capitalization Adjustments, the Company will seek stockholder approval of any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (E) materially extends the term of the Plan, or (F) materially expands the types of Awards available for issuance under the Plan. Except as otherwise provided in the Plan (including subsection (viii) below) or an Award Document, no amendment of the Plan will materially impair a Participant's rights under an outstanding Award without the Participant's written consent.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding "incentive stock options" or (C) Rule 16b-3 of Exchange Act or any successor rule.

(viii) To approve forms of Award Documents for use under the Plan and to amend the terms of any one or more outstanding Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Documents for such Awards, subject to any specified limits in the Plan that are not subject to Board discretion. A Participant's rights under any Award will not be impaired by any such amendment unless the Company requests the consent of the affected Participant, and the Participant consents in writing. However, a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights. In addition, subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code, (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code, (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code, or (D) to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan and/or Award Documents.

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(x) To adopt such procedures and sub-plans as are necessary or appropriate (A) to permit or facilitate participation in the Plan by persons eligible to receive Awards under the Plan who are foreign nationals or employed outside the United States or (B) allow Awards to qualify for special tax treatment in a foreign jurisdiction; provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Document that are required for compliance with the laws of the relevant foreign jurisdiction.

**(c) Delegation to Committee.**

(i) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee). Any delegation of administrative powers will be reflected in the charter of the Committee to which the delegation is made, or resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or revert in the Committee any powers delegated to any subcommittee. Unless otherwise provided by the Board, delegation of authority by the Board to a Committee, or to an Officer pursuant to Section 2(d), does not limit the authority of the Board, which may continue to exercise any authority so delegated and may concurrently administer the Plan with the Committee and may, at any time, revert in the Board some or all of the powers previously delegated.

(ii) Section 162(m) and Rule 16b-3 Compliance. The Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3 of the Exchange Act.

**(d) Delegation to an Officer.** The Board may delegate to one (1) or more Officers the authority to do one or both of the following: (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such Awards; and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Employees; provided, however, that the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Any such Stock Awards will be granted on the form of Stock Award Document approved by the Committee or the Board for use in connection with such Stock Awards, unless otherwise provided for in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value (as defined below).

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(e) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board (or a duly authorized Committee, subcommittee or Officer exercising powers delegated by the Board under this Section 2) in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

### 3. SHARES SUBJECT TO THE PLAN.

#### (a) Share Reserve.

(i) Subject to Section 10(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to Stock Awards from and after the Effective Date (the "Share Reserve") will initially be 2,100,000 shares of Common Stock including the shares that represented the Prior Plan's Available Reserve on the Effective Date. The Share Reserve will increase from time to time by the Returning Shares (if and when the Returning Shares ever become available for grant under this Plan), and shares added as a result of the "evergreen" provision in Section 3(a)(ii).

(ii) The Share Reserve will automatically increase on January 1st of each year, during the term of the Plan as set forth in Section 11, commencing on January 1 of the year following the year in which the Effective Date occurs, in an amount equal to five percent (5 %) of the total number of shares of Capital Stock outstanding on December 31st of the preceding calendar year. The Board may provide that there will be no January 1st increase in the Share Reserve for such year or that the increase in the Share Reserve for such year will be a smaller number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence.

(iii) For clarity, the Share Reserve is a limitation on the number of shares of Common Stock that may be issued under the Plan. As a single share may be subject to grant more than once (e.g., if a share subject to a Stock Award is forfeited, it may be made subject to grant again as provided in Section 3(b) below), the Share Reserve is not a limit on the number of Stock Awards that can be granted.

(iv) Shares may be issued under the terms of this Plan in connection with a merger or acquisition as permitted by NASDAQ Listing Rule 5635(c), NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(b) **Reversion of Shares to the Share Reserve.** If a Stock Award or any portion of a Stock Award (i) expires or otherwise terminates without all of the shares covered by the Stock Award having been issued or (ii) is settled in cash (i.e., the Participant receives cash rather than stock), such expiration, termination or settlement will not reduce (or otherwise offset) the number of shares of Common Stock that are available for issuance under the Plan. If any shares of Common Stock issued under a Stock Award are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased will revert to and again become available for issuance under the Plan. Any shares retained or reacquired by the Company in satisfaction of tax withholding obligations on a Stock Award or as consideration for the exercise or purchase price of a Stock Award will again become available for issuance under the Plan.

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(c) **Incentive Stock Option Limit.** Subject to Section 10(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued on the exercise of Incentive Stock Options will be 2,100,000 shares of Common Stock.

(d) **Section 162(m) Limitations.** Subject to Section 10(a) relating to Capitalization Adjustments, at such time as the Company is subject to the applicable provisions of Section 162(m) of the Code, the following limitations will apply:

(i) The maximum number of shares of Common Stock subject to Options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date any such Stock Award is granted that may be granted under the Plan as “qualified performance-based compensation” under Section 162(m) of the Code to any one Participant during any calendar year is 1,000,000, except that such maximum shall be 2,000,000 in case of an initial hire grant. Grants in excess of the foregoing annual limit of any additional Options, SARs or Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date any such Stock Award is granted will not satisfy the requirements for such “qualified performance-based compensation” unless such additional Stock Awards are separately approved by the Company’s stockholders in a manner that complies with the applicable requirements of Section 162(m) of the Code.

(ii) The maximum number of shares of Common Stock subject to Performance Stock Awards that may be granted to any one Participant during any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during the Performance Period of the Performance Goals) is 400,000, except that such maximum shall be 800,000 in case of an initial hire grant.

(iii) The maximum amount that may be granted as a Performance Cash Award to any one Participant during any one calendar year is \$4,000,000, except that such maximum shall be \$8,000,000 in case of an initial hire grant.

If a Performance Stock Award is in the form of an Option, it will count only against the Performance Stock Award limit. If a Performance Stock Award could (but is not required to) be paid out in cash, it will count only against the Performance Stock Award limit.

(e) **Source of Shares.** The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

#### **4. ELIGIBILITY.**

(a) **Eligibility for Specific Stock Awards.** Incentive Stock Options may be granted only to employees of the Company or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Stock Awards other than

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Incentive Stock Options may be granted to Employees, Directors and Consultants; provided, however, that Stock Awards may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any “parent” of the Company, as such term is defined in Rule 405 of the Securities Act, unless (i) the stock underlying such Stock Awards is treated as “service recipient stock” under Section 409A of the Code (for example, because the Stock Awards are granted pursuant to a corporate transaction such as a spin off transaction), or (ii) the Company, in consultation with its legal counsel, has determined that such Stock Awards are otherwise exempt from or comply with the distribution requirements of Section 409A of the Code.

(b) **Ten Percent Stockholders.** A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

##### **5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.**

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; provided, however, that each Award Document will conform to (through incorporation of provisions hereof by reference in the applicable Award Document or otherwise) the substance of each of the following provisions:

(a) **Term.** Subject to Section 4(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of 10 years from the date of its grant or such shorter period specified in the Award Document.

(b) **Exercise Price.** Subject to Section 4(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value of the Common Stock subject to the Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a corporate transaction and in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) **Purchase Price for Options.** The purchase price of Common Stock acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment

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set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board or a successor regulation, or a similar rule in a foreign jurisdiction of domicile of a Participant, that, prior to or contemporaneously with the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the proceeds of sale of such stock;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) if an Option is a Nonstatutory Stock Option, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; provided, however, that the Company will accept cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued. Shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are used to pay the exercise price pursuant to the "net exercise," (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Document.

(d) **Exercise and Payment of a SAR.** To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Award Document evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR (with respect to which the Participant is exercising the SAR on such date), over (B) the aggregate strike price of the number of Common Stock equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Document evidencing such SAR.

(e) **Transferability of Options and SARs.** The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board determines. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

(i) Restrictions on Transfer. An Option or SAR will not be transferable except by will or by the laws of descent and distribution (or pursuant to subsections (ii) and (iii) below), and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided herein, neither an Option nor a SAR may be transferred for consideration.

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(ii) **Domestic Relations Orders.** Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by U.S. Treasury Regulation 1.421-1(b)(2). If an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) **Beneficiary Designation.** Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company, in a form approved by the Company (or the designated broker), designate a third party who, on the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, the executor or administrator of the Participant's estate will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(f) **Vesting Generally.** The total number of shares of Common Stock subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) **Termination of Continuous Service.** Except as otherwise provided in the applicable Award Document, or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant's Continuous Service and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Document. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR will terminate.



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(h) **Extension of Termination Date.** Except as otherwise provided in the applicable Award Document, or other agreement between the Participant and the Company, if the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of three (3) months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Document. In addition, unless otherwise provided in a Participant's applicable Award Document, or other agreement between the Participant and the Company, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, and the Company does not waive the potential violation of the policy or otherwise permit the sale, or allow the Participant to surrender shares of Common Stock to the Company in satisfaction of any exercise price and/or any withholding obligations under Section 9(h), then the Option or SAR will terminate on the earlier of (i) the expiration of a period of months (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Document.

(i) **Disability of Participant.** Except as otherwise provided in the applicable Award Document, or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date 12 months following such termination of Continuous Service, and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Document. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) **Death of Participant.** Except as otherwise provided in the applicable Award Document, or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in this Plan or the applicable Award Document, or other agreement between the Participant and the Company, for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date 18 months following the date of death, and (ii) the expiration of the term of such Option or SAR as set forth in the applicable Award Document. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR will terminate.

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(k) **Termination for Cause.** Except as explicitly provided otherwise in a Participant's Award Document or other individual written agreement between the Company or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate upon the date on which the event giving rise to the termination for Cause first occurred, and the Participant will be prohibited from exercising his or her Option or SAR from and after the date on which the event giving rise to the termination for Cause first occurred (or, if required by law, the date of termination of Continuous Service). If a Participant's Continuous Service is suspended pending an investigation of the existence of Cause, all of the Participant's rights under the Option or SAR will also be suspended during the investigation period.

