Upland Software, Inc.
Form 10-K
March 31, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-36720

Upland Software, Inc.
(Exact name of registrant as specified in its charter)

Delaware	27-2992077
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

401 Congress Ave., Suite 1850
Austin, Texas 78701
(512) 960-1010
(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 $0.0001 per share	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 x 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 x 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. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.

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

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

The registrant completed the initial public offering of its common stock on November 12, 2014. Accordingly, there was no public market for the registrant's common stock as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter.

As of March 27, 2015, 15,257,797 shares of the registrant's Common Stock were outstanding.

Documents incorporated by reference:

Certain portions, as expressly described in this Annual Report on Form 10-K, of the registrant's Proxy Statement for the 2015 Annual Meeting of the Stockholders, to be filed not later than 120 days after the end of the year covered by this Annual Report, are incorporated by reference into Part III of this Annual Report where indicated.

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Consolidated Financial Statements

PART I

Special Note Regarding Forward Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements generally relate to future events or our future financial or operating performance. Forward-looking statements may be identified by the use of forward-looking words such as “anticipate,” “believe,” “may,” “will,” “continue,” “seek,” “estimate,” “intend,” “hope,” “predict,” “could,” “should,” “would,” “project,” “plan,” “expect” or t plural of these words or similar expressions, although not all forward-looking statements contain these words. These forward-looking statements include, but are not limited to, statements concerning the following:

- our financial performance and our ability to achieve or sustain profitability or predict future results;
- our ability to attract and retain customers;
- our ability to deliver high-quality customer service;
- the growth of demand for enterprise work management applications;
- our ability to effectively manage our growth;
- our ability to consummate and integrate acquisitions;
- maintaining our senior management team and key personnel;
- our ability to maintain and expand our direct sales organization;
- our ability to obtain financing in the future on acceptable terms or at all;
- our ability to adapt to changing market conditions and competition;
- our ability to successfully enter new markets and manage our international expansion;
- the operation and reliability of our third-party data centers;
- our ability to adapt to technological change and continue to innovate;
- economic and financial conditions;
- our ability to integrate our applications with other software applications;
- maintaining and expanding our relationships with third parties;
- costs associated with defending intellectual property infringement and other claims;
- our ability to maintain, protect and enhance our brand and intellectual property;
- our ability to comply with privacy laws and regulations; and
- other risk factors included under “Risk Factors” in this Annual Report on Form 10-K.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

Item 1. Business

Company Overview

Upland is a leading provider of cloud-based enterprise work management software. We define enterprise work management software as software applications that enable organizations to plan, manage and execute projects and work. Our software applications help organizations better optimize the allocation and utilization of their people, time and money. We provide a family of cloud-based enterprise work management software applications for the information technology, process excellence, finance, professional services and marketing functions within organizations. Our software applications address a broad range of enterprise work management needs, from strategic planning to task execution.

The continued growth of an information-based economy driven by technological innovation and globalization is causing a fundamental shift in the way work is done. These changes have given rise to a large and growing group of knowledge workers who operate in dynamic work environments as part of geographically dispersed and virtual teams. McKinsey estimates that, as of May, 2013, there were more than 200 million knowledge workers globally. We believe that manual processes and legacy on-premise enterprise systems are insufficient to address the needs of the modern work environment. In order for knowledge workers to be successful, they need to interact with intuitive enterprise work systems in a collaborative way, including real-time access at any time, from anywhere and on any device. Today, legacy processes and systems are being disrupted and replaced by cloud-based enterprise work management software that improves visibility, collaboration and productivity.

In response to these changes, we are helping transform how work gets done by providing organizations and their knowledge workers with software applications that better align resources with business objectives and increase visibility, governance, collaboration and responsiveness to changes in the business environment. This results in increased work capacity, higher productivity and better execution. Our applications are easy-to-use, highly scalable and offer real-time collaboration for knowledge workers distributed on a local or global scale. Our applications address enterprise work challenges in the following categories:

- Program and Portfolio Management: Enables customers to gain high-level visibility across their organizations and improve top-down governance and management of programs, initiatives, investments and projects.
- Project Management and Collaboration: Enables customers to improve collaboration and the execution of both projects and unstructured work.
- Workflow Automation and Enterprise Content Management: Enables customers to automate document-based workflows and control access and distribution of their content to boost productivity, encourage collaboration, improve compliance and enhance and influence customer engagement.
- Digital Engagement Management: Enables customers to automate the digital provision of personalized content to target audiences via website and mobile devices, providing a timely and highly relevant customer experience.
- Professional Services Automation: Enables customers to more effectively manage their knowledge workers to better track work, expenses and client billing while improving scheduling, utilization and alignment of human capital.
- Financial Management. Enables customers to have visibility into the cost, quality and value of internal services delivered within their organizations, which helps improve alignment during planning and budgeting processes, and better assess and validate proposed investments and initiatives of a particular line of business.

