MARIN SOFTWARE INC
Form 10-K/A
March 05, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2017

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-35838

Marin Software Incorporated

(Exact name of registrant as specified in its charter)

Delaware	20-4647180
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

123 Mission Street, 27th Floor

San Francisco, CA 94105

(415) 399-2580

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

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

Title of each class	Name of each exchange on which registered
Common stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

Not applicable

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

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

Based on the closing price of the Registrant's Common Stock on the New York Stock Exchange of $9.10 on the last business day of the Registrant's most recently completed second fiscal quarter, which was June 30, 2017, the aggregate market value of its shares held by non-affiliates was approximately $48 million. Shares of the Registrant's Common Stock held by each executive officer and director were excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 26, 2018, there were approximately 5,734,000 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2018 Annual Meeting of Stockholders ("Proxy Statement"), to be filed within 120 days of the Registrant's fiscal year ended December 31, 2017 are incorporated by reference in Part III of the Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in the Form 10-K, the Proxy Statement is not deemed to be filed as part of the Annual Report on Form 10-K.

EXPLANATORY NOTE

Marin Software Incorporated (the "Company") files this Amendment No. 1 ("Amendment No. 1") to its Annual Report on Form 10-K filed on February 28, 2018 for the fiscal year ended December 31, 2017 (the "Original 10-K") to provide an amended report of its independent registered public accounting firm that includes a statement inadvertently omitted from the previously filed version that confirms the Company's independent registered accounting firm did not audit its internal control over financial reporting.

In accordance with applicable Securities and Exchange Commission ("SEC") rules and as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, Amendment No. 1 includes new certifications from the Company's Principal Executive Officer and Principal Financial Officer dated as of the date of filing of Amendment No. 1.

This Amendment No. 1 consists solely of the preceding cover page, this explanatory note, Part II., Item 8., "Financial Statements and Supplementary Data," in its entirety, Part IV., Item 15., "Exhibits and Financial Statement Schedules," in its entirety, the signature page, and the new certifications from the Company's Principal Executive Officer and Principal Financial Officer.

Amendment No. 1 speaks as of the date of the Original 10-K, does not reflect events that may have occurred after the date of the Original 10-K and does not modify or update in any way the disclosures made in the Original 10-K, except as described above. Amendment No. 1 should be read in conjunction with the Original 10-K and with the Company's subsequent filings with the SEC.

MARIN SOFTWARE INCORPORATED

FORM 10-K/A

For the Fiscal Year Ended December 31, 2017

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PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information in response to this item is included in our consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP, in Item 15 of this Annual Report on Form 10-K/A under the heading “Exhibits and Financial Statement Schedules,” and in Item 7 of the Annual Report on Form 10-K under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES
(1) Financial Statements

The following financial statements are presented in response to Part II, Item 8, under the heading "Financial Statements and Supplementary Data":

The supplementary financial information required by Item 8 is included in Part II, Item 7 of the Annual Report on Form 10-K under the heading "Quarterly Results of Operations Data," which is incorporated herein by reference.

(2) Financial Statement Schedules

All schedules are omitted because they are not applicable, not required or the information is included in the accompanying consolidated financial statements or notes thereto.

(3) Exhibits

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Exhibit Number	Description of Document	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Restated Certificate of Incorporation.	10-Q	001-35838	3.1	5/9/2013	
3.2	Restated Bylaws.	10-Q	001-35838	3.2	5/9/2013	
3.3	Certificate of Amendment to Certificate of Incorporation.	8-K	001-35838	3.1	10/5/2017	
4.1	Form of Common Stock Certificate.	S-1/A	333-186669	4.1	3/15/2013	
10.1	Form of Indemnification Agreement.	10-K	001-35838	10.1	2/28/2018	
10.2#	2006 Equity Incentive Plan and forms of stock option agreement and stock option exercise agreement.	S-1	333-186669	10.2	2/13/2013	
10.3#	2013 Equity Incentive Plan and forms of stock option agreement, stock option exercise agreement, restricted stock agreement, and RSU award agreement.	S-1/A	333-186669	10.3	3/4/2013	
10.4#	2013 Employee Stock Purchase Plan and form of subscription agreement.	S-1/A	333-186669	10.4	3/4/2013	
10.5	Master Services Agreement, dated as of August 3, 2009, by and between the Registrant and Switch Communications Group L.L.C.	S-1	333-186669	10.7	2/13/2013	
10.6#	Form of Severance and Change in Control Agreement between the Registrant and each of the executive officers.	S-1/A	333-186669	10.9	3/11/2013	
10.7#	Executive Bonus Compensation Plan.	10-K	001-35838	10.11	2/20/2015	
10.8#	Offer Letter, dated May 4, 2014, by and between the Registrant and David. A. Yovanno.	8-K	001-35838	10.1	5/8/2014	
10.9#	Description of Director Compensation Program.	10-K	001-35838	10.14	2/20/2015	
10.10#	Offer Letter, dated as of July 1, 2015, by and between the Registrant and Catriona M. Fallon.	10-Q	001-35838	10.2	8/6/2015	
10.11#	Transition and Separation Agreement, dated as of September 14, 2015, by and between the Registrant and Christopher A. Lien.	10-Q	001-35838	10.4	11/5/2015	
10.12	Office Lease, dated as of January 7, 2011, by and between the Registrant and 123 Mission, LLC, as	10-K	001-35838	10.16	2/23/2016	

	amended.					
10.13#	Offer Letter, dated as of August 23, 2016, by and between the Registrant and Christopher A. Lien.	10-Q	001-35838	10.1	11/9/2016	
10.14#	Offer Letter, dated March 17, 2017, by and between the Registrant and Bradley W. Kinnish.	8-K	001-35838	99.1	3/22/2017	
10.15#	Letter Amendment to Offer Letter, dated June 26, 2017, by and between the Registrant and Bradley W. Kinnish.	10-Q	001-35838	10.1	8/10/2017	
21.1	Subsidiaries of the Registrant.	10-K	001-35838	21.1	2/28/2018	
23.1	Consent of independent registered public accounting firm.	10-K	001-35838	23.1	2/28/2018	
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

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		Incorporated by Reference				
Exhibit Number	Description of Document	Form	File No.	Exhibit	Filing Date	Filed Herewith
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document	10-K	001-35838	101.INS	2/28/2018	
101.SCH	XBRL Taxonomy Schema Linkbase Document	10-K	001-35838	101.SCH	2/28/2018	
101.CAL	XBRL Taxonomy Calculation Linkbase Document	10-K	001-35838	101.CAL	2/28/2018	
101.DEF	XBRL Taxonomy Definition Linkbase Document	10-K	001-35838	101.DEF	2/28/2018	
101.LAB	XBRL Taxonomy Labels Linkbase Document	10-K	001-35838	101.LAB	2/28/2018	
101.PRE	XBRL Taxonomy Presentation Linkbase Document	10-K	001-35838	101.PRE	2/28/2018	

* As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K/A and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of the Registrant under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

\# Represents a management contract or compensatory plan.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Marin Software Incorporated

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Marin Software Incorporated and its subsidiaries ("the Company") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. 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, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

San Francisco, California

February 28, 2018

We have served as the Company's auditor since 2010.

Marin Software Incorporated

Consolidated Balance Sheets

(in thousands, except per share data)

	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$27,544	$34,420
Restricted cash	1,293	1,293
Accounts receivable, net	12,237	18,761
Prepaid expenses and other current assets	3,989	3,808
Total current assets	45,063	58,282
Property and equipment, net	15,559	20,581
Goodwill	16,768	19,318
Intangible assets, net	4,475	7,325
Other non-current assets	1,504	1,587
Total assets	$83,369	$107,093
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$2,826	$2,434
Accrued expenses and other current liabilities	10,015	8,362
Deferred revenues	459	795
Capital lease obligations	1,416	1,015
Total current liabilities	14,716	12,606
Capital lease obligations, non-current	1,687	2,381
Other long-term liabilities	4,183	4,508
Total liabilities	20,586	19,495
Commitments and contingencies (Note 15)		
Stockholders' equity		
Convertible preferred stock, $0.001 par value - 10,000 shares authorized, no shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	—	—
Common stock, $0.001 par value - 142,857 shares authorized, 5,729 and 5,542 shares issued, 5,729 and 5,541 outstanding at December 31, 2017 and December 31, 2016, respectively	6	6
Additional paid-in capital	291,163	286,692
Accumulated deficit	(227,704)	(196,213)
Accumulated other comprehensive loss	(682)	(2,887)
Total stockholders' equity	62,783	87,598
Total liabilities and stockholders' equity	$83,369	$107,093

The accompanying notes are an integral part of these consolidated financial statements.