(l) **Non-Exempt Employees.** If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the U.S. Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any shares of Common Stock until at least 6 months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the U.S. Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the non-exempt Employee's retirement (as such term may be defined in the non-exempt Employee's applicable Award Document, in another agreement between the non-exempt Employee and the Company, or, if no such definition, in accordance with the Company's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than 6 months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt Employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the U.S. Worker Economic Opportunity Act to ensure that any income derived by a non-exempt Employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from such employee's regular rate of pay, the provisions of this paragraph will apply to all Stock Awards and are hereby incorporated by reference into such Stock Award Documents.

## **6. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS AND SARs.**

(a) **Restricted Stock Awards.** Each Restricted Stock Award Document will be in such form and will contain such terms and conditions as the Board deems appropriate. To the extent consistent with the Company's bylaws, at the Board's election, shares of Common Stock may be (x) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse, or (y) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Documents may change from time to time, and the terms and conditions of separate Restricted Stock Award Documents need not be identical. Each Restricted Stock Award Document will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) **Consideration.** A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration (including future services) that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

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(ii) Vesting. Shares of Common Stock awarded under the Restricted Stock Award Document may be subject to forfeiture to the Company in accordance with a vesting schedule and subject to such conditions as may be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right, any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Document.

(iv) Transferability. Common Stock issued pursuant to an Award, and rights to acquire shares of Common Stock under the Restricted Stock Award Document, will be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Document, as the Board determines in its sole discretion, so long as such Common Stock remains subject to the terms of the Restricted Stock Award Document.

(v) Dividends. A Restricted Stock Award Document may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) **Restricted Stock Unit Awards**. Each Restricted Stock Unit Award Document will be in such form and will contain such terms and conditions as the Board deems appropriate. The terms and conditions of Restricted Stock Unit Award Documents may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Documents need not be identical. Each Restricted Stock Unit Award Document will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Document.

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(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Document. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Document to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Document, or other agreement between the Participant and the Company, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

**(c) Performance Awards.**

(i) Performance Stock Awards. A Performance Stock Award is a Stock Award (covering a number of shares not in excess of that set forth in Section 3(d) above) that is payable (including that may be granted, vest or exercised) contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Stock Award may, but need not, require the completion of a specified period of Continuous Service. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion. In addition, to the extent permitted by applicable law and the applicable Award Document, the Board may determine that cash may be used in payment of Performance Stock Awards.

(ii) Performance Cash Awards. A Performance Cash Award is a cash award (for a dollar value not in excess of that set forth in Section 3(d)(iii) above) that is granted and/or becomes payable contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Cash Award may also require the completion of a specified period of Continuous Service. At the time of grant of a Performance Cash Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion. The Board may specify the form of payment of Performance Cash Awards, which may be cash or other property, or may provide for a Participant to have the option for his or her Performance Cash Award, or such portion thereof as the Board may specify, to be paid in whole or in part in cash or other property.

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(iii) **Board Discretion.** The Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

(iv) **Section 162(m) Compliance.** Unless otherwise permitted in compliance with the requirements of Section 162(m) of the Code with respect to an Award intended to qualify as “performance-based compensation” thereunder, the Committee will establish the Performance Goals applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (A) the date 90 days after the commencement of the applicable Performance Period, and (B) the date on which 25% of the Performance Period has elapsed, and in any event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee will certify in writing the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction of any completion of any Performance Goals, the number of shares of Common Stock, Options, cash or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of such further considerations as the Committee, in its sole discretion, will determine. For avoidance of doubt, nothing in this Plan shall limit the discretion of the Board, the Committee or any other duly authorized delegate of the Board to grant Awards that do not comply with the requirements under Section 162(m) of the Code.

(d) **Other Stock Awards.** Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value of the Common Stock at the time of grant) may be granted either alone or in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

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## 7. GRANTS OF STOCK AWARDS TO NON-EMPLOYEE DIRECTORS.

In addition to any other Stock Awards that Directors may be granted on a discretionary basis under the Plan, each Director who is not, and for the 180 days before the applicable grant date (as described in further detail below) has not been, either (i) an employee of the Company or any of its Subsidiaries, or (ii) a consultant performing material services for the Company or any of its Subsidiaries (“Eligible Director”), shall be automatically granted without the necessity of action by the Board, the following Stock Awards:

(a) **Initial Stock Award.** An Initial Stock Award shall automatically be made as of the Effective Date to each person who is serving as an Eligible Director at the Effective Date. In addition, on the date after the Effective Date that an Eligible Director commences service on the Board, an initial Stock Award shall automatically be made to that Eligible Director. Notwithstanding the foregoing, if the date an Eligible Director commences service on the Board is during a regular quarterly blackout period under the Company’s Insider Trading Policy, then the Board may determine that some or all of the Initial Grant (as defined below) will be issued upon termination of that regular quarterly blackout period, but not earlier than the day after the completion of two full day trading sessions of the principal exchange or market system upon which the Common Stock trades following the filing of the SEC report on Form 10-Q or Form 10-K that includes financial statements for the most recently completed fiscal quarter of the Company. The Fair Market Value of Stock Awards under this Section 7(a) shall not exceed Five Hundred Thousand Dollars (\$500,000), subject to increase as set forth in Section 7(c) (“Initial Grant”). Subject to the terms of the Plan, the Board shall determine in its sole discretion the type or types of Stock Awards made under an Initial Grant. The exercise price of any Option granted under the Initial Grant shall be one hundred percent (100%) of the Fair Market Value of the Company’s Common Stock subject to the option on the date the option is granted. The maximum term of any such Option shall be ten (10) years and such Options shall generally vest and become exercisable over a period of three (3) years in equal annual installments provided that the Director remains in Continuous Service during that period. The Initial Grant shall vest in full upon the occurrence of a Change in Control, provided that such Director is still in Continuous Service at such time. In all other respects, Stock Awards granted pursuant to an Initial Grant shall contain in substance the same terms and conditions as set forth in Section 5 with respect to Options or SARs and Section 6 with respect to other Stock Awards. If at the time a Director commences service on the Board, the Director does not satisfy the definition of an Eligible Director, such Director shall not be entitled to an Initial Grant at any time, even if such Director subsequently becomes an Eligible Director.

(b) **Annual Stock Award.** An annual grant of Stock Awards shall automatically be made to each Director who either (1) is re-elected to the Board at the Company’s Annual General Meeting of Stockholders (“Annual Meeting”) or (2) is a continuing Director immediately after such Annual Meeting because the class in which such Director sits was not up for election, and in either case is an Eligible Director on the relevant grant date. The Fair Market Value of such Stock Awards shall not exceed Two Hundred Thousand Dollars (\$200,000), subject to increase as set forth in Section 7(c) (“Annual Grant”). Subject to the terms of the Plan, the Board shall determine in its sole discretion the type or types of Stock Awards made under an Annual Grant.

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The date of grant of an Annual Grant is the date of the Annual Meeting at which the Director is re-elected to serve on the Board or immediately after which the Director continues to serve on the Board, as applicable. Notwithstanding the immediately preceding sentence, if that date is during a regular quarterly blackout period under the Company's Insider Trading Policy, then the Board may determine that some or all of the Annual Grant will be issued upon termination of that regular quarterly blackout period, but not earlier than the day after the completion of two full day trading sessions of the principal exchange or market system upon which the Common Stock trades following the filing of the SEC report on Form 10-Q or Form 10-K that includes financial statements for the most recently completed fiscal quarter of the Company. The exercise price of any Option granted under the Annual Grant shall be one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. The maximum term of any such Option shall be ten (10) years and such Options shall generally vest and become exercisable on the first anniversary of the grant date provided that the Director remains in Continuous Service during that period. The Annual Grant shall vest in full upon the occurrence of a Change in Control, provided that such Director is still in Continuous Service at such time. In all other respects, Stock Awards granted pursuant to an Annual Grant shall contain in substance the same terms and conditions as set forth in Section 5 with respect to Options or SARs and Section 6 with respect to other Stock Awards.

Each individual who is an Eligible Director at the Effective Date, and each individual who is subsequently appointed as a Director between Annual Meetings and is an Eligible Director on the relevant grant date will receive a Stock Award ("Pro-Rata Grant"). The date of grant of a Pro-Rata Award shall be the date on which such a Director commences service on the Board; provided, however, if that date is during a regular quarterly blackout period under the Company's Insider Trading Policy, then the Board may determine that some or all of the Pro-Rata Grant will be issued upon termination of that regular quarterly blackout period, but not earlier than the day after the completion of two full day trading sessions of the principal exchange or market system upon which the Common Stock trades following the filing of the SEC report on Form 10-Q or Form 10-K that includes financial statements for the most recently completed fiscal quarter of the Company. The Fair Market Value of a Pro-Rata Grant shall not exceed the product of \$17,000, subject to increase as set forth in Section 7(c), and the number of full 30-day periods from the date of election or appointment to the Board until the scheduled date of the next Annual Meeting (if the next annual meeting has not yet been scheduled, assuming the next annual meeting is scheduled to be held on the same month and day as the immediately preceding annual meeting). In all other respects, Stock Awards granted pursuant to a Pro-Rata Grant shall contain in substance the same terms and conditions as an Annual Grant.

(c) **Adjustments.** The maximum amounts in this Section 7 may in the Board's discretion be increased on each anniversary of the Effective Date by a percentage not in excess of the annual percentage increase (if any) in the Employment Cost Index for total compensation for private industry workers (not seasonally adjusted), for the Professional, Scientific and Technical Services group maintained by the U.S. Department of Labor Bureau of Labor Statistics that has been most recently reported as of that anniversary date.