We sell our software applications primarily through a direct sales organization comprised of inside sales and field sales personnel. In addition to our direct sales organization, we have an indirect sales organization, which sells to distributors and value-added resellers. We employ a land-and-expand go-to-market strategy. After we demonstrate the value of an initial application to an organization, our sales and account management teams work to expand the adoption of that initial application across the organization, as well as cross-sell additional applications to address other enterprise work management needs of the organization. Our customer success organization supports our direct sales efforts by managing the post-sale customer lifecycle.

Our subscription agreements are typically sold either on a per-seat basis or on a minimum contracted volume basis with overage fees billed in arrears, depending on the application being sold. We service customers ranging from large global corporations and government agencies to small- and medium-sized

businesses. As of December 31, 2014, we had more than 1,600 customers with over 225,000 users, excluding users under volume-based contracts, across a broad range of industries, including financial services, retail, technology, manufacturing, education, consumer goods, media, telecommunications, government, food and beverage, healthcare and life sciences.

We have achieved significant growth and scale in a relatively short period of time. Through a series of acquisitions, we have established a diverse family of software applications under the Upland brand, each of which addresses a specific enterprise work management need. Our revenue has grown from $22.8 million in fiscal 2012 to $41.2 million in fiscal 2013 and to $64.6 million in fiscal of 2014, representing an 81% and 57% period-over-period growth rate, respectively. See Note 16 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for more information regarding our revenue as it relates to domestic and foreign operations.

We recorded Adjusted EBITDA of $0.7 million, $2.6 million and $3.9 million in fiscal 2012, 2013 and 2014, respectively, and a net loss of $2.5 million, $9.2 million and $20.1 million in fiscal 2012, 2013 and 2014, respectively. See “Selected Consolidated Financial Data” for the definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP measure.

We were incorporated in Delaware in July 2010 under the name Silverback Acquisition Corporation, changed our name to Silverback Enterprise Group, Inc. in September 2011, and changed our name to Upland Software, Inc. in November 2013. Our principal executive offices are located at 401 Congress Avenue, Suite 1850, Austin, Texas 78701, and our telephone number is (512) 960-1010. Our website address is www.uplandsoftware.com. The information contained in, or that can be accessed through, our website is not intended to be incorporated by reference into this Annual Report on Form 10-K. We completed our initial public offering in November 2014 and our common stock is listed on the Nasdaq Global Market under the symbol “UPLD.” Unless the context requires otherwise, the words “Upland,” “Company,” “we,” “us,” and “our” refer to Upland Software, Inc. and its wholly owned subsidiaries.

Industry Background

A Rapidly Changing Business Environment

The continued growth of an information-based economy driven by technological innovation and globalization is causing a fundamental change in the business environment and the way work is done. To be successful, organizations must be able to quickly adapt to changes in this complex and rapidly evolving environment and optimize the utilization of their people, time and money. These changes have given rise to a large and growing group of knowledge workers who operate in dynamic work settings as part of geographically dispersed and virtual teams. To be successful, these knowledge workers must quickly synthesize, analyze and act on large amounts of information and collaborate effectively at any time, from anywhere and on any device.

Legacy Processes and Systems are Insufficient

Many organizations continue to utilize manual processes and traditional tools, such as paper-based techniques, spreadsheets and email, as well as legacy on-premise enterprise systems, to manage knowledge work. The limitations of these processes and systems include siloed and disparate information, limited visibility and transparency, poor collaboration among teams, lost productivity and misalignment of work efforts and overall business objectives. In addition, legacy on-premise enterprise systems can be expensive and time intensive to implement, inflexible and difficult to use, and costly to upgrade and maintain. Today, legacy processes and systems are being disrupted and replaced by cloud-based enterprise work management software that improves visibility, collaboration and productivity.

The Need for Cloud-Based Enterprise Work Management Software

Enterprise work management software is an emerging category of software applications that enable organizations to effectively plan, manage and execute projects and work in order to maximize work capacity, productivity and profitability. Recently, cloud computing and SaaS have begun to transform enterprise work management with rapid speed-to-value, low total cost of ownership and reduced financial risk. As a result of these benefits, the annual growth rate of the SaaS market is expected to be significantly greater than the worldwide application software market. IDC estimates that the worldwide SaaS applications market will grow at a compound annual growth rate of 19%, from $18 billion in 2012 to $42 billion in 2017, while the worldwide application software market will grow at a compound annual growth rate of 6%, from $168 billion to $225 billion in 2017. We believe the ability of cloud- based software to deliver a flexible, scalable, cost-efficient, easy-to-use and collaborative platform to knowledge workers distributed on a local or global scale will significantly accelerate the adoption of cloud-based enterprise work management software applications.

Cloud-based enterprise work management software applications can increase work capacity, productivity and profitability by reducing manual processes and isolated silos of information, and by enhancing collaboration across organizations. While cloud-based enterprise work management software applications may be adopted on an individual basis, we believe they deliver the greatest value when multiple applications are deployed, as an end-to-end management process for prioritizing, allocating, managing and monitoring resources and work throughout the enterprise. We provide a diverse offering of software applications that address a broad range of enterprise work management needs.