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Marin Software Incorporated

Consolidated Statements of Comprehensive Loss

(in thousands, except per share data)

	Years Ended December 31,		
	2017	2016	2015
Revenues, net	$74,991	$99,878	$108,530
Cost of revenues	32,520	35,203	40,137
Gross profit	42,471	64,675	68,393
Operating expenses			
Sales and marketing	26,936	32,889	45,132
Research and development	26,564	27,841	33,318
General and administrative	16,444	19,890	22,391
Impairment of goodwill	2,797	—	—
Total operating expenses	72,741	80,620	100,841
Loss from operations	(30,270)	(15,945)	(32,448)
Interest expense, net	(137)	(129)	(118)
Other (expenses) income, net	(77)	998	222
Loss before provision for income taxes	(30,484)	(15,076)	(32,344)
Provision for income taxes	(1,007)	(1,404)	(1,005)
Net loss	(31,491)	(16,480)	(33,349)
Foreign currency translation adjustments	2,205	(1,110)	(1,030)
Comprehensive loss	$(29,286)	$(17,590)	$(34,379)
Net loss per share available to common stockholders, basic and diluted	$(5.59)	$(3.01)	$(6.38)
Weighted-average shares used to compute net loss per share available to common stockholders, basic and diluted	5,638	5,474	5,225
Stock-based compensation is allocated as follows (Note 11):			
Cost of revenues	$822	$1,314	$1,171
Sales and marketing	827	1,281	2,537
Research and development	1,996	4,989	7,518
General and administrative	1,059	2,711	4,393
Amortization of intangible assets is allocated as follows (Note 6):			
Cost of revenues	$971	$1,027	$1,033
Sales and marketing	877	934	921
Research and development	969	1,027	1,034
General and administrative	33	92	146
Restructuring related expenses are allocated as follows (Note 4):			
Cost of revenues	$—	$184	$173
Sales and marketing	—	348	718
Research and development	—	44	53
General and administrative	—	20	270

The accompanying notes are an integral part of these consolidated financial statements.

Marin Software Incorporated

Consolidated Statements of Stockholders' Equity

(in thousands)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at December 31, 2014	5,026	$ 5	$ 253,251	$ (146,392)	$ (747)	$ 106,117
Issuance of common stock from exercise of vested stock options, vesting of restricted stock units and vesting of options and shares subject to repurchase (Note 10)	192	—	2,014	—	—	2,014
Tax withholding related to vesting of restricted stock units	—	—	(571)	—	—	(571)
Issuance of common stock under employee stock purchase plan	37	—	1,035	—	—	1,035
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	91	—	4,338	—	—	4,338
Stock issuance costs incurred in connection with acquisition of SocialMoov S.A.S.	—	—	(51)	—	—	(51)
Stock-based compensation expense	—	—	15,619	—	—	15,619
Repurchase of unvested shares	—	—	(2)	—	—	(2)
Stock-based compensation tax benefits	—	—	3	—	—	3
Net loss	—	—	—	(33,349)	—	(33,349)
Foreign currency translation adjustments and other, net	—	—	—	8	(1,030)	(1,022)
Balances at December 31, 2015	5,346	5	275,636	(179,733)	(1,777)	94,131
Issuance of common stock from exercise of vested stock options, vesting of restricted stock units and vesting of options and shares subject to repurchase (Note 10)	87	1	569	—	—	570
Tax withholding related to vesting of restricted stock units	—	—	(362)	—	—	(362)
Issuance of common stock under employee stock purchase plan	42	—	548	—	—	548
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	66	—	—	—	—	—
Stock-based compensation expense	—	—	10,295	—	—	10,295
Net loss	—	—	—	(16,480)	—	(16,480)
	—	—	6	—	(1,110)	(1,104)

Foreign currency translation adjustments and other, net						
Balances at December 31, 2016	5,541	6	286,692	(196,213)	(2,887)	87,598
Issuance of common stock from vesting of restricted stock units and vesting of options and shares subject to repurchase (Note 10)	79	—	11	—	—	11
Tax withholding related to vesting of restricted stock units	—	—	(604)	—	—	(604)
Issuance of common stock under employee stock purchase plan	43	—	362	—	—	362
Issuance of unrestricted common stock in connection with acquisition of SocialMoov S.A.S.	66	—	—	—	—	—
Stock-based compensation expense	—	—	4,704	—	—	4,704
Net loss	—	—	—	(31,491)	—	(31,491)
Foreign currency translation adjustments and other, net	—	—	(2)	—	2,205	2,203
Balances at December 31, 2017	5,729	$ 6	$ 291,163	$ (227,704)	$ (682)	$ 62,783

The accompanying notes are an integral part of these consolidated financial statements.

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Marin Software Incorporated

Consolidated Statements of Cash Flows

(in thousands)

	Years Ended December 31,		
	2017	2016	2015
Operating activities			
Net loss	$(31,491)	$(16,480)	$(33,349)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities			
Impairment of goodwill	2,797	—	—
Depreciation	4,758	6,035	6,993
Amortization of internally developed software	3,669	2,988	2,550
Amortization of intangible assets	2,850	3,080	3,134
(Gain) loss on disposal of property and equipment	(11)	(3)	19
Unrealized foreign currency losses (gains)	986	(419)	(216)
Non-cash interest expense related to debt agreements	15	27	42
Stock-based compensation related to equity awards and restricted stock	4,704	10,295	15,619
Provision for bad debts	1,507	2,328	1,210
Deferred income tax benefits	(358)	(305)	(177)
Excess tax benefits from stock-based award activities	—	—	(3)
Payment of contingent consideration for prior acquisition	—	(93)	—
Changes in operating assets and liabilities, net of effect of acquisition			
Accounts receivable	4,754	795	(2,986)
Prepaid expenses and other current assets	(268)	546	575
Other assets	(42)	(346)	348
Accounts payable	306	741	(1,597)
Deferred revenues	(346)	(628)	(625)
Accrued expenses and other liabilities	1,300	(2,480)	1,953
Net cash (used in) provided by operating activities	(4,870)	6,081	(6,510)
Investing activities			
Purchases of property and equipment	(461)	(1,207)	(8,584)
Proceeds from disposal of property and equipment	11	5	—
Capitalization of internally developed software	(2,068)	(4,712)	(5,568)
Acquisition of business, net of cash acquired	—	—	(7,738)
Net cash used in investing activities	(2,518)	(5,914)	(21,890)
Financing activities			
Repayments of capital lease obligations and other debt agreements	(1,160)	(1,436)	(3,649)
Debt issuance costs	—	—	(53)
Repurchases of unvested shares	—	—	(2)
Employee taxes paid for withheld shares upon equity award settlement	(604)	(362)	(571)
Proceeds from exercises of common stock options	—	390	1,439
Proceeds from employee stock purchase plan, net	312	663	968
Excess tax benefits from stock-based award activities	—	—	3
Net cash used in financing activities	(1,452)	(745)	(1,865)

Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	1,964	(1,035)	(662)
Net decrease in cash and cash equivalents and restricted cash	(6,876)	(1,613)	(30,927)
Cash and cash equivalents and restricted cash			
Beginning of year	35,713	37,326	68,253
End of year	$28,837	$35,713	$37,326
Supplemental disclosures of other cash flow information			
Cash paid for interest	$210	$189	$106
Cash paid for income taxes	1,491	728	404
Supplemental disclosure of non-cash investing and financing activities			
Acquisition of equipment through capital leases	$852	$1,864	$2,350
Purchases of property and equipment recorded in accounts payable and accrued expenses	30	5	—
Issuance of common stock under employee stock purchase plan	362	548	1,035
Issuance of common stock in connection with acquisition of business	—	—	4,338

The accompanying notes are an integral part of these consolidated financial statements.

Marin Software Incorporated

Notes to Consolidated Financial Statements

(dollars and share numbers in thousands, except per share data)

1. Background

Marin Software Incorporated (the "Company") was incorporated in Delaware in March 2006. The Company provides a leading cross-channel, cross-device, enterprise marketing software platform for search, social and display advertising channels, offered as a software-as-a-service, or SaaS, solution for advertisers and agencies. The Company's platform enables digital marketers to improve financial performance, realize efficiencies and time savings, and make better business decisions. The Company's corporate headquarters are located in San Francisco, California, and the Company has additional offices in the following locations: Austin, Chicago, Dublin, Hamburg, London, New York, Paris, Portland, Shanghai, Sydney and Tokyo.

References to "2017," "2016" and "2015" shall mean the year ended December 31, 2017, the year ended December 31, 2016 and the year ended December 31, 2015, respectively. All amounts presented in these notes to the consolidated financial statements are in thousands, except where noted.