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## 8. COVENANTS OF THE COMPANY.

(a) **Availability of Shares.** The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Stock Awards.

(b) **Securities Law Compliance.** The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking will not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable securities law.

(c) **No Obligation to Notify or Minimize Taxes.** The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to, and does not undertake to, provide tax advice or to minimize the tax consequences of an Award to the holder of such Award.

## 9. MISCELLANEOUS.

(a) **Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock pursuant to Stock Awards will constitute general funds of the Company.

(b) **Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the latest date that all necessary corporate action has occurred and all terms of the Award (including, in the case of stock options, the exercise price thereof) are fixed, unless otherwise determined by the Board, regardless of when the documentation evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Document as a result of a clerical error in the papering of the Award Document, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Document.

(c) **Stockholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to a Stock



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Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares of Common Stock under, the Stock Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Stock Award has been entered into the books and records of the Company.

(d) **No Employment or Other Service Rights.** Nothing in the Plan, any Award Document or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or any other capacity or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, including, but not limited to, Cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the organizational documents of the Company or an Affiliate (including articles of incorporation and bylaws), and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) **Change in Time Commitment.** If after the date of grant of any Award to the Participant, the Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence), or the Participant's role or primary responsibilities are changed to a level that, in the good faith determination by the Board does not justify the Participant's unvested Awards, the Board has the right in its sole discretion to (i) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(f) **Incentive Stock Option Limitations.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds \$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(g) **Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award, and (ii) to give written assurances satisfactory to the

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Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (i) the issuance of the shares upon the exercise of a Stock Award or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(h) **Withholding Obligations.** Unless prohibited by the terms of an Award Document, the Company may, in its sole discretion, satisfy any U.S. federal, state, local, foreign or other tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such other amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant, including proceeds from the sale of shares of Common Stock issued pursuant to a Stock Award; or (v) by such other method as may be set forth in the Award Document.

(i) **Electronic Delivery.** Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at [www.sec.gov](http://www.sec.gov) (or any successor website thereto), or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(j) **Deferrals.** To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code (to the extent applicable to a Participant). Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(k) **Compliance with Section 409A.** Unless otherwise expressly provided for in an Award Document, or other agreement between the Participant and the Company, the Plan and Award Documents will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the

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extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Document evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Document is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Document. Notwithstanding anything to the contrary in this Plan (and unless the Award Document specifically provides otherwise), if the shares of Common Stock are publicly traded, and if a Participant holding an Award that constitutes “deferred compensation” under Section 409A of the Code is a “specified employee” for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a “separation from service” (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six (6) months following the date of such Participant’s “separation from service” or, if earlier, the date of the Participant’s death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six (6) month period elapses, with the balance paid thereafter on the original schedule.

(l) **Clawback/Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company’s securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Document as the Board determines necessary or appropriate, including, but not limited to, a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for “good reason” or “constructive termination” (or similar term) under any agreement with the Company or an Affiliate.

#### **10. ADJUSTMENTS UPON CHANGES IN COMMON STOCK; OTHER CORPORATE EVENTS.**

(a) **Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a); (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c); (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Section 3(d); and (iv) the class(es) and number of securities or other property and value (including price per share of stock) subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) **Dissolution or Liquidation.** Except as otherwise provided in the Stock Award Document, or other agreement between the Participant and the Company, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company’s right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the

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Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service; provided, however, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) **Corporate Transaction.** The following provisions will apply to Stock Awards in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Stock Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of a Stock Award. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board will take one or more of the following actions with respect to each outstanding Stock Award, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Stock Award or to substitute a similar stock award for the Stock Award (including, but not limited to, an award to acquire the same consideration per share paid to the stockholders of the Company pursuant to the Corporate Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Stock Award (and, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board will determine (or, if the Board will not determine such a date, to the date that is 5 days prior to the effective date of the Corporate Transaction), with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction, and with such exercise reversed if the Corporate Transaction does not become effective;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Stock Award;

(v) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration, if any, as the Board, in its reasonable determination, may consider appropriate as an approximation of the value of the canceled Stock Award, taking into account the value of the Common Stock subject to the canceled Stock Award, the possibility that the Stock Award might not otherwise vest in full, and such other factors as the Board deems relevant; and

(vi) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for a

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payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value in the Corporate Transaction of the property the Participant would have received upon the exercise of the Stock Award immediately prior to the effective time of the Corporate Transaction, over (B) any exercise price payable by such holder in connection with such exercise.

The Board need not take the same action or actions with respect to all Stock Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of a Stock Award.

In the absence of any affirmative determination by the Board at the time of a Corporate Transaction, each outstanding Stock Award will be assumed or an equivalent Stock Award will be substituted by such successor corporation or a parent or subsidiary of such successor corporation (the "Successor Corporation"), unless the Successor Corporation does not agree to assume the Stock Award or to substitute an equivalent Stock Award, in which case the vesting of such Stock Award will accelerate in its entirety (along with, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board will determine (or, if the Board will not determine such a date, to the date that is 5 days prior to the effective date of the Corporate Transaction), with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction, and with such exercise reversed if the Corporate Transaction does not become effective.

(d) **Change in Control.** A Stock Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Document for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

#### **11. TERMINATION OR SUSPENSION OF THE PLAN.**

The Board may suspend or terminate the Plan at any time. No Awards may be granted after the tenth (10th) anniversary of the earlier of (i) the Adoption Date, or (ii) the date the Plan is approved by the stockholders of the Company. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

#### **12. EFFECTIVE DATE OF PLAN; TIMING OF FIRST GRANT OR EXERCISE.**

The Plan came into existence on the Adoption Date. However, no Award may be granted under the Plan prior to the Effective Date. In addition, no Stock Award may be exercised (or, in the case of a Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Award, or Other Stock Award, may be granted) and no Performance Cash Award may be settled unless and until the Plan has been approved by the stockholders of the Company, which approval will be within 12 months after the Adoption Date.

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### 13. CHOICE OF LAW.

The laws of the State of Delaware will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

**14. DEFINITIONS.** As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

- (a) "**Adoption Date**" means the date the Plan is adopted by the Board.
- (b) "**Affiliate**" means, at the time of determination, any "parent" or "subsidiary" of the Company, as such terms are defined in Rule 405 of the Securities Act. The Board will have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.
- (c) "**Award**" means a Stock Award or a Performance Cash Award.
- (d) "**Award Document**" means a written agreement between the Company and a Participant, or a written notice issued by the Company to a Participant, evidencing the terms and conditions of an Award.
- (e) "**Board**" means the Board of Directors of the Company.
- (f) "**Capital Stock**" means each and every class of common stock of the Company, regardless of the number of votes per share.
- (g) "**Capitalization Adjustment**" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Adoption Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other similar equity restructuring transaction, as that term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.
- (h) "**Cause**" will have the meaning ascribed to such term in any written agreement between the Participant and the Company or any Affiliate defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) Participant's willful failure substantially to perform his or her duties and responsibilities to the Company or any Affiliate or deliberate material violation of a policy of the Company or any Affiliate; (ii) Participant's commission of any material act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in material injury to the Company or any Affiliate; (iii) unauthorized use or disclosure by Participant of any proprietary information or trade secrets of the Company or any

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other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company or any Affiliate; or (iv) Participant's willful material breach of any of his or her obligations under any written agreement or covenant with the Company or any Affiliate. The determination as to whether a Participant is being terminated for Cause will be made in good faith by the Company and will be final and binding on the Participant. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company, any Affiliate or such Participant for any other purpose.

(i) "**Change in Control**" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities or (C) solely because the level of Ownership held by any Exchange Act Person (the "Subject Person") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(iv) individuals who, on the Adoption Date, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board.

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Notwithstanding the foregoing definition or any other provision of this Plan, (A) the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company, and (B) the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Awards subject to such agreement; provided, however, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition will apply.

If required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a “change in the ownership or effective control of” the Company or “a change in the ownership of a substantial portion of the assets of” the Company as determined under U.S. Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder). The Board may, in its sole discretion and without a Participant’s consent, amend the definition of “Change in Control” to conform to the definition of “Change in Control” under Section 409A of the Code, and the regulations thereunder.

(j) “**Code**” means the U.S. Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(k) “**Committee**” means a committee of one (1) or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(l) “**Common Stock**” means the Class A common stock of the Company.

(m) “**Company**” means The Rubicon Project, Inc., a Delaware corporation.

(n) “**Consultant**” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form Registration Statement on Form S-8 or a successor form under the Securities Act is available to register either the offer or the sale of the Company’s securities to such person.



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(o) “**Continuous Service**” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, will not terminate a Participant’s Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. If the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant’s Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. In addition, if required for exemption from or compliance with Section 409A of the Code, the determination of whether there has been a termination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of “separation from service” as defined under U.S. Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder). A leave of absence will be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the applicable Award Document, the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(p) “**Corporate Transaction**” means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of at least 90% of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

To the extent required for compliance with Section 409A of the Code, in no event will an event be deemed a Corporate Transaction if such transaction is not also a “change in the ownership or effective control of” the Company or “a change in the ownership of a substantial portion of the assets of” the Company as determined under U.S. Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).

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(q) “**Covered Employee**” will have the meaning provided in Section 162(m)(3) of the Code.

(r) “**Director**” means a member of the Board.

(s) “**Disability**” means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months as provided in Sections 22(e)(3) and 409A(a)(2)(C)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(t) “**Effective Date**” means the date of the underwriting agreement between the Company and the underwriters(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering of the Company’s securities pursuant to a registration statement filed and declared effective pursuant to the Securities Act.

(u) “**Employee**” means any person providing services as an employee of the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an “Employee” for purposes of the Plan.

(v) “**Entity**” means a corporation, partnership, limited liability company or other entity.

(w) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(x) “**Exchange Act Person**” means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company, or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company’s then outstanding securities.

(y) “**Fair Market Value**” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock as of any date of

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determination will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(z) “**Incentive Stock Option**” means an option granted pursuant to Section 5 of the Plan that is intended to be, and that qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

(aa) “**Non-Employee Director**” means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3 of the Exchange Act.

(bb) “**Nonstatutory Stock Option**” means any option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option.

(cc) “**Officer**” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(dd) “**Option**” means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(ee) “**Option Agreement**” means an Award Document evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(ff) “**Optionholder**” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(gg) “**Other Stock Award**” means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).

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(hh) “**Other Stock Award Document**” means an Award Document evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Document will be subject to the terms and conditions of the Plan.

(ii) “**Outside Director**” means a Director who either (i) is not a current employee of the Company or an “affiliated corporation” (within the meaning of U.S. Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an “affiliated corporation” who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an “affiliated corporation,” and does not receive remuneration from the Company or an “affiliated corporation,” either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code

(jj) “**Own,**” “**Owned,**” “**Owner,**” “**Ownership**” means a person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(kk) “**Participant**” means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(ll) “**Performance Cash Award**” means an award of cash granted pursuant to the terms and conditions of Section 6(c)(ii).

(mm) “**Performance Criteria**” means the one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: (1) profit before tax; (2) billings; (3) revenue; (4) net revenue; (5) earnings (which may include earnings before interest, taxes, depreciation and amortization, or some of them, or and net earnings); (6) operating income; (7) operating margin; (8) operating profit; (9) controllable operating profit, or net operating profit; (10) net profit; (11) gross margin; (12) operating expenses or operating expenses as a percentage of revenue; (13) net income; (14) earnings per share; (15) total stockholder return, calculated either solely with respect to the Company’s performance or relative to a benchmark; (16) market share; (17) return on assets or net assets; (18) the Company’s stock price; (19) growth in stockholder value relative to a pre-determined index; (20) return on equity; (21) return on invested capital; (22) cash flow (including free cash flow or operating cash flows); (23) cash conversion cycle; (24) economic value added; (25) individual confidential business objectives; (26) contract awards or backlog; (27) overhead or other expense reduction; (28) credit rating; (29) strategic plan development and implementation; (30) succession plan development and implementation; (31) improvement in workforce diversity; (32) customer indicators; (33) new product invention or innovation; (34) attainment of research and development milestones; (35) improvements in productivity; and (36) bookings.

(nn) “**Performance Goals**” means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria.

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Performance Goals may be based on a Company-wide basis or with respect to one or more parts of the Company's business, or with respect to individual Participant performance, as appropriate, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Performance Goals for financial Performance Criteria may be determined on either a GAAP or non-GAAP basis. Unless specified otherwise by the Board (i) in the Award Document at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company's bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles and (12) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item. In addition, the Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Stock Award Document or the written terms of a Performance Cash Award.

(oo) "**Performance Period**" means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Stock Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

(pp) "**Performance Stock Award**" means a Stock Award granted under the terms and conditions of Section 6(c)(i).

(qq) "**Plan**" means this 2014 Equity Incentive Plan of The Rubicon Project, Inc.

(rr) "**Restricted Stock Award**" means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

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(ss) “**Restricted Stock Award Document**” means an Award Document evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Document will be subject to the terms and conditions of the Plan.

(tt) “**Restricted Stock Unit Award**” means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(uu) “**Restricted Stock Unit Award Document**” means an Award Document evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Document will be subject to the terms and conditions of the Plan.

(vv) “**Securities Act**” means the U.S. Securities Act of 1933, as amended.

(ww) “**Stock Appreciation Right**” or “**SAR**” means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

(xx) “**Stock Appreciation Right Award Document**” means an Award Document evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Award Document will be subject to the terms and conditions of the Plan.

(yy) “**Stock Award**” means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right, a Performance Stock Award, or any Other Stock Award.

(zz) “**Stock Award Document**” means an Award Document evidencing the terms and conditions of a Stock Award grant. Each Stock Award Document will be subject to the terms and conditions of the Plan.

(aaa) “**Subsidiary**” means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

(bbb) “**Ten Percent Stockholder**” means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.

END OF DOCUMENT

**THE RUBICON PROJECT, INC.**  
**AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

This Amended and Restated Investors' Rights Agreement (the "Agreement") is made as of March 18, 2014 by and among The Rubicon Project, Inc. a Delaware corporation (the "Company") and the investors listed on Exhibit A hereto, each of which is herein referred to as an "Investor."

**RECITALS**

The Company and the Investors are parties to the Amended and Restated Investors' Rights Agreement dated as of October 29, 2010 (the "Prior Agreement"). The Company and the Investors desire to enter into this Agreement in order to amend, restate and replace their rights and obligations under the Prior Agreement with the rights and obligations set forth in this Agreement. Section 3.4 of the Prior Agreement provides that the Prior Agreement may be amended by the written consent of the holders of 75% of the Registrable Securities (as defined in Section of the Prior Agreement) and the parties to this Agreement hold at least 75% of the Registrable Securities.

The Company and the Investors intend that this Agreement shall amend, restate and supersede the Prior Agreement in accordance with Section 3.4 thereof.

**AGREEMENT**

The parties hereby agree as follows:

1. **Registration Rights.** The Company and the Investors covenant and agree as follows:

1.1 **Definitions.** For purposes of this Agreement:

(a) The term "Affiliated Fund" means, with respect to a Holder that is a limited liability company or a partnership, a fund or entity managed by the same manager or managing member or general partner or management company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company;

(b) The term "Common Stock" means the Company's Class A Common Stock and does not include the Company's Class B Common Stock unless otherwise expressly set forth herein.

(c) The term "Exchange Act" means the Securities Exchange Act of 1934, as amended (and any successor thereto) and the rules and regulations promulgated thereunder;

(d) The term "Form S-3" means such form under the Securities Act as in effect on the date hereof or any successor form under the Securities Act that permits significant incorporation by reference of the Company's subsequent public filings under the Exchange Act;

(e) The term "Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.11 of this Agreement;

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(f) The term “Major Investor” means (i) each of the Clearstone Venture Partners funds who are a party hereto; (ii) each of the Mayfield XII funds who are a party hereto; (iii) NBCU Media, LLC (as successor to NBC Universal, Inc.) and GE Capital Equity Capital Group, Inc.; (iv) News Corporation (as successor to Fox Interactive Media, Inc.) (“NewsCorp”); and (v) any other Investor who holds at least 700,000 shares of the Preferred Stock or the Common Stock issued upon conversion thereof (subject to adjustment for stock splits, stock dividends, combinations, reclassifications or the like) as of the date hereof so long as, in each such case, such Investor continues to hold at least 25% of the Preferred Stock issued to it by the Company or the Common Stock issuable upon conversion thereof (subject in each case to adjustment for stock splits, stock dividends, combinations, reclassifications or the like). For purposes of satisfying such minimum share threshold, a Major Investor shall include Registrable Securities held by any general partners, managing members and affiliates of a Major Investor, including Affiliated Funds, and shares held by such affiliates shall be aggregated for purposes of satisfying the share threshold set forth above;

(g) The term “Preferred Directors” shall have the meaning given to it in the Company’s Fifth Amended and Restated Certificate of Incorporation in effect as of the date hereof.

(h) The term “Preferred Stock” means the Company’s Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock.

(i) The term “Qualified IPO” means a firm commitment underwritten public offering by the Company of shares of its Common Stock in connection with which all the then-outstanding shares of Preferred Stock are converted into shares of Common Stock pursuant to the Company’s Fifth Amended and Restated Certificate of Incorporation as such Fifth Amended and Restated Certificate of Incorporation may be amended from time to time;

(j) The terms “register,” “registered,” and “registration” refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document;

(k) The term “Registrable Securities” means (i) the shares of Common Stock issuable or issued upon conversion of the Preferred Stock (including any Preferred Stock acquired by an Investor after the date hereof); (ii) any other Common Stock (including any Common Stock issued or issuable upon conversion of the Company’s Class B Common Stock or conversion and/or exercise of any other securities of the Company) now held by an Investor or acquired by an Investor after the date hereof; and (iii) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in (i) and (ii); excluding in all cases any Registrable Securities sold by a person in a transaction in which his or her rights under this Agreement are not assigned. Notwithstanding the foregoing, Common Stock or other securities shall only be treated as Registrable Securities if and so long as (A) they have not been sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, (B) they have not been sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale, or (C) the Holder thereof is entitled to exercise any right provided in Section 1 subject to Section 1.14 below;

(l) The number of shares of “Registrable Securities then outstanding” shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities;



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(m) The term “SEC” means the Securities and Exchange Commission; and

(n) The term “Securities Act” means the Securities Act of 1933, as amended (and any successor thereto) and the rules and regulations promulgated thereunder.

**1.2 Request for Registration.**

(a) If the Company shall receive at any time after the earlier of (i) five (5) years from the date of this Agreement, or (ii) six months after the effective date of the Company’ initial public offering, a written request from the Holders of not less than 40% of the Registrable Securities then outstanding (voting together as a single class on an as-converted to Common Stock basis) (the “Initiating Holders”) that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities with an anticipated aggregate offering price of at least \$5,000,000, then the Company shall, within 10 days of receiving such request, give written notice of such request to all Holders and shall, subject to the limitations of subsection 1.2(b), as soon as reasonably practicable (and in any event within 90 days of the date of the Holders’ request) file a registration statement under the Securities Act covering all Registrable Securities which the Holders request to be registered.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request and the Company shall include such information in the written notice referred to in subsection 1.2(a). The underwriter will be selected by the Initiating Holders, which underwriter shall be reasonably acceptable to the Company. In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. The Company and all Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Section 1.2, if the managing underwriter advises the Company in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all participating Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities owned by each participating Holder; provided, however, that no Registrable Securities held by the Holders shall be excluded from such underwriting unless all other securities are first entirely excluded from such underwriting. Any Registrable Securities excluded from or withdrawn from such underwriting shall be withdrawn from registration.