2. Summary of Significant Accounting Policies

Liquidity

The Company has incurred significant losses in each fiscal year since its incorporation in 2006 and management expects such losses to continue over the next several years. The Company experienced net losses of $31,491, $16,480 and $33,349 during 2017, 2016 and 2015, respectively. As of December 31, 2017, the Company had an accumulated deficit of $227,704. The Company had cash, cash equivalents and restricted cash of $28,837 as of December 31, 2017. Management expects to incur additional losses and experience negative cash flows in the future. To continue to fund operations, including research and development, the Company will need to increase revenues, lower costs and/or raise additional capital. The Company believes that its cash, cash equivalents and restricted cash will provide sufficient funds for the Company to continue as a going concern for at least 12 months from the date of issuance of these consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

Reclassifications

When necessary, reclassifications have been made to prior period financial information to conform to the current year presentation.

Reverse Stock Split and Reduction in Authorized Shares

On October 5, 2017, the Company effected a reverse stock split of its outstanding common stock. As a result of the reverse stock split, each seven outstanding shares of the Company’s common stock were combined into one outstanding share of common stock, without any change in par value. The common stock began trading on the New York Stock Exchange on a split-adjusted basis on October 6, 2017. No fractional shares were issued in connection with the reverse stock split and the Company paid in cash the fair value of such fractional shares.

On October 5, 2017, the Company also effected a reduction in the Company’s authorized shares of common stock, from 500,000 shares to 142,857 shares. There was no change to the number of authorized shares of convertible preferred stock, which remained at 10,000 shares.

All share and per share amounts of the Company’s common stock, as well as stock options and restricted stock units (“RSUs”), included in the accompanying consolidated financial statements have been adjusted to give effect to the reverse stock split for all periods presented. In addition, as a result of the reverse stock split, the Company reclassified an amount equal to the reduction in common stock at par value to additional paid-in capital on its consolidated balance sheets.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company is subject to uncertainties such as the impact of future events, economic and political factors and changes in the Company's business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Company's financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations and if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements. Significant estimates and assumptions by management affect the allowances for doubtful accounts and customer credits, the carrying value of long-lived assets (including goodwill and intangible assets), the useful lives of long-lived assets, the accounting for income taxes, and stock-based compensation.

Certain Significant Risks and Uncertainties

The Company operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control that could have a material adverse effect on the Company's business, operating results, and financial condition. These risks include, among others, the Company's history of losses and negative cash flows; the highly competitive environment in which the Company operates; the ability to maintain and increase usage rate of the Company's platform and the ability for the Company to increase demand for its solutions.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents and accounts receivable. The Company's cash and cash equivalents are placed with high-credit-quality financial institutions and issuers, and at times exceed federally insured limits. The Company has not experienced any loss relating to cash and cash equivalents in these accounts. The Company performs periodic credit evaluations of its customers and generally does not require collateral.

As of December 31, 2017 and 2016, no single customer accounted for 10% or more of net accounts receivable. No single customer accounted for 10% or more of consolidated revenues, net during the years ended December 31, 2017, 2016 and 2015.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original or remaining maturity from the Company's date of purchase of 90 days or less to be cash equivalents. Deposits held with financial institutions are likely to exceed the amount of insurance on these deposits. Cash equivalents consist of money market funds, which are readily convertible into cash and have original maturity dates of less than three months from the date of their respective purchases. Cash equivalents were $8,831 and $15,657 as of December 31, 2017 and 2016, respectively.

Restricted cash consists of deposits held with a financial institution to secure the Company's non-cancelable lease for its corporate headquarters in San Francisco (see Note 8).

Fair Value of Financial Instruments

The Company’s financial instruments, including accounts receivable, accounts payable and accrued expenses are carried at cost, which approximates fair value because of the short-term nature of those instruments. Based on borrowing rates available to the Company for loans with similar terms and maturities, and in consideration of the Company’s credit risk profile, the carrying value of outstanding capital lease obligations (Note 8) approximates fair value (level 2 within the fair value hierarchy).

The Company measures and reports certain financial assets at fair value on a recurring basis, including its investments in money market funds. The fair value hierarchy prioritizes the inputs into three broad levels:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 Inputs are unobservable inputs based on the Company's assumptions.
A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Allowance for Doubtful Accounts and Revenue Credits

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence. The Company has not experienced significant credit losses from its accounts receivable. The Company performs a regular review of its customers' payment histories and associated credit risks and it does not require collateral from its customers. Certain contracts with advertising agencies contain sequential liability provisions, whereby the agency does not have an obligation to pay the Company until payment is received from the agency's customers. In these circumstances, the Company evaluates the credit worthiness of the agency's customers, in addition to the agency itself. The following are changes in the allowance for doubtful accounts during 2017, 2016 and 2015, respectively.

	Years Ended December 31,		
	2017	2016	2015
Balances at beginning of year	$3,510	$2,188	$989
Additions to expense	1,507	2,328	1,210
Additions against goodwill	—	—	442
Write-offs and other deductions	(989)	(1,006)	(453)
Balances at end of year	$4,028	$3,510	$2,188

From time to time, the Company provides credits to customers and an allowance is made based on historical credit activity. As of December 31, 2017 and 2016, the Company recorded an allowance for potential customer credits in the amount of $799 and $1,947, respectively.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets.

Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in operations. Major additions and improvements are capitalized while repairs and maintenance that do not extend the life of the asset are charged to operations as incurred. Depreciation and amortization expense is allocated to both cost of revenues and operating expenses.

Internally Developed Software

Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life, which is three years. The Company expenses all costs incurred that relate to planning and post implementation phases of development. Capitalized costs related to internally developed software under development are treated as construction in progress until the program, feature or functionality is ready for its intended use, at which time amortization commences. For 2017, 2016 and 2015, the Company capitalized $2,068, $4,712, and $5,568 of costs related to internally developed software, respectively. Amortization of capitalized costs related to internally developed software was $3,669, $2,988, and $2,550 for 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, unamortized internally developed software costs totaled $8,617 and $10,218, respectively. Amortization of internally developed software is reflected in cost of revenues. Costs associated with minor enhancements and maintenance are expensed as incurred.

Goodwill, Intangible Assets and Impairment Assessments

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Intangible assets that are not considered to have an indefinite useful life are amortized over their useful lives, which range from two to six years. Estimated remaining useful lives of purchased intangible assets are evaluated to assess whether events or changes in circumstances warrant a revision to the remaining periods of amortization.

The Company evaluates goodwill for impairment in the fourth quarter of its fiscal year annually, or more frequently if events or changes in circumstances indicate that these assets may be impaired. For the purposes of impairment testing, the Company has determined that it has one reporting unit. The Company performs its goodwill impairment test using the simplified method, whereby the fair value of this reporting unit is compared to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then goodwill is considered impaired by an amount equal to that difference.

In the first half of 2017, the market capitalization of the Company’s common stock sustained a significant decline so that it fell below the book value of the Company’s net assets, triggering management to conduct an interim goodwill impairment test at that time. The outcome of this goodwill impairment test resulted in an impairment of goodwill of $2,797, which was recorded in the consolidated financial statements during the three months ended June 30, 2017. Refer to Note 6 for further details of the Company’s goodwill impairment assessment.

In the second half of 2017, the market capitalization of the Company’s common stock rose above the book value of the Company’s net assets. Management considered that, along with other possible factors affecting the assessment of the Company’s reporting unit for the purposes of performing a goodwill impairment assessment, including management assumptions about expected future revenue forecasts and discount rates, changes in the overall economy, trends in the stock price, any estimated control premium and other operating conditions. Ultimately, no goodwill impairment triggering events were identified in any period subsequent to June 30, 2017, including the Company’s annual goodwill impairment test in the fourth quarter.

It is reasonably possible that the Company will not be able to achieve its goals of growing revenues and generating positive cash flows by increasing its customer base and reducing customer turnover. If this were the case, it could result in a further decline in the market capitalization of the Company’s common stock and lead to additional goodwill impairment triggering events. If the Company determines that its goodwill is impaired, it would be required to record a non-cash charge that may or may not be material to its consolidated financial statements.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets, excluding goodwill, for potential impairment whenever adverse events or changes in circumstances or business climate indicate that expected undiscounted future cash flows related to such long-lived assets may not be sufficient to support the net book value of such assets. An impairment loss is recognized only if the carrying value of a long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying value of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. There were no such impairment losses during 2017, 2016 or 2015.

Operating Leases

The Company’s operating lease agreements include provisions for tenant improvement allowances, certain rent holidays and escalations in the base price of the rent payment. The Company defers tenant improvement allowances and amortizes the balance as a reduction to rent expense over the lease term. The Company records rent holidays and rent escalations on a straight-line basis over the lease term. Deferred rent is included in accrued expenses and other current liabilities, as well as other long-term liabilities in the accompanying consolidated balance sheets.