(c) Notwithstanding the foregoing, if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2, a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, the filing of a registration statement would be seriously detrimental to the Company or would otherwise materially adversely affect a financing, acquisition, disposition, merger or other material transaction (collectively, a “Valid Business Reason”), the Company shall have the right to defer such filing for a period of not more than 90 days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right, together with the similar right described in Section 1.4(b)(iii) more than once in any twelve-month period, and provided, further, that the Company shall not register

any securities for the account of itself or any other stockholder during such 90-day period (other than in a Qualified IPO, a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Securities Act).

(d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 1.2:

(i) After the Company has effected two (2) registrations pursuant to this Section 1.2 and such registrations have been declared or ordered effective;

(ii) During the period starting with the date 90 days prior to the Company's good faith estimate of the date of filing of, and ending on a date 90 days after the effective date of, a registration subject to Section 1.3 hereof, unless such offering is a Qualified IPO, in which case, ending on a date 180 days after the effective date of such registration subject to Section 1.3 hereof; provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective;

(iii) If the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 1.4 below; or

(iv) In any jurisdiction in which the Company would be required to qualify to do business or execute a general consent to service of process in effecting such registration, unless the Company is already qualified to do business or subject to service of process in such jurisdiction.

A registration statement shall not be counted as a registration under this Section 1.2 (i) if the Company includes any shares in such registration (in which case it shall be treated as a registration pursuant to Section 1.3 below), unless the registration includes all of the Registrable Securities that the Holders requested to be included in such registration; and (ii) until such time as the registration statement has been declared effective by the SEC (unless the Initiating Holders withdraw their request for such registration, other than as a result of information concerning the business or financial condition of the Company which was made known to the Initiating Holders after the date on which such registration was requested, and elect not to pay the registration expenses therefor pursuant to Section 1.7) and the Holders requesting to be included in such registration statement are able to sell at least 50% of the total number of Registrable Securities requested to be included in such registration statement.

### **1.3 Company Registration.**

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Holders) any of its stock under the Securities Act in connection with the public offering of such securities (other than a registration relating solely to the sale of securities to participants in a Company stock plan or a transaction covered by Rule 145 under the Securities Act, a registration in which the only stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered, or any registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Company shall, at such time, promptly give each Holder written notice of such registration (a "Company Notice"). In connection with a Qualified IPO, the Company shall give each holder a second written notice of such registration in accordance with Section 3.5 as soon as reasonably

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practicable setting forth the Company's good faith estimate, based on the advice of the Company's underwriters, of the preliminary range of prices at which shares are expected to be sold in the Qualified IPO (a "Second Company Notice"), if the Company Notice does not include such a preliminary range of prices. Upon the written request of each Holder given within 20 days after mailing of the Company Notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of subsection (b) below, use commercially reasonable efforts to cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered; provided, however, that in connection with a Qualified IPO for which there is a Second Company Notice, each Holder wishing to include shares of Common Stock in the Qualified IPO shall have until the close of business on the 5th day after the Company's mailing of the Second Company Notice to specify the number of Registrable Securities such holder wishes to include in the Qualified IPO. Notwithstanding the foregoing, if, in the good faith discretion of one or more executive officers of the Company, it would be advantageous to the Company to extend the time period for Holders to notify the Company of their intention to include Registrable Securities in a public offering to be undertaken by the Company, such executive officer(s) may elect to extend the time for Holders to notify the Company to a date and time deemed appropriate by such executive officer(s).

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under this Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company (subject to the proviso set forth in the following sentence). If the total amount of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the amount of securities to be sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling shareholders according to the total amount of securities entitled to be included therein owned by each selling shareholder or in such other proportions as shall mutually be agreed to by such selling shareholders) provided, however that in no event shall (i) the amount of Registrable Securities of the selling Holders included in the offering be reduced below 33% of the total amount of securities included in such offering, unless such offering is the Qualified IPO, in which case, the selling shareholders may be entirely excluded if the underwriters make the determination described above and no other shareholder's securities are included; and (ii) notwithstanding (i) above, any Registrable Securities held by any Holder be excluded until all securities held by any selling shareholder other than a Holder have first been entirely excluded. For purposes of the preceding parenthetical concerning apportionment, for any selling shareholder which is a holder of Registrable Securities and which is a venture capital fund, or a partnership or corporation, the affiliates, Affiliated Funds, partners, retired partners and shareholders of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling shareholder," and any pro-rata reduction with respect to such "selling shareholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling shareholder," as defined in this sentence.

(c) The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such registration shall be borne by the Company, in accordance with Section 1.7 hereof.

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1.4 **Form S-3 Registration.** In case the Company shall receive from any Holder or Holders of not less than 20% of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) as soon as reasonably practicable, and in any event within 10 days of the date of such request, give written notice of the proposed registration to all other Holders; and

(b) as soon as practicable, effect such registration as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4: (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than \$500,000; (iii) if the Company shall furnish to the Holders a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, a Valid Business Reason exists for such Form S-3 Registration to not be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 90 days after receipt of the request of the Holder or Holders under this Section 1.4; provided, however, that the Company shall not utilize this right, together with the similar right described in Section 1.2(c) more than once in any 12-month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such 90-day period (other than in a Qualified IPO, a registration relating solely to the sale of securities of participants in a Company stock plan or a registration relating to a corporate reorganization or transaction under Rule 145 of the Securities Act); (iv) if the Company has, within the 12-month period preceding the date of such request, already effected one registration on Form S-3 for the Holders pursuant to this Section 1.4; (v) in any jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already qualified to do business or subject to service of process in that jurisdiction; or (vi) during the period ending 180 days after the effective date of a registration statement subject to Section 1.3.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 1.2 or 1.3, respectively.

1.5 **Obligations of the Company.** Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 180 days or until the distribution described in such registration statement is completed, if earlier; provided that such 180 day period shall be extended for a period of time equal to the period that the Holder refrains from selling any securities included in such registration at the request of an underwriter of the Company's securities);

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(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) Use all best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdiction, unless the Company is already qualified to do business or subject to service of process in that jurisdiction;

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement;

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) Cause all such Registrable Securities registered pursuant to this Section 1 to be listed on each national securities exchange or trading system on which similar securities issued by the Company are then listed;

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(i) Notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed;

(j) After such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus; and

(k) Use all best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of

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such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

1.6 **Information From Holders.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.7 **Expenses of Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4 including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the selling Holders (up to a maximum of \$15,000 per registration for Holders' counsel's fees) selected by them shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration (i) proceeding begun pursuant to Section 1.2 or 1.4 if the registration request is subsequently withdrawn at the request of the Holders of no less than 50% of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based on the number of Registrable Securities that were to be included in such registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2; provided, however, that if, at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business or prospects of the Company from that known to the Holders at the time of the request and have withdrawn the request with reasonable promptness after becoming aware of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall retain their rights under Sections 1.2 and (ii) in the case of registration under Section 1.4 if the Company has already paid for such expenses of registration with respect to two (2) registrations on Form S-3.

1.8 **Delay of Registration.** No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 **Indemnification.** In the event any Registrable Securities are included in a registration statement under this Section 1 :

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder (and the partners, members, officers and directors of each Holder), any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, as they occur, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act,

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the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any Holder, underwriter or controlling person for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for inclusion in the offering materials in connection with such registration by any such Holder, underwriter or controlling person, respectively.

(b) To the extent permitted by law, each selling Holder will severally and not jointly indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder (including such Holder's partners, members, officers and directors) selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for inclusion in the offering materials in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.9(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, that in no event shall any indemnity under this subsection 1.9(b) exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.9 solely to the extent that the indemnifying party has been damaged thereby, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability,

claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; provided, that in no event shall any contribution by a Holder under this Subsection 1.9(d) exceed the net proceeds from the offering received by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Unless suspended by the underwriting agreement, the obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

**1.10 Reports Under the Exchange Act.** With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after the first registration statement filed by the Company for the offering of its securities to the public so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder upon request, so long as the Holder owns any Registrable Securities, (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after it is subject to such requirements), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

**1.11 Assignment of Registration Rights.** The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee (i) who is acquiring at least 25% of the shares of Preferred Stock or Registrable Securities held by the transferring or assigning Holder; or (ii) that is an affiliate, subsidiary, parent, partner, limited partner, retired partner, member, retired member or



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stockholder of a Holder, or (iii) that is an Affiliated Fund, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if the transferee agrees to be bound by this Agreement and immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of (x) a partnership who are partners or retired partners of such partnership, or (y) a limited liability company who are members or retired members of such limited liability company (including Immediate Family Members of such partners or members who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership or limited liability company.

1.12 **Limitations on Subsequent Registration Rights.** From and after the date of this Agreement, the Company shall not, without the prior written consent of the Investors holding at least 75% of the Common Stock issued or issuable upon conversion of Preferred Stock held by all Investors voting together as a single class, enter into any agreement with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder (a) to include any of such securities in any registration, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of his securities will not reduce the amount of the Registrable Securities of the Holders which is included or (b) to make a demand registration.

### 1.13 **Lock-Up Agreement**

(a) **Lock-Up Period; Agreement.** In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing such offering of the Company's securities, each Holder agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company held immediately prior to the effectiveness of the Registration Statement for such offering (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days or such longer period of time as may be requested by the Company or an underwriter to accommodate regulatory restrictions on (1) the publication or other distribution of research reports and (2) analyst recommendations and opinions, including but not limited to the restrictions contained in FINRA Rule 2711(f)(4) or NYSE Rule 472(F)(4), or any successor provisions or amendments thereto) from the effective date of such registration statement as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company's initial public offering.