Revenue Recognition

The Company generates revenues principally from subscriptions either directly with advertisers or with advertising agencies to its platform for the management of search, social and display advertising. The Company’s subscription agreements are generally one year or longer in length. The Company’s subscription fee under most contracts is variable based on the value of the advertising spend that the Company’s advertisers manage through the Company’s platform and is generally invoiced on a monthly basis. Contracts with direct advertisers and certain contracts with independent advertising agencies also include a minimum monthly fee that is payable over the duration of the contract. The Company’s customers do not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return. The Company commences revenue recognition for both direct advertisers and advertising agencies when all of the following conditions are met:

- persuasive evidence of an arrangement exists;
- the Company's platform is made available to the customer;
- the fee is fixed or determinable, and;
- collection is reasonably assured.

The Company recognizes the total minimum fee for both direct advertisers and independent advertising agencies, where applicable, over the duration of the contract, commencing on the date that the Company's platform is made available to the customer, provided revenues recognized do not exceed amounts that are invoiced and due. The variable fee, which is based on a percentage of the value of the advertising spend managed through the Company's platform, is recognized once the amount is fixed or determinable, which is generally on a monthly basis concurrent with the issuance of the customer invoice. Signed contracts are used as evidence of an arrangement. The Company assesses collectability based on a number of factors such as past collection history with the customer and creditworthiness of the customer. Certain agreements with advertising agencies also contain sequential liability provisions, which provide that the agency has no obligation to pay the Company until the agency receives payment from its customers. In these circumstances, the Company evaluates the credit worthiness of the agency's customers, in addition to the agency itself, to conclude whether or not collectability is reasonably assured. If the Company determines collectability is not reasonably assured, the Company defers the revenue recognition until collectability becomes reasonably assured.

The Company applies the authoritative accounting guidance regarding revenue recognition for arrangements with multiple deliverables. Professional services and training, when sold with the Company's platform subscription services, are accounted for separately when those services have standalone value. In determining whether professional services and training services can be accounted for separately from subscription services, the Company considers the following factors: availability of the services from other vendors; the nature of the services; the dependence of the subscription services on the customer's decision to buy the professional services; and whether the Company sells the Company's subscription services without professional services. If the deliverables have stand-alone value, the Company accounts for each deliverable separately and revenues are recognized for the respective deliverables as they are delivered. If one or more of the deliverables do not have stand-alone value, the deliverables that do not have stand-alone value are combined with the final deliverables within the arrangement and treated as a single unit of accounting. Revenues for arrangements treated as a single unit of accounting are recognized over the period of the contract commencing upon delivery of the final deliverable. As of December 31, 2017, the Company did not have stand-alone value for the professional services and training services. This is because the Company includes professional services and training services with the Company's subscription services and those services are not available from other vendors.

Cost of Revenues

Cost of revenues primarily consists of costs related to hosting the Company's cloud-based platform, providing implementation and ongoing customer support, data communications expenses, salaries and benefits of operations and support personnel, software license fees, costs associated with website development activities, indirect overhead, amortization expense associated with capitalized internally developed software and intangible assets and property and equipment depreciation.

Stock-Based Compensation Expense

Stock-based compensation expense is measured at grant date based on the fair value of the award and is expensed on a straight-line basis over the requisite service period.

Fair values of stock option awards are determined on the date of grant using the Black-Scholes option-pricing model. In applying this option-pricing model, the Company's determination of the fair value of the stock option award on the date of grant is affected by the Company's fair value of its common stock, as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility and the optionholders' actual and projected stock option exercise and employment termination behaviors.

RSUs are measured based on the fair market values of the underlying common stock on the dates of grant. Shares of common stock are issued on the vesting dates.

For stock option and RSU awards with time-based vesting, the Company recognizes stock-based compensation expense over the requisite service period using the straight-line method, based on awards ultimately expected to vest. The Company estimates future forfeitures at the date of grant and revises the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

See Note 10 and Note 11 for further information.

Research and Development

Research and development costs are expensed as incurred, except for certain internal software development costs, which may be capitalized as noted above. Research and development costs include salaries, stock-based compensation expense, benefits and other operating costs such as outside services, supplies and allocated overhead costs.

Advertising and Promotion

Advertising and promotional costs are expensed as incurred and included in sales and marketing expense in the accompanying consolidated statements of comprehensive loss. Advertising and promotion expense totaled $758, $876, and $1,000 for 2017, 2016 and 2015, respectively.

Sales Taxes

Sales and other taxes collected from customers and remitted to governmental authorities are presented on a net basis and thus excluded from revenues.

Foreign Currency

For international subsidiaries whose functional currency is not the United States Dollar, we re-measure the monetary assets and liabilities of these subsidiaries to United States Dollars using rates of exchange in effect at the balance sheet date. Nonmonetary assets and liabilities are re-measured to United States Dollars using historical exchange rates, and other accounts are re-measured using average exchange rates in effect during each period presented. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive loss on the accompanying consolidated balance sheets, and related periodic movements are summarized as a line item in the consolidated statements of comprehensive loss.

The Company records net gains and losses resulting from foreign exchange transactions as a component of other income (expenses), net. Aggregate foreign currency (losses) gains included in determining net loss were $(1,029), $(3) and $256 during 2017, 2016 and 2015, respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement and tax basis of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company accounts for uncertain tax positions using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company establishes a liability for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. The Company records an income tax liability, if any, for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on the Company's tax returns. To the extent that the assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The liability is adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes changes to the liabilities that are considered appropriate. The Company would recognize interest and penalties related to uncertain tax positions as income tax expense, though no such amounts were recognized in 2017, 2016 or 2015. As the Company maintained a full valuation allowance against its deferred tax assets in the United States, the adjustments resulted in no additional tax expense in 2017. The Company does not expect that changes in the liability for uncertain tax positions for the next twelve months will have a material impact on the Company’s consolidated financial position or results of operations.

See Note 12 for information related to the enactment of the Tax Cuts and Jobs act in December 2017.

Out of Period Adjustment

During the year ended December 31, 2017, the Company recorded an out-of-period adjustment to correct previously overstated revenues related to its display product offering. These overstated revenues had accumulated since the Company’s acquisition in June 2014 of NowSpots, Inc., which conducted business as Perfect Audience, and the out-of-period adjustment resulted in a decrease to revenues in the amount of $400 for the year ended December 31, 2017. Management determined that this adjustment was not material to the Company’s consolidated financial statements for the year ended December 31, 2017, nor to any previously issued consolidated financial statements.

Recent Accounting Pronouncements Adopted in 2017

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-04, Intangibles – Goodwill and Other: Simplifying the Accounting for Goodwill Impairment (Topic 350), which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Company adopted this standard for the second quarter of 2017, and applied the guidance to its interim goodwill impairment test at that time. Refer to Note 6 for details of the interim goodwill impairment test performed during the three months ended June 30, 2017.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting (Topic 718), which is intended to simplify several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification on the statement of cash flows. ASU 2016-09 has separate transition guidance for each element of the new standard. The Company adopted this standard in the first quarter of 2017, and it did not result in a net cumulative-effect adjustment to accumulated loss, as the previously unrecognized net operating loss carryforwards, attributable to excess tax benefits on stock compensation expense in the amount of $1,423 was fully offset by an increase in the valuation allowance as of January 1, 2017. For the year ended December 31, 2017, the Company recognized all excess tax benefits and tax deficiencies in the provision for income taxes as a discrete item. In addition, the Company elected to continue to account for forfeitures by estimating forfeitures over the course of a vesting period.

Recent Accounting Pronouncements Not Yet Effective

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718), which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as a modification. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. This new standard is effective for interim and annual periods beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2017-09 on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities, as well as disclose both quantitative and qualitative key facts regarding leasing arrangements. This new standard is effective for interim and annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-02 will have on the consolidated financial statements, as well as the expected adoption method.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers and has subsequently issued several supplemental and/or clarifying ASUs, which comprise the new comprehensive revenue recognition standard that will replace all current GAAP guidance on this topic and eliminate all industry-specific guidance. The standard's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance will require significantly expanded disclosures about revenue recognition. This guidance will be effective for fiscal years and interim periods within those years beginning after December 15, 2017, and early adoption is permitted.

The Company will adopt the new guidance on January 1, 2018 using the modified retrospective approach, which will result in an adjustment to accumulated deficit for the cumulative effect of applying this standard to contracts in process as of the adoption date. Under this approach, the Company will not revise the prior financial statements presented, but will provide additional disclosures of the amount by which each financial statement line item is affected in the current reporting period during 2018 as a result of applying the new revenue guidance. This will include a qualitative explanation of the significant changes between the reported results under the revenue standard and the previous guidance.