(b) **Limitations.** The provisions of Section 1.13(a) shall apply only to the Company's initial public offering and shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement. Furthermore, the provisions of Section 1.13(a) shall only be applicable to the Holders if all officers, directors and greater than 1% stockholders of the Company enter into similar agreements and in the event any holder of Company securities is released from such obligations, all Holders shall be released from their respective obligations on a pro rata basis (and any underwriting agreement that the Company enters shall provide for such release).

(c) **Stop-Transfer Instructions.** In order to enforce the foregoing covenants, the Company may impose stop-transfer instructions with respect to the securities of each Holder (and the securities of every other person subject to the restrictions described in Section 1.13(a)).

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(d) **Transferees Bound.** Each Holder agrees that prior to the Company's initial public offering it will not transfer securities of the Company unless each transferee agrees in writing to be bound by all of the provisions of this Section 1.13, provided that this Section 1.13(d) shall not apply to transfers pursuant to a registration statement.

1.13 **Mergers, etc.** The Company shall not, directly or indirectly, enter into any merger, consolidation or reorganization in which the Company shall not be the surviving corporation unless the proposed surviving corporation shall, prior to such merger, consolidation or reorganization, agree in writing to assume the obligations of the Company under this Agreement, and for that purpose references hereunder to "**Registrable Securities**" shall be deemed to be references to the securities which the Holders would be entitled to receive in exchange for Registrable Securities under any such merger, consolidation or reorganization, *provided, however*, that the provisions of this Agreement shall not apply to any Holder of Registrable Securities, in the event of any merger, consolidation or reorganization in which the Company is not the surviving corporation if such shareholder is entitled to receive in exchange therefor (i) cash or (ii) securities all of which may be immediately sold to the public without registration under the Securities Act.

1.14 **Termination or Suspension of Registration Rights.** No Holder shall be entitled to exercise any right provided for in this Section 1 after the earlier of (i) four (4) years following the consummation of a Qualified IPO or (ii) upon termination of the Agreement, as provided in Section 3.1 (but subject to Section 1.13). In addition, a Holder's rights under this Section 1 shall be suspended (but not terminated) during such times as Rule 144 or another similar exception under the Securities Act is available for the sale of all such Holder's (together with any affiliate of such Holder with whom such Holder must aggregate its sales under Rule 144) shares during a 3 month period without exceeding the volume limitations thereof.

## **2. Covenants of the Company**

2.1 **Delivery of Financial Statements and Other Information.** The Company shall deliver to each Major Investor (other than a Major Investor reasonably deemed by the Company to be a competitor of the Company) and to Frank Addante, so long as he continues to hold 500,000 shares of Common Stock (as adjusted in the event of any stock dividend, stock split, combination or other similar recapitalization):

(a) as soon as practicable, but in any event within 120 days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of shareholder's equity as of the end of such year, and a statement of cash flows for such year and a comparison between the actual figures for such year, the comparable figures for the prior year and the comparable figures included in the Budget (defined below) for such year, with an explanation of any material differences, and a schedule as to the sources and applications of funds for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), and, beginning with the financial statements for the fiscal year ending December 2009 unless otherwise determined by the Company's Board of Directors (including any directors designated by the holders of the Preferred Stock), audited and certified by an independent public accounting firm of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company, an unaudited profit or loss statement, a statement of cash flows for such fiscal quarter, a schedule as to the sources and application of funds for such fiscal quarter and an unaudited balance sheet and statement of stockholders' equity as of the end of such fiscal quarter;

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(c) as soon as possible, but in any event within 30 days prior to the end of each fiscal year, a budget and business plan for the next fiscal year (the “Budget”), prepared on a monthly basis, including balance sheets and sources and applications of funds statements for such months and, as soon as prepared, any material updates to the Budget that are prepared by the Company;

(d) as soon as practicable, but in any event within 45 days after the end of each fiscal quarter, a detailed capitalization chart in sufficient detail as to permit the Major Investors to calculate their respective percentage ownership of the Company and certified by the Chief Financial Officer or Chief Executive Officer of the Company as being true, complete and correct;

(e) as soon as reasonably practicable, and in any event within 10 days after an executive officer of the Company has knowledge of the commencement of any material legal proceeding against the Company; and

(g) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as the Major Investor may from time to time reasonably request, including, without limitation, management letters, communications with stockholders, press releases and registration statements.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

**2.2 Inspection.** The Company shall permit each Major Investor (except for a Major Investor reasonably deemed by the Company’s Board of Directors to be a competitor of the Company. Provided that any Major Investor that is a venture capital firm shall not be deemed a competitor as a result of investments in other portfolio companies that may be competitive with the Company), at such Major Investor’s expense, to visit and inspect the Company’s properties, to examine its books of account and records and to discuss the Company’s affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 2.2 to provide access to any information which it reasonably considers to be a trade secret or similar proprietary and confidential information.

**2.3 Right of First Offer.** Subject to the terms and conditions specified in this Section 2.3, the Company hereby grants to each Major Investor a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). A Major Investor who chooses to exercise the right of first offer may designate as purchasers under such right itself or its partners, members or affiliates, including Affiliated Funds, in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exercisable for any shares of, any class of its capital stock (“Shares”), the Company shall first make an offering of such Shares to each Major Investor in accordance with the following provisions:

(a) The Company shall deliver a notice (the “RFO Notice”) to the Major Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such Shares.

(b) Within 14 business days after delivery of the RFO Notice, the Major Investor may elect to purchase or obtain, at the price and on the terms specified in the RFO Notice, up to that portion of such Shares which equals the proportion that the Common Stock and Class B Common

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Stock held by such Major Investor bears to the total Common Stock of the Company then outstanding (assuming in each case conversion or exercise of all securities convertible or exercisable, directly or indirectly, into Common Stock (including, for the avoidance of doubt, the Class B Common Stock on an as-converted to Class A Common Stock basis), but excluding shares reserved but unissued under the Company's stock option plan, restricted stock plan, or other stock plan). Such purchase shall be completed at the same closing as that of any third party purchasers or at an additional closing thereunder. The Company shall promptly, in writing, inform each Major Investor that purchases all the shares available to it (each, a "Fully-Exercising Investor") of any other Major Investor's failure to do likewise. During the 10-day period commencing after receipt of such information, each Fully-Exercising Investor shall be entitled to purchase or obtain (the "Over-Allotment Option") that portion of the Shares for which Major Investors were entitled to subscribe but which were not subscribed for by the Major Investors that is equal to the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Fully-Exercising Investor bears to the total number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by all such Fully-Exercising Investors participating in the Over-Allotment Option (assuming in each case conversion or exercise of all securities convertible or exercisable, directly or indirectly, into Common Stock including, for the avoidance of doubt, the Class B Common Stock on an as-converted to Class A Common Stock basis).

(c) The Company may, during the 45-day period following the expiration of the period provided in subsection 2.3(b) hereof, offer the remaining unsubscribed portion of the Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the RFO Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within 60 days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Major Investors in accordance herewith.

(d) The right of first offer in this Section 2.3 shall not be applicable to

(1) shares of Common Stock issued or issuable upon conversion of outstanding shares of Preferred Stock, or as a dividend or distribution on Preferred Stock;

(2) shares of Common Stock (or Class B Common Stock) issued or issuable as a dividend, stock split or other distribution on Common Stock (or Class B Common Stock);

(3) up to 350,000 shares of Common Stock (as appropriately adjusted for any subsequent stock splits, stock dividends, reclassifications and the like) issued or deemed issued: (1) in connection with acquisition transactions, (2) to financial institutions, lessors or other lenders in connection with commercial credit arrangements or equipment financings and the like; (3) in connection with strategic partnering arrangements and the like or (4) to suppliers or third party service providers in connection with the provision of goods and services, which, in each case, are approved by the Company's Board of Directors (including at least one of the Preferred Directors), and are primarily for purposes other than equity financing;

(4) up to 14,071,165 shares of Common Stock (subject to adjustment for recapitalizations, stock dividends, stock splits, stock combinations or the like) (inclusive of shares of Common Stock issued or issuable pursuant to options or other equity awards previously granted or outstanding as of the date hereof), issued or issuable to employees, consultants or directors of the Company under a stock option plan or restricted stock plan or the like approved by the Board of Directors of the Company;

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(5) Shares of Common Stock or Preferred Stock issuable upon exercise of options, warrants or other convertible securities outstanding as of the date hereof (including without limitation shares of Common Stock issuable upon conversion of Class B Common Stock);

(7) Shares of Common Stock issued in a Qualified IPO;

(8) Shares issued or issuable which are deemed not to be subject to the right of first offer set forth in this Section 2.3 by the affirmative vote or written consent of Investors holding at least 75% of the Common Stock issued or issuable upon conversion of the Preferred Stock held by the Investors; provided that so long as NewsCorp (or its successors in interest) continues to be a Major Investor, the rights of NewsCorp (or such successors in interest) under this Section 2.3 may only be waived with the vote or written consent of NewsCorp (or such successors in interest). Notwithstanding such proviso, the right of first offer may be waived for all Major Investors, or the portion of the Shares subject to the right of first offer may be reduced, in either case by the affirmative vote or written consent of Investors holding at least 75% of the Common Stock issued or issuable upon conversion of the Preferred Stock held by the Investors, and without NewsCorp's consent, if (i) such waiver or reduction applies to all Major Investors on a pro-rata basis; and (ii) no Major Investor (together with its Affiliated Funds or affiliates) invests in such equity financing (whether pursuant to the right of first offer or otherwise) in excess of the amount that such Major Investor is entitled to invest under this Section 2.3, after giving effect to such waiver or reduction.