The Company has substantially completed its assessment of the potential impact this guidance will have on its consolidated financial statements and related disclosures. Based on that assessment, the Company currently expects the most significant impact of this new guidance will be the capitalization of costs to both obtain and fulfill contracts, which are expected to result in adjustments of approximately $1,800 and $900, respectively, to decrease the opening balance of Accumulated deficit upon adoption. Under previous accounting guidance, these costs were expensed as incurred. The Company also expects to begin recognizing breakage revenues from its arrangements with customers that prepay their advertising spend via credit card, based on historical breakage percentages. The Company does not expect the new guidance to have any further impact on its subscription revenues, as the identified performance obligations are substantially comparable to the deliverables and units of accounts identified under previous guidance.

3. Business Combinations

The Company accounts for business combinations using the acquisition method of accounting in which the tangible and identifiable intangible assets and liabilities of each acquired company are recorded at their respective estimated fair values as of each acquisition date, including an amount for goodwill representing the difference between the respective purchase price and fair values of identifiable net assets.

Best estimates and assumptions are used in the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date. These estimates and assumptions are inherently uncertain and subject to change. As a result, during the measurement period, which may be up to one year from the business combination date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding adjustment to goodwill. After the measurement period, adjustments are recorded in the operating results in the period in which the adjustments were determined.

SocialMoov S.A.S.

On February 12, 2015, pursuant to the terms of a Share Purchase Agreement, the Company acquired all outstanding shares of capital stock of SocialMoov S.A.S. (“SocialMoov”), with SocialMoov surviving as a wholly owned subsidiary of the Company. Based in Paris, France, SocialMoov is a provider of social advertising tools for advertisers and agencies.

In 2016, the Company completed the valuation of the fair values of the acquired tangible and identifiable intangible assets and liabilities assumed at the acquisition date, and the results of operations and the fair values of the assets acquired and liabilities assumed have been included in the consolidated financial statements since the acquisition date.

The total purchase price for the acquisition was $13,288, which consisted of 91 shares of the Company’s common stock valued at $4,337 upon the closing date using the weighted average of the Company’s closing date stock price for a short period of time preceding the closing date of the acquisition, $8,858 in cash and $93 in cash paid as contingent consideration in 2016. Of the total purchase price, $2,006 was attributed to the fair value of net liabilities assumed, $1,120 was cash acquired, and $6,140 was the fair value of intangible assets acquired, with $8,034 as residual goodwill. The goodwill is primarily attributable to synergies expected to arise from the acquisition and is not deductible for tax purposes.

In addition, the Company agreed to issue 132 shares of common stock, valued at $6,487 upon the closing date of the acquisition using the Company's closing date stock price immediately preceding the acquisition, to existing employee shareholders of SocialMoov in connection with the acquisition, which were conditioned upon such employees' continuous employment with the Company. These shares were excluded from the purchase consideration and were recognized as post-acquisition stock-based compensation expense over the employees' requisite service periods. The Company issued half of these shares in February 2016 and the remaining half in February 2017. The Company also granted RSUs representing 31 shares of common stock, valued at $959 using the Company's grant date stock price, with time-based vesting to employees of SocialMoov that continued employment with the Company subsequent to the acquisition. The Company recognizes compensation expense equal to the grant date fair value of the common stock or stock-based awards on a straight-line basis over the employees' requisite service periods.

The following table summarizes the fair values of tangible assets acquired, liabilities assumed, intangible assets and residual goodwill from the acquisition of SocialMoov (in thousands, except years):

	Estimated Fair Value	Estimated Useful Life
Tangible assets acquired	$ 2,741	N/A
Liabilities assumed (Note 8)	(3,627)	N/A
Developed technology	3,800	5 years
Customer relationships	2,080	4 years
Tradename	260	3 years
Goodwill	8,034	Indefinite
Total purchase price	$ 13,288	

The values assigned to the intangible assets are based in part on a third-party valuation analysis, which includes estimates and judgments regarding expectations for success and the life cycle of solutions and technologies acquired.

4. Restructuring Activities

2016 Restructuring Plan

During 2016, the Company executed an organizational restructuring (the "2016 Restructuring Plan") primarily to improve cost efficiencies and effectiveness in sales. The Company recorded $596 of restructuring related expenses in connection with the 2016 Restructuring Plan for the year ended December 31, 2016. Actions pursuant to the 2016 Restructuring Plan were complete as of December 31, 2016, and there were no associated costs during the year ended December 31, 2017.

2015 Restructuring Plan

During 2015, the Company executed organizational restructurings (the "2015 Restructuring Plans") primarily to improve cost efficiencies and realign its sales, customer success and marketing operations. The Company recorded $1,214 of restructuring related expenses in connection with the 2015 Restructuring Plans for the year ended December 31, 2015. Actions pursuant to the 2015 Restructuring Plans were complete as of December 31, 2015, and there were no associated costs during the years ended December 31, 2017 and 2016.

5. Balance Sheet Components

The following table shows the components of property and equipment as of the dates presented:

	Estimated Useful Life	December 31, 2017	2016
Computer equipment	3 years	$ 29,938	$ 28,905
Software, including internally developed software	3 years	23,389	21,323
Leasehold improvements	Shorter of useful life or lease term	4,617	4,613
Office equipment, furniture and fixtures	3 to 5 years	2,127	2,284
		60,071	57,125
Less: Accumulated depreciation and amortization		(44,512)	(36,544)
		$ 15,559	$ 20,581

Depreciation and amortization of internally developed software for 2017, 2016 and 2015 was $8,427, $9,023, and $9,543, respectively.

The following table shows the components of accrued expenses and other current liabilities as of the dates presented:

	December 31,	
	2017	2016
Accrued salary and payroll-related expenses	$4,372	$3,894
Accrued accounts payable	2,161	1,915
Customer advances	2,003	1,582
Deferred rent	475	408
Sales and use tax payable	341	210
Income taxes payable	142	—
Other	521	353
	$10,015	$8,362

6. Goodwill and Intangible Assets

The goodwill balance as of December 31, 2017 of $16,768 was the result of prior business acquisitions, including as disclosed in Note 3 of these consolidated financial statements. Due to a continued stock price decline, the Company's market capitalization decreased to a value below the net book value of the Company's net assets during the second quarter of 2017, triggering the Company to perform an interim goodwill impairment test at that time. Effective April 1, 2017, the Company early adopted ASU 2017-04, Intangibles – Goodwill and Other: Simplifying the Accounting for Goodwill Impairment (Topic 350), which eliminates the requirement to compute the implied fair value of goodwill to test for impairment. Instead, a goodwill impairment is measured as the amount by which the carrying amount of a reporting unit exceeds its fair value.

For the purposes of the goodwill impairment test performed during the three months ended June 30, 2017, the Company estimated the fair value of its sole reporting unit using the market approach. Under the market approach, the Company utilized the market capitalization of its fully diluted common stock, and applied an estimated control premium based on an analysis of control premiums paid in acquisitions of companies in the same or similar industries as the Company. Because the significant inputs used in this analysis are readily available from public markets or can be derived from observable market transactions, they have been classified as level 2 within the fair value hierarchy (Note 7). Based on this approach, the Company determined that the carrying value of its sole reporting unit exceeded its fair value by $2,797, which has been recorded as an impairment of goodwill in the consolidated financial statements for the year ended December 31, 2017.

No goodwill triggering events were identified during the six months ended December 31, 2017, including the Company's annual goodwill impairment test in the fourth quarter.

The activity for the year ended December 31, 2017 consisted of the following:

Balance at December 31, 2016	$19,318
Impairment	(2,797)
Foreign currency translation adjustments	247

Balance at December 31, 2017	$16,768

Intangible assets consisted of the following as of the dates presented (in thousands except years):

	December 31, 2017	December 31, 2016	Estimated Useful Life
Developed technology	$ 9,910	$ 9,910	5 to 6 years
Customer relationships	3,370	3,370	4 years
Non-compete agreements and tradenames	1,390	1,390	2 to 3 years
	14,670	14,670	
Less: accumulated amortization	(10,195)	(7,345)	
	$ 4,475	$ 7,325	

Amortization expense for 2017, 2016 and 2015 was $2,850, $3,080, and $3,134.

Future estimated amortization of intangible assets as of December 31, 2017 is presented below:

Year ending December 31, 2018	$2,537
Year ending December 31, 2019	1,843
Year ending December 31, 2020	95
	$4,475

7. Fair Value Measurements

Account balances measured at fair value on a recurring basis include the following as of the dates presented:

	December 31, 2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash equivalents						
Money market funds	$8,831	$ —	$ —	$15,657	$ —	$ —

The Company’s cash equivalents as of December 31, 2017 and 2016 consisted of money market funds that are classified as level 1. The fair value of the Company’s money market funds approximated amortized cost and, as such, there were no unrealized gains or losses on money market funds as of December 31, 2017 and 2016. As of December 31, 2017 and 2016, amounts of $18,713 and $18,763, respectively, were held in bank deposits.

8. Debt

Revolving Credit Facility

In July 2015, the Company entered into an amendment to an existing revolving credit facility (“Revolving Credit Facility”) agreement with Silicon Valley Bank to increase the related borrowing limits up to the lesser of $20,000 or 80% of the Company’s eligible accounts receivable. Also, the expiration date of the Revolving Credit Facility was extended to July 31, 2017, and the annual interest rate was amended to (a) the prime rate or (b) the London interbank offered rate then in effect, plus a margin of 2.75%, payable on a monthly basis. The amendment contained affirmative and negative covenants, including covenants related to the delivery of financial and other information, the maintenance of certain financial covenants, as well as limitations on dispositions, changes in business or management, mergers or consolidations, dividends and other corporate actions.

In December 2016, the Company terminated the Revolving Credit Facility prior to its expiration. No amounts were outstanding pursuant to the Revolving Credit Facility at the date of termination.

Capital Lease Arrangements

At various dates between August 2015 and September 2017, the Company entered into nine separate capital lease arrangements with an equipment manufacturer to finance the acquisition of additional computer equipment. These leases have effective annual interest rates between 5.7% and 7.9% and are repayable in 36 to 48 consecutive equal monthly installments of principal and interest. At the end of the lease periods for these capital lease arrangements, the Company has the option to purchase the underlying equipment at the estimated fair market value or for a nominal amount.

In September and October 2016, the Company entered into two capital lease arrangements with a different equipment manufacturer to finance the acquisition of additional computer equipment. These leases have an effective annual interest rate of 5.2% and are repayable in 48 consecutive equal monthly installments of principal and interest. At the end of the lease periods of both leases, the Company has the option to purchase or renew the lease for the underlying equipment at the estimated fair market value.

As of December 31, 2017 and 2016, the net book value of the computer equipment under all capital leases was $2,861 and $3,158, respectively, and the remaining principal balance payable was $3,103 and $3,411, respectively. The capital leases are collateralized by the underlying computer equipment.

The maturities of capital lease obligations as of December 31, 2017 are as follows:

Year Ending	
December 31, 2018	$1,416
December 31, 2019	1,137
December 31, 2020	538
December 31, 2021	12
	3,103
Less:	
Current portion	(1,416)
Capital lease obligations, non-current	$1,687

In connection with the acquisition of SocialMoov in February 2015 (Note 3), the Company assumed outstanding debt totaling approximately $1,043, which consisted primarily of individual loans payable to (a) an agency of the French government, (b) a French public-sector investment bank and (c) a French private-sector financial institution. These loans were fully repaid during the year ended December 31, 2015.

In December 2014, the Company entered into a standby letter of credit agreement for $1,293 with Silicon Valley Bank in connection with the non-cancelable lease for the Company's corporate headquarters in San Francisco. Following the termination of the Revolving Credit Facility in December 2016, the Company was required to separately restrict from use $1,293 in cash held at Silicon Valley Bank to secure this letter of credit. This balance has been classified as restricted cash on the consolidated balance sheets.

9. Common Stock

As of December 31, 2017 and 2016, the Company's amended certificate of incorporation authorizes the issuance of 142,857 shares of $0.001 par value common stock, and 10,000 shares of $0.001 par value convertible preferred stock. Reserved shares of common stock are as follows for the dates presented:

	December 31,	
	2017	2016
Options or RSUs available for future grant under stock option plans	999	839
Options outstanding under stock option plans	436	536
RSUs outstanding under stock option plans	568	429
Shares available for future issuance under employee stock purchase plan	182	170
Shares to be issued in connection with acquisition of SocialMoov	—	66
	2,185	2,040

10. Equity Award Plans

In April 2006, the Company's Board of Directors (the "Board") adopted and the stockholders approved the 2006 Stock Option Plan ("2006 Plan"). The 2006 Plan provides for the grant of incentive stock options under the federal tax laws and non-statutory stock options. Only employees may receive incentive stock options, but non-statutory stock options may be granted to employees, non-employee directors and consultants. The stock options are exercisable at a price equal to the market value of the underlying shares of common stock on the date of the grant as determined by the Board. The term of options granted under the 2006 Plan may not exceed 10 years. Certain options are eligible for exercise prior to vesting. Exercised but unvested shares of common stock are subject to repurchase by the Company at the initial exercise price. The proceeds from the shares of common stock subject to repurchase are classified as a liability and reclassified to equity as the shares vest. Under the 2006 Plan's early exercise feature, the Company had the right to repurchase zero and one share of common stock as of December 31, 2017 and 2016, respectively. The Company records cash received from the exercise of unvested stock options as a long-term liability, as well as the fair value of vested outstanding options to non-employee consultants. As of December 31, 2017 and 2016, $4 and $41, respectively, has been recorded as a long-term liability on the accompanying consolidated balance sheets.

In February 2013, the Board and stockholders approved the 2013 Equity Incentive Plan ("2013 Plan"), under which 643 shares of common stock were originally reserved for issuance. Additionally, all reserved and unissued shares under the 2006 Plan at the time the 2013 Plan became effective were eligible for issuance under the 2013 Plan. The 2013 Plan became effective on March 21, 2013, at which time the Company ceased to grant equity awards under the 2006 Plan. The 2013 Plan authorizes the award of stock options, restricted stock awards, stock appreciation rights, RSUs, performance awards and stock bonuses to the Company's employees, directors, consultants, independent contractors and advisors. On January 1 of each of the first 10 calendar years through 2023, the number of shares of common stock reserved under the 2013 Equity Incentive Plan will automatically increase by an amount equal to 5% of the total outstanding shares as of immediately preceding December 31, or such lesser number of shares as determined by the Board. Pursuant to the terms of the 2013 Plan, the shares available for issuance increased by approximately 286 shares of common stock on January 1, 2018.

Stock Options

Under the 2006 Plan and the 2013 Plan, the term of options granted may not exceed ten years. Unless the terms of an optionee's stock option agreement provide otherwise, if an optionee's service relationship with the Company, or any of its affiliates, ceases for any reason other than disability or death, the optionee may exercise the vested portion of any options for three months after the date of such termination. If an optionee's service relationship with the Company, or any of its affiliates, ceases due to disability or death (or an optionee dies within a certain period following cessation of service), the optionee or a beneficiary may exercise any vested options for a period of 12 months. In no event, however, may an option be exercised beyond the expiration of its term.

A summary of activity under the 2006 Plan and the 2013 Plan is as follows (in thousands, except per share amounts and years):

	Options Outstanding			
	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Balance at December 31, 2014	911	$ 55.93	7.82	$ 9,697
Options granted	329	40.95	7.70	
Options exercised	(104)	13.86	—	
Options forfeited and cancelled	(285)	62.44	—	
Balance at December 31, 2015	851	$ 53.06	7.85	$ 957
Options granted	172	18.62	6.82	
Options exercised	(38)	10.36	—	
Options forfeited and cancelled	(449)	54.53	—	
Balance at December 31, 2016	536	$ 43.83	7.48	$ 194
Options granted	79	11.66	9.35	
Options forfeited and cancelled	(179)	44.82	—	
Balance at December 31, 2017	436	$ 37.60	7.04	$ 65
Options exercisable as of December 31, 2017	303	$ 45.97	6.25	$ 43
Options vested as of December 31, 2017	302	$ 45.96	6.25	$ 43
Options vested and expected to vest as of December 31, 2017	427	$ 37.96	7.01	$ 64

The intrinsic value of options exercised during 2016 and 2015 was $328 and $2,935, respectively. The total estimated fair value of options vested during 2017, 2016 and 2015 was $1,451, $5,424, and $7,573, respectively.