#### 2.4 **Additional Covenants**

(a) The Company's Board of Directors, upon request from one of the Preferred Directors, shall establish and thereafter maintain a compensation committee (the "Compensation Committee"), the voting members of which shall be composed of non-employee directors selected by the Board of Directors, and shall include any Preferred Directors who request to serve on such committee. All changes in executive or senior management compensation levels (including equity compensation and/or vesting provisions), shall be approved by the Compensation Committee (or the Board of Directors including the Preferred Directors if there is no Compensation Committee).

(b) The Company shall maintain director's and officer's insurance in amounts customary for companies similarly situated to the Company (which insurance policies shall also be reasonably acceptable to the Preferred Directors and the Company's CEO).

(c) The Company shall use reasonable best efforts to hold meetings of the Company's Board of Directors at least 8 times per calendar year. The Company shall reimburse the Preferred Directors for out of pocket travel costs for meetings of the Company's Board of Directors and other reasonable Company-related travel expenses.

(d) The Company's offices shall be located in Los Angeles County unless a change is approved by the Board of Directors, including the Preferred Directors.

(e) The Company shall not change the principal business of the Company, enter new lines of business or exit the current line of business without the prior consent of the Preferred Directors.

(f) The Company will cause each person now or hereafter employed by it or any subsidiary (or engaged by the Company or any subsidiary as a consultant or independent contractor) to enter into an agreement substantially similar to the Company's form Confidential Information and Inventions Assignment Agreement.

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(g) Unless otherwise approved by the Compensation Committee (or the Board of Directors including the Preferred Directors, if no such committee exists), or as set forth in the Founder Stock Purchase Agreements, the vesting terms of which may only be amended with the consent of the Compensation Committee (or the Preferred Directors, if none): (i) all officers, employees and other service providers who shall purchase, or receive options to purchase, shares of the Company's capital stock pursuant to the Company's stock plan (or other compensation arrangement) shall be subject to vesting (including by way of a repurchase right in the case of restricted stock) over a four-year period with the first 25% of such shares vesting following 12 months of continued service and the remaining shares vesting in equal monthly installments over the following 36 months; and (ii) such vesting shall not be subject to acceleration on termination or other events.

(h) Unless otherwise approved by the Board of Directors, including the Preferred Directors, the Company shall obtain (i) an agreement from all persons acquiring shares of its capital stock, or rights to purchase its capital stock, providing for at least a 180 day lockup period (or such longer period of time as may be required to comply with Rule 2711 of the National Association of Securities Dealers, Inc. (or any successor rule thereto)) in connection with the Company's initial public offering; and (ii) an agreement from all employees, consultants or other service providers acquiring shares of its capital stock, or rights to purchase its capital stock, after the date hereof an assignable right of first refusal in favor of the Company upon transfer of any such shares subject to customary exceptions for estate planning purposes.

(i) In the event that the Company or any of its successors or assigns (i) consolidates with or merges into any other entity and shall not be the continuing or surviving corporation; or (ii) transfers or conveys all or substantially all of its properties and assets to any person or entity the, and in each such case, proper provision shall be made so that the successors and assigns of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately prior to such transactions, whether in the Company's bylaws, Certificate of Incorporation, or otherwise.

(j) The proceeds from the Company's sale of Series D Preferred Stock shall be used for general corporate and working capital purposes only.

(k) The Company shall maintain insurance against hazards, risks and liabilities to persons and property in a manner and to an extent customary for companies in similar business similarly situated.

(l) Upon request by an Investor, the Company shall (i) conduct a reasonable investigation to determine whether any shares of Preferred Stock (or Common Stock if applicable) held by such Investor qualified at the time of issuance as "qualified small business stock" within the meaning of Internal Revenue Code Sections 1045 and 1202 and Sections 18152.5 and 18038.5 of the California Revenue and Taxation Code, and (ii) if applicable, shall provide such Investor with written confirmation thereof as expeditiously as reasonably possible, but in no event later than 15 days following the Company's receipt of such request.

(m) The Company shall not knowingly do business with Adult Content Sites, Pirate Sites, or third parties engaged in unlawful activities. As used herein, "Adult Content Sites" means sites or online locations that are used substantially for the dissemination of pornography; and "Pirate Sites" means sites or online locations that are used substantially for the unlawful dissemination of pirated works or promotion of copyright piracy, including sites that traffic in unlawful copy-protection circumvention software and devices. The Company shall adopt and reasonably implement policies and procedures to comply with the foregoing and shall make public that it does not engage in business with Adult Content Sites, Pirate Sites, or sites engaged in unlawful activities.

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2.5 **Confidentiality.** Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company or for the benefit of the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 2.5 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals and representative to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 3.5; (iii) to any affiliate, Affiliated Fund, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business or pursuant to any Investor's partnership or similar agreement; or (iv) as may otherwise be required by law. The Company acknowledges that certain of the Investors are in the business of venture capital investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises that may have products or services that compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict the Investors from investing or participating in any particular enterprise, regardless of whether such enterprise has products or services that compete with those of the Company.

### 2.6 **Termination of Covenants.**

(a) The covenants set forth in Sections 2.1 through Section 2.4 (other than Section 2.4(l) which shall survive any such termination) shall terminate as to each Holder and be of no further force or effect (i) immediately prior to the consummation of a Qualified IPO, or (ii) upon termination of the Agreement, as provided in Section 3.1.

(b) The covenants set forth in Sections 2.1 and 2.2 shall terminate as to each Holder and be of no further force or effect when the Company first becomes subject to the periodic reporting requirements of Sections 13 or 15(d) of the Exchange Act, if this occurs earlier than the events described in Section 2.5(a) above.

### 3. **Miscellaneous**

3.1 **Termination.** Except as set forth in Section 1.13 and Section 2.6(a), this Agreement shall terminate, and have no further force and effect, when the Company shall consummate a Liquidation Transaction (as defined in the Company's Fifth Amended and Restated Certificate of Incorporation, as such Certificate of Incorporation may be further amended from time to time).

3.2 **Entire Agreement.** This Agreement together with the Fifth Amended and Restated Certificate of Incorporation of the Company and the other Transaction Agreements (as defined in the Purchase Agreement) constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the parties hereto, including the Prior Agreement, are expressly canceled. Pursuant to Section 3.4 of the Prior Agreement, the undersigned parties who are parties to such Prior Agreement hereby amend and restate the Prior Agreement to read in its entirety as set forth in this

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Agreement, all with the intent and effect that the Prior Agreement shall hereby be terminated and entirely replaced and superseded by this Agreement, and this Agreement is binding on all parties to the Prior Agreement whether or not such party has executed this Agreement.

3.3 **Successors and Assigns.** Except as otherwise provided in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties (including transferees of any of the Preferred Stock or any Common Stock issued upon conversion thereof). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.4 **Amendments and Waivers.** Any term of this Agreement may be amended or waived only with the written consent of the Company and the Investors holding at least 75% of the Common Stock issued or issuable upon conversion of the Preferred Stock held by all Investors (voting together as a single class). Notwithstanding the foregoing, this Agreement may not be amended (i) with respect to any Investor or Major Investor without the written consent of such Investor or Major Investor unless such amendment applies to all Investors or Major Investors in the same fashion; (ii) with respect to any class of Common Stock or series of Preferred Stock without the written consent of the holders of a majority of the shares of such class or series of stock unless such amendment applies to all classes of Common Stock or series of Preferred Stock, as the case may be, in the same fashion, or (iii) so as to add any new or material obligation of a type not generally consistent with the type of obligations contained herein without the consent of each Investor that is subject to such new or additional obligation. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each party to the Agreement, whether or not such party has signed such amendment or waiver, each future holder of all such Registrable Securities, and the Company.

3.5 **Notices.** All notices or other communications required or permitted hereunder shall be in writing and faxed, mailed or delivered to each party as follows at the address or facsimile number set forth on the signature page or exhibits hereto, or at such other address or number as such party shall have furnished in writing. All notices and communications will be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one business day after being deposited with an overnight courier service of recognized standing; or (v) four days after being deposited in the US mail, first class with postage prepaid. If notice is given to the Company, a copy shall be provided to Strategic Law Partners, 500 S. Grand, Suite 2050, Los Angeles, CA 90071, Attn: Daniel C. Burnham.

3.6 **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement, and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

3.7 **Governing Law.** This Agreement shall be governed by and construed in accordance with the General Corporation Law of the State of Delaware as to matters within the scope thereof, and as to all other matters shall be governed by and construed in accordance with the internal laws of the State of California, without regard to its principles of conflicts of laws.

3.8 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.



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3.9 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.10 **Aggregation of Stock.** All shares of the Preferred Stock held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

3.11 **Costs of Enforcement.** If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing party shall pay all costs and expenses incurred by the prevailing party including, without limitation, all reasonable attorneys' fees.

3.12 **Third Party Beneficiary.** Each Major Investor and the Company expressly acknowledges and agrees that, so long as Frank Addante continues to hold 1,000,000 shares of the Company's common stock (as adjusted in the event of any stock dividend, stock split, combination or other similar recapitalization), then Mr. Addante shall be regarded as an intended third-party beneficiary of the Company's covenants under Section 2.1 of this Agreement, that Mr. Addante shall be entitled to rely on the Company's covenants set forth therein, and that Mr. Addante shall be entitled to take any and all such actions as it determines in its reasonable discretion to enforce any and all of such person's rights with respect thereto.

3.12 **Rights of Warrant Holder.** The parties acknowledge that the Company has issued, or intends to issue, to Silicon Valley Bank a warrant to purchase shares of the Company's Series B Preferred Stock and, pursuant to the terms of such warrant Silicon Valley Bank shall have certain "piggyback" registration rights and related obligations under this Agreement.

[Signature Page Follows]

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The undersigned has executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

**COMPANY:**

**The Rubicon Project, Inc.**

By: /s/ Brian Copple

Name: Brian Copple

Title: General Counsel and Corporate Secretary

**[SIGNATURE PAGE TO INVESTOR RIGHTS AGREEMENT]**

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**EXHIBIT A**  
**INVESTORS**

**Investor**

Clearstone Venture Partners III-A, LP

Clearstone Venture Partners III-B, a Delaware Multiple Series LLC

Mayfield XII

Mayfield Principals Fund XII

Mayfield Associates Fund XII

Matt Coffin

The Board of Trustees of the Leland Stanford Junior University (SEVF II)

University of California, Berkeley Foundation

IDG Ventures Vietnam LP

The Mohn Family Trust

NBCUniversal Media, LLC (f/k/a NBC Universal, Inc.)

GE Capital Equity Investments, Inc.

Allen & Company LLC

ESTY LLC

News Corporation

## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement") is made and entered into as of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") between The Rubicon Project, Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ ("Indemnitee").

Highly competent persons have become more reluctant to serve or continue to serve corporations as officers or directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

The Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Bylaws and Certificate of Incorporation of the Company provide for indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware ("DGCL"). The Bylaws and Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

The Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company's stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future and it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

Indemnitee does not regard the protection available under the Company's Bylaws and Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve as an officer and/or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he or she be so indemnified.

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This Agreement is a supplement to and in furtherance of the Bylaws and Certificate of Incorporation of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder. Accordingly, in consideration of Indemnitee's agreement to serve as an officer and/or director from and after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status (as hereinafter defined), the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee, or on Indemnitee's behalf, in connection with such Proceeding or any claim, issue or matter therein, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful.

(b) Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; provided, however, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that the Court of Chancery of the State of Delaware shall determine that such indemnification may be made.

(a) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this

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Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 1 and 6 hereof) to be unlawful. Notwithstanding any other provision in this Agreement, the parties acknowledge and agree that, if and in so far as the Bylaws provide more favorable indemnification rights for the benefit of the Indemnitee than what is provided hereby, then, solely in respect of such more favorable indemnification rights, the provisions of the Bylaws will apply and supersede the applicable provision(s) herein.

3. Contribution.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction or events from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the

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Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the transaction or events that resulted in such Expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

4. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the maximum extent permitted by the DGCL, the Indemnitee shall be entitled to indemnification against all Expenses actually and reasonably incurred by the Indemnitee or on the Indemnitee's behalf if the Indemnitee appears as a witness, or is made (or asked) to respond to discovery requests, or otherwise incurs legal expenses as a result of or related to the Indemnitee's service as a director or officer of the Company, in any threatened, pending, or completed action, suit, arbitration, alternative dispute mechanism, inquiry, judicial, administrative, or legislative hearing, investigation, or any other threatened, pending, or completed or proceeding, whether of a civil, criminal, administrative, legislative, investigative, or other nature, to which the Indemnitee neither is, nor is threatened to be made, a party.

5. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within thirty (30) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free.

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6. Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the DGCL and public policy of the State of Delaware. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following five methods, which shall be, unless otherwise provided, at the election of the Board: (1) by a majority vote of the Disinterested Directors, even if such majority is less than a quorum, (2) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even if such majority is less than a quorum, (3) if there are no Disinterested Directors or if the Disinterested Directors so direct, by independent legal counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, (4) if so directed by the Board, by the stockholders of the Company, or (5) in the event that a Change in Control has occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by the Board and approved by the Indemnitee, except that in the event that a Change in Control has occurred, Independent Counsel shall be selected by the Indemnitee. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected or if Indemnitee fails to approve (or so to select, in the event a Change in Control has occurred), either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for the selection of Independent Counsel, and the person so selected or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.



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(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise (as hereinafter defined), including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders. pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such

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determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board or stockholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

#### 7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is

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entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such Proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such Proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial Proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial Proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial Proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

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8. Non-Exclusivity; Survival of Rights; Insurance.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders, a resolution of directors of the Company, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Certificate of Incorporation, Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit

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plan or other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other Enterprise.

9. Exception to Right of Indemnification. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee (including advancement of Expenses):

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law, or (iii) it is a Proceeding initiated by Indemnitee to enforce rights under this Agreement.

10. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any Proceeding commenced under Section 7 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

11. Security. To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

12. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

(b) The Company shall not seek from a court, or agree to, a "bar order" which would have the effect of prohibiting or limiting the Indemnitee's rights to receive advancement of expenses under this Agreement.

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13. Definitions. For purposes of this Agreement:

(a) A "Change in Control" will be deemed to have occurred if the individuals who, as of the Effective Date, constitute the Board of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such effective date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

(b) "Corporate Status" describes the status of a person who is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving (whether or not in the role of a professional adviser or as a director, officer, employee, agent or fiduciary) at the express written request of the Company.

(c) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "Enterprise" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(e) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments, fines, ERISA excise taxes, or penalties actually levied against the Indemnitee, or any amounts paid in settlement by or on behalf of the Indemnitee.

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(f) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) "Proceeding" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, judicial, administrative or legislative hearing or any other pending, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise, including any and all appeals, and whether civil, criminal, administrative, investigative or other nature, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of his or her Corporate Status, by reason of any action taken by him or of any inaction on his part while acting in his or her Corporate Status; in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement.

14. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

15. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice by Indemnitee: Defense of Proceeding. Indemnitee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company. Notwithstanding any other provision of this Agreement, with respect to any such Proceeding of which the Indemnitee notifies the Company:

- (a) The Company shall be entitled to participate therein at its own expense;

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(b) Except as otherwise provided in this Section 16(b), to the extent that it may wish, the Company, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof, with counsel satisfactory to the Indemnitee. After notice from the Company to the Indemnitee of its election so to assume the defense thereof, the Company shall not be liable to the Indemnitee under this Agreement for any expenses of counsel subsequently incurred by the Indemnitee in connection with the defense thereof except as otherwise provided below. The Indemnitee shall have the right to employ the Indemnitee's own counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of the defense of such Proceeding, or (iii) the Company shall not within sixty (60) calendar days of receipt of notice from the Indemnitee in fact have employed counsel to assume the defense of the Proceeding, in each of which cases the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee shall have made the conclusion provided for in (ii) above; and

(c) Notwithstanding any other provision of this Agreement, the Company shall not be liable to indemnify the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without the Company's written consent, or for any judicial or arbitral award if the Company was not given an opportunity, in accordance with this Section 16, to participate in the defense of such Proceeding. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on or disclosure obligation with respect to the Indemnitee without the Indemnitee's written consent. Neither the Company nor the Indemnitee shall unreasonably withhold its consent to any proposed settlement.

17. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent, if to the Indemnitee, to the address set forth on the signature page hereto and if to the Company, to its principal executive office, attention Chief Executive Officer or, in either case, to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and



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the same Agreement. This Agreement may also be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. Governing Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

*[Signature Page Follows]*

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

THE COMPANY

The Rubicon Project, Inc.

By: \_\_\_\_\_

Its: \_\_\_\_\_

INDEMNITEE:

[Name]

By: \_\_\_\_\_

Its: \_\_\_\_\_

*[Signature Page to Indemnification Agreement]*

**SUBSIDIARIES OF THE RUBICON PROJECT, INC.**

Rubicon Project Hopper, Inc.	(Delaware)
Rubicon Project Unlatch, Inc.	(Delaware)
The Rubicon Project Ltd.	(United Kingdom)
The Rubicon Project GmbH	(Germany)
The Rubicon Project Australia PTY Limited	(Australia)
Rubicon Project K.K.	(Japan)
The Rubicon Project SARL	(France)
The Rubicon Project Singapore Pte. Ltd.	(Singapore)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of The Rubicon Project, Inc. of our report dated March 4, 2014, except for the subsequent events described in the third and fourth paragraphs of Note 18 as to which to date is March 18, 2014, relating to the consolidated financial statements of The Rubicon Project, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP  
Los Angeles, California  
March 18, 2014

**CONSENT TO SERVE AS DIRECTOR**

I understand that the Board of Directors (the "Board") of The Rubicon Project, Inc. (the "Company") contemplates appointing me to the Board.

I hereby agree that if I am appointed to the Board, I will serve as a member of the Board until my successor is elected and qualified or until my earlier resignation or removal.

The Company has filed a Registration Statement on Form S-1 (File No. 333-193739) with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the initial public offering of the Company's common stock. I hereby consent to being named as a member of the board of directors of the Company in the Registration Statement, as may be amended from time to time. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

This consent is subject to any subsequent written revocation of this consent that I may deliver to the Secretary of the Company or the Chairman of the Board.

/s/ Robert J. Frankenberg  
*Signature*

Robert J. Frankenberg  
*Printed Name*

3/17/2014  
*Date*

**CONSENT TO SERVE AS DIRECTOR**

I understand that the Board of Directors (the "Board") of The Rubicon Project, Inc. (the "Company") contemplates appointing me to the Board.

I hereby agree that if I am appointed to the Board, I will serve as a member of the Board until my successor is elected and qualified or until my earlier resignation or removal.

The Company has filed a Registration Statement on Form S-1 (File No. 333-193739) with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the initial public offering of the Company's common stock. I hereby consent to being named as a member of the board of directors of the Company in the Registration Statement, as may be amended from time to time. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

This consent is subject to any subsequent written revocation of this consent that I may deliver to the Secretary of the Company or the Chairman of the Board.

/s/ Robert F. Spillane  
*Signature*

Robert F. Spillane  
*Printed Name*

3/17/14  
*Date*