RSUs

A summary of RSUs granted and unvested under the 2013 Plan during 2017 and 2016 is as follows (in thousands, except per unit amounts):

	RSUs Outstanding	
	Number of Shares	Weighted Average Grant Date Fair Value Per Unit
Granted and unvested at December 31, 2014	110	$ 65.52
RSUs granted	169	39.76
RSUs vested	(20)	68.81
RSUs cancelled	(84)	54.53
Granted and unvested at December 31, 2015	175	$ 65.52
RSUs granted	446	18.76
RSUs vested	(30)	50.33
RSUs cancelled and withheld to cover taxes	(162)	30.80
Granted and unvested at December 31, 2016	429	$ 21.48
RSUs granted	405	10.56
RSUs vested, net	(78)	21.29
RSUs cancelled and withheld to cover taxes	(188)	19.97
Granted and unvested at December 31, 2017	568	$ 14.22

Employee Stock Purchase Plan

In February 2013, the Board and stockholders approved the 2013 Employee Stock Purchase Plan ("2013 ESPP"), under which 143 shares of common stock were originally reserved for issuance. The 2013 ESPP became effective on March 22, 2013. The 2013 ESPP provides generally for six-month purchase periods and the purchase price for shares of common stock purchased under the 2013 ESPP will be 85% of the lesser of the fair market value of the common stock on (1) the first trading day of the applicable offering period and (2) the last trading day of each purchase period in the applicable offering period. On January 1 of each of the first 10 calendar years following the first offering date, the number of shares reserved under the 2013 ESPP will automatically increase by an amount equal to 1% of the total outstanding shares as of the immediately preceding December 31, but not to exceed 100 shares. Pursuant to the terms of the 2013 ESPP, the shares available for issuance increased by approximately 57 shares on January 1, 2018. During 2017 and 2016, 43 and 42 shares, respectively, were issued under the 2013 ESPP.

11. Stock-Based Compensation Expense

For stock-based awards granted by the Company, stock-based compensation expense is measured at grant date based on the fair value of the award and is expensed over the requisite service period. The Company recorded stock-based compensation expense of $4,704, $10,295 and $15,619 for 2017, 2016 and 2015, respectively.

Stock Options

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options. This model requires the input of highly subjective assumptions including the expected volatility, risk-free interest rate, and the expected life of options. The Company used the following assumptions:

	Years Ended December 31,		
	2017	2016	2015
Dividend yield	—	—	—
Expected volatility	47.3 %	47.5 %	49.1 %
Risk-free interest rate	2.03 %	1.38 %	1.75 %
Expected life of options (in years)	6.25	6.25	6.25
Weighted-average grant-date fair value	$5.61	$8.82	$20.16
Weighted-average grant-date exercise price	$11.66	$18.62	$40.95

As the Company has limited historical option exercise data, the expected term of the stock options granted to employees was calculated based on the simplified method. Under the simplified method, the expected term is equal to the average of an option's weighted-average vesting period and its contractual term. Pursuant to the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 110, the Company is permitted to continue using the simplified method until sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available. The

Company estimates the expected volatility of its common stock on the date of grant based on the historical stock volatilities of similar publicly-traded entities over a period equal to the expected terms of the options, as the Company does not have sufficient trading history to use the volatility of its own common stock. The Company has no history or expectation of paying cash dividends on its common stock. The risk-free interest rate is based on the United States Treasury yield for a term consistent with the expected life of the options in effect at the time of grant.

The Company recognized stock-based compensation expense only for those shares expected to vest over the requisite service period of the underlying award. The company determines its estimated forfeiture rated based on an analysis of its actual forfeitures and will continue to evaluate the appropriateness of the forfeiture rate based on recent forfeiture activity and expected future employee turnover, if any. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the cumulative effect of adjusting the rate for all expense is recognized in the period the forfeiture estimate is changed. No compensation cost is recorded for stock options that do not vest, and the compensation cost for vested stock options, whether forfeited or not, is not reversed.

Cash proceeds from the exercise of stock options were zero, $390, and $1,439 during 2017, 2016 and 2015, respectively.

Compensation expense is recognized ratably over the requisite service period. As of December 31, 2017 and 2016, there was $934 and $2,706, respectively, of unrecognized compensation cost, adjusted for estimated forfeitures, related to options, which is expected to be recognized over a weighted-average period of 1.6 and 2.1 years, respectively.

Restricted Stock and RSUs

As of December 31, 2017 and 2016, there was $6,428 and $7,973, respectively, of unrecognized compensation cost, adjusted for estimated forfeitures, related to restricted stock and RSUs, which is expected to be recognized over a weighted-average period of 2.1 and 2.3 years, respectively. The Company uses the fair market value of the underlying common stock on the dates of grant to determine the fair value of restricted stock and RSUs. Stock-based compensation expense related to these awards is recognized on a straight-line basis over the service period of the award for the estimated number of shares that are ultimately expected to vest.

Employee Stock Purchase Plan

The Company estimates the fair value of purchase rights under the 2013 ESPP using the Black-Scholes valuation model. The fair value of each purchase right under the 2013 ESPP was estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach with assumptions substantially similar to those used for the valuation of stock option awards.

12. Income Taxes

The components of the Company’s loss before provision for income taxes were as follows:

Years Ended December 31,

	2017	2016	2015
United States of America	$(15,740)	$(7,595)	$(17,173)
International	(14,744)	(7,481)	(15,171)
	$(30,484)	$(15,076)	$(32,344)

The components of the provision for income taxes were as follows:

	Years Ended December 31,		
	2017	2016	2015
Current income tax provision			
Federal	$—	$—	$—
State	64	58	111
Foreign	1,301	1,708	1,193
Total current income tax provision	1,365	1,766	1,304
Deferred income tax benefit			
Federal	—	—	-
State	—	—	-
Foreign	(358)	(362)	(299)
Total deferred income tax benefit	(358)	(362)	(299)
Provision for income taxes	$1,007	$1,404	$1,005

The differences in the total provision for income taxes that would result from applying the 34% federal statutory rate to loss before provision for income taxes and the reported provision for income taxes were as follows:

	Years Ended December 31,		
	2017	2016	2015
Tax benefit at U.S. statutory rate	$(10,365)	$(5,126)	$(10,997)
State income taxes, net of federal benefit	(2,858)	(147)	(104)
Foreign income and withholding taxes	5,578	4,317	6,033
Impact of change to U.S. statutory rate from Tax Cuts and Jobs Act	14,302	—	—
Stock-based compensation	1,085	2,231	1,039
Change in valuation allowance	(8,158)	155	3,807
Research and development credits	(382)	(736)	(1,067)
Uncertain tax positions	1,995	1,146	1,277
Provision to return adjustments	153	(484)	848
Impact of adoption of ASU 2016-09	(1,291)	—	—
Other	948	48	169
	$1,007	$1,404	$1,005

Major components of the Company’s deferred tax assets (liabilities) as of December 31, 2017 and 2016 are as follows:

	December 31,	
	2017	2016
Net operating loss	$25,002	$32,551
Accruals and reserves	1,656	2,934

Research and development credits	8,757	7,368
Stock-based compensation	2,796	4,622
Property and equipment and intangible assets	(710)	(1,855)
Other	3,161	2,842
Net deferred tax assets	40,662	48,462
Valuation allowance	(41,224)	(49,382)
Total non-current net deferred tax liabilities, net of valuation allowance	$(562)	$(920)

The Tax Reform Act of 1986, as amended, imposes restrictions on the utilization of net operating losses and tax credit carryforwards in certain situations where changes occur in the stock ownership of a corporation. Utilization of a domestic net operation loss or tax credit carryforward may be subject to a substantial limitation due to ownership changes that may have occurred or that could occur in the future, as required by Internal Revenue Code Section 382 ("IRC Section 382"), as well as similar state provisions. Accordingly, a company's ability to use net operating losses may be limited as prescribed under IRC Section 382. Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. The Company assessed the application of IRC Section 382 during the fourth quarter of 2017 and concluded that no such limitation currently applies. This conclusion will be monitored in the future as circumstances dictate. In the event the Company experiences any subsequent changes in ownership, the amount of net operating losses and research and development credit carryovers available in any taxable year could be limited and may expire unutilized.

As of December 31, 2017, the Company had federal and state net operating loss carryforwards of approximately $110,087 and $91,585, respectively. The federal net operating loss carryforward will begin expiring in 2026 and the state net operating loss carryforward will begin expiring in 2022. As of December 31, 2017, the Company had federal and state research and development credits of approximately $6,139 and $6,451, respectively. The federal research and development credits will begin expiring in 2026. The state research and development credits are not currently subject to expiration.

The Company has recorded a full valuation allowance against its otherwise recognizable deferred income tax assets as of December 31, 2017 and 2016 (except for the deferred income tax assets associated with certain of the Company’s foreign subsidiaries). The Company has determined, after evaluating all positive and negative historical and prospective evidence, that it is more likely than not that the deferred tax assets will not be realized. The valuation allowance decreased by $8,158 during the year ended December 31, 2017, and increased by $469 and $5,467 during the years ended December 31, 2016 and 2015, respectively.

The Company files federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. These audits include questioning the timing and amount of deduction, the nexus of income among various tax jurisdictions and compliance with state, local and foreign tax laws. The Company is not currently under any examination by any federal or state tax authorities, but is currently under audit by the French Tax Authority for the tax years of 2012 through 2016. Because of net operating loss and credit carry forwards, all of the Company’s tax years dating to inception in 2006 remain open to examination.

Uncertain Tax Positions

As of December 31, 2017 and 2016, the Company had uncertain tax positions of $1,610 and $1,049, respectively, that if recognized would impact the annual effective tax rate. During 2017, 2016 and 2015, the Company did not recognize any interest or penalties related to uncertain tax positions. The aggregate changes in the balance of gross uncertain tax positions were as follows:

Ending balance as of December 31, 2014	$1,581
Increase in balances related to tax positions taken during the current period	3,196
Increase in balances related to tax positions taken during the prior period	2,781
Ending balance as of December 31, 2015	7,558
Decrease in balances related to tax positions taken during the current period	(2)
Increase in balances related to tax positions taken during the prior period	1,240
Ending balance as of December 31, 2016	8,796
Increase in balances related to tax positions taken during the current period	1,738
Decrease in balances related to tax positions taken during the prior period	(9)
Decrease in balances due to change in United States statutory rate	(2,101)
Ending balance as of December 31, 2017	$8,424

The Company does not anticipate that the amount of uncertain tax positions relating to tax positions existing at December 31, 2017 will materially increase or decrease within the next twelve months.

The Tax Cuts and Jobs Act

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (“TCJA”), which instituted fundamental changes to the taxation of multinational corporations, including a reduction the U.S. corporate income tax rate to 21% beginning in 2018. As a result, the Company re-measured its deferred tax assets and deferred tax liabilities at the new lower corporate income tax rate and reduced them by $18,696 and $4,394, respectively, with a corresponding net adjustment to the valuation allowance of $14,302 for the year ended December 31, 2017.

The TCJA also requires a one-time transition tax on the mandatory deemed repatriation of the cumulative earnings of certain of the Company’s foreign subsidiaries as of December 31, 2017. To determine the amount of this transition tax, the Company must determine the amount of earnings generated since inception by the relevant foreign subsidiaries, as well as the amount of non-U.S.

income taxes paid on such earnings, in addition to potentially other factors. The Company believes that no such tax will be due, as its foreign subsidiaries have accumulated significant losses.

In addition, the TCJA imposes a U.S. tax on global intangible low-taxed income ("GILTI") that is earned by certain foreign subsidiaries. Because of the complexity of the new GILTI tax rules, the Company's management is continuing to evaluate the provision of the TCJA and its application on the accounting for income taxes. In accordance with GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes related to GILTI as a current period expense when incurred, or (2) factoring such amounts into the measurement of deferred taxes. Because the assessment of the impact of GILTI depends not only on the Company's current structure, but also its intent and ability to modify its structure and business, the Company is not yet able to reasonably estimate the effect of this provision of the TCJA. Therefore, the Company has not made any adjustment related to potential GILTI tax in the consolidated financial statements, and has not made a policy decision regarding whether to record deferred taxes related to GILTI.

The base-erosion and anti-abuse tax ("BEAT") provisions in the TCJA eliminates the deduction of certain base-erosion payments made to related foreign corporations, and impose a minimum tax if greater than regular tax. The Company does not expect it will be subject to this tax and therefore has not included any tax impacts of BEAT in its consolidated financial statements for the year ended December 31, 2017.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. The Company has recognized the provisional tax impacts related to the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may materially differ from these provisional amounts due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the TCJA. The accounting is expected to be completed when the 2017 U.S. corporate income tax return is filed in 2018.

13. Net Loss Per Share Available to Common Stockholders

Basic net loss per share available to common stockholders is calculated by dividing the net loss available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted-average number of shares of common stock used to calculate the Company's basic net loss per share available to common stockholders excludes those shares subject to repurchase related to unvested common shares, stock options that were exercised prior to vesting, restricted stock issued and RSUs settled for shares of common stock, as these shares are not deemed to be outstanding for accounting purposes until they vest. The diluted net loss per share of common stock is computed by dividing the net loss using the weighted-average number of shares of common stock, excluding common stock subject to repurchase, and, if dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist of common stock subject to repurchase, stock options to purchase common stock, restricted common stock issued and RSUs settled for shares of common stock.

The following table presents the calculation of basic and diluted net loss per share for the periods presented (in thousands except per share amounts):

	Years Ended December 31,		
	2017	2016	2015
Numerator:			
Net loss available to common stockholders	$(31,491)	$(16,480)	$(33,349)
Denominator:			
Weighted average number of shares, basic and diluted	5,638	5,474	5,225
Net loss per share available to common stockholders:			
Basic and diluted net loss per common share available to common stockholders	$(5.59)	$(3.01)	$(6.38)

The following table presents the potential common shares outstanding that were excluded from the computation of diluted net loss per share available to common stockholders for the periods presented because including them would have been anti-dilutive:

	Years Ended December 31,		
	2017	2016	2015
Options to purchase common stock	436	536	851
RSUs	568	429	175
Restricted common stock	—	—	19
Common stock subject to repurchase	—	1	3
	1,004	966	1,048

14. Segment Reporting

The Company defines the term “chief operating decision maker” to be the Chief Executive Officer. The Chief Executive Officer reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluation of financial performance. Accordingly, the Company has determined that it operates as a single reportable and operating segment.

Revenues by geographic area, based on the billing location of the customer, were as follows:

	Years Ended December 31,		
	2017	2016	2015
United States of America	$49,637	$69,220	$72,942
International	25,354	30,658	35,588
Total revenues, net	$74,991	$99,878	$108,530

Long-lived assets, excluding goodwill and intangible assets, by geographic area were as follows:

	December 31,	
	2017	2016
United States of America	$15,069	$19,861
International	490	720
Total long-lived assets, net	$15,559	$20,581

15. Commitments and Contingencies

Operating Leases

Rent expense for 2017, 2016 and 2015 was $8,519, $8,760, and $8,673, respectively.

The Company has leased office space in San Francisco, Austin, Chicago, Dublin, Hamburg, London, New York, Paris, Portland, Sydney, Shanghai and Tokyo under non-cancelable operating leases, which expire between 2018 and 2024. Additionally, the Company subleases portions of its San Francisco and Portland office spaces, and leases the space utilized for data center operations.

Future minimum lease payments for significant operating leases, net of sublease payments, as of December 31, 2017 were as follows:

Year Ending	
December 31, 2018	$7,439
December 31, 2019	7,986
December 31, 2020	3,664
December 31, 2021	3,444
December 31, 2022	2,211
Thereafter	475
	$25,219

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Legal Matters

From time to time, the Company may be involved in lawsuits, claims, investigations and proceedings, consisting of intellectual property, commercial, employment and other matters, which arise in the ordinary course of business. In accordance with GAAP, the Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, ruling, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable. If any unfavorable ruling were to occur in any specific period or if a loss becomes probable and estimable, there exists the possibility of a material adverse impact on the Company's results of operations, financial position or cash flows.

Indemnification

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to the agreements, each party may indemnify, defend and hold the other party harmless with respect to such claim, suit or proceeding brought against it by a third party alleging that the indemnifying party's intellectual property infringes upon the intellectual property of the third party, or results from a breach of the indemnifying party's representations and warranties or covenants, or that results from any acts of negligence or willful misconduct. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Historically, the Company has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of December 31, 2017 and 2016.

The Company also indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The maximum amount of potential future indemnification is unlimited; however, the Company has a Directors and Officers insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts paid. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of December 31, 2017 and 2016.

Other Contingencies

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company's management does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

16. Employee Benefit Plans

The Company sponsors a 401(k) defined contribution plan covering all employees in the United States. The Board determines contributions made by the Company annually. The Company made no contributions under this plan for 2017, 2016 and 2015.

The Company also sponsors a statutorily required defined contribution pension plan covering all employees in the United Kingdom. The Company made contributions to this plan of $75, $85 and $93 during the years ended

December 31, 2017, 2016 and 2015, respectively.

17. Subsequent Event

In January 2018, the Company initiated a restructuring plan designed to reduce operating expenses in response to declines in revenues and to better align the Company's efforts to return to growth. The Company estimates that it will incur pre-tax charges and costs of approximately $1,000 to $1,500 due to this restructuring, primarily related to severance, other one-time termination benefits and reductions in office space. These costs are primarily expected to be incurred during the first quarter of 2018, and the Company expects the majority of activities related to this restructuring to be completed by the first half of 2018.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Amendment No. 1 to its Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 5, 2018.

MARIN SOFTWARE INCORPORATED

By: /s/ Bradley W. Kinnish
Bradley W. Kinnish

Chief Financial Officer