We currently participate in various areas of enterprise work management, including the markets that IDC identifies as worldwide project and portfolio management, worldwide business process management software, worldwide financial performance and strategy management applications, worldwide collaborative applications and worldwide content management software. In aggregate, IDC estimates these markets will exceed $32 billion globally in 2016. Within these markets our family of cloud-based software applications address enterprise work functions in program and portfolio management, project management and collaboration, workflow automation and enterprise content management, professional services automation and financial management. While these markets today are largely served by legacy on-premise enterprise systems, we believe there will continue to be increased market adoption of cloud-based enterprise work management software applications.

The Upland Approach

Our software applications are designed for the way people work today. Unlike legacy solutions, our applications have been developed with the unique requirements of today’s knowledge worker in mind. We enable knowledge workers to interact, collaborate and make business decisions using real-time information from a wide variety of sources, at any time, from anywhere and on any device.

Our award-winning family of cloud-based software applications deliver the functionality required to effectively plan, manage and execute projects and work. Our innovative applications allow our customers to more effectively manage the rapid pace of change and complexity in today’s work environment. Our applications are highly scalable, flexible and secure and provide our customers with a modern and intuitive user experience. Organizations currently use our applications in the following functional areas:

- Information Technology. Information technology departments use our applications to manage a variety of information technology activities and resources, such as projects and application portfolios. Our applications help information technology departments ensure they are delivering against the objectives of the business by helping to select and prioritize the right investments, gain greater control of resource demand and allocation, and track and report benefit realization. Our applications enable executives to gain better insight into information technology spending to help prevent cost overruns and understand the nature of consumption. By enabling information technology teams to make more informed decisions with real-time visibility across the complete information technology portfolio, our applications empower information technology departments to shift from a cost center to a more strategic enterprise function.
- Process Excellence. Process excellence, Lean Six Sigma and similar functional groups within organizations use our applications to facilitate critical process improvement efforts. Our applications help provide high-level visibility and tracking of process excellence programs, automate processes and streamline workflows while improving process governance. Process improvement and similar business transformation initiatives continue to be a key driver of corporate performance, especially among large global corporations.

- Finance. Finance departments use our applications as a cost allocation tool to assess and validate proposed investments and initiatives of a particular line of business, as well as increase the visibility and governance of capital expenditures and cost-cutting projects and deepen the understanding of actual resource utilization and costs. Our applications help improve collaboration between finance departments and particular lines of business, in addition to streamlining compliance and accounting workflows.
- Professional Services. Professional services organizations, such as consulting or software development firms, employ our applications to streamline service delivery and optimize utilization of billable resources. In addition, service-oriented departments within organizations, such as customer service and support teams, utilize our applications to more effectively budget, plan and track provision of services and improve capacity planning and forecasting.
- Marketing. Marketing teams employ our applications to enhance their overall marketing effectiveness. We offer applications that help customers build their online and mobile brand presence, engage their target audiences, collaborate on the creation and publication of content, and gain increased control over marketing workflows, activities and budgets. Our applications empower marketing and communications organizations to more effectively manage the influx of projects, information, processes and systems necessary to meet today's modern marketing requirements.

We believe our applications benefit customers in the following ways:

- Our applications enable our customers to more effectively align programs, initiatives, investments and projects with overall business objectives, helping ensure the right work is done at the right time. This alignment drives increased productivity and optimizes the allocation and utilization of people, time and money within organizations.
- Our applications help customers to more effectively manage projects and tasks by enabling real-time visibility, collaboration, structured workflows and access to the right content and information. This provides teams of distributed workers with clarity into priorities and expectations as well as the tools to execute effectively, resulting in increased productivity, transparency, accountability, and the ability to respond rapidly to change.
- Our applications collect and make available real-time data regarding the planning, management and execution of projects and work processes across teams and business units This enables a more complete view of teams, projects and resources at anytime from anywhere.
- Our applications provide analytics and reporting capabilities that transform disparate data in real-time into actionable intelligence, enabling users to make better informed business decisions. Our applications enable organizations to conduct dynamic and sophisticated "what-if" and scenario analyses that can improve their ability to respond effectively to changing business conditions.
- Customers can easily access our cloud-based applications with an Internet browser. Our applications do not require large up-front software expenditures or significant ongoing infrastructure or information technology support. In addition, we provide a common user interface with a modern look and feel that ensures a consistent user experience across our applications.
- Our applications are highly configurable, which provides us with flexibility to meet the unique business requirements of individual customers. Our applications are also scalable and are able to support large deployments while maintaining required performance levels. We provide tools to help our customers manage the critical elements of application security, including authentication, authorization and regulatory compliance.

Our Competitive Strengths

The following competitive strengths are keys to our success:

- Large, attractive customer base. Our customer base is highly diverse and spans a broad array of industries, including financial services, retail, technology, manufacturing, education, consumer goods, media, telecommunications, government, food and beverage, healthcare and life sciences. We service customers of varying size, ranging from large global corporations and government agencies to small- and medium-sized businesses. We have a highly referenceable customer base that we leverage to help us acquire new customers. As of December 31, 2014, we had over 1,600 customers, with no customer accounting for more than 3% of our revenue.

- Diversified family of software applications. We offer a family of software applications that addresses a broad range of enterprise work management needs, from strategic planning to task execution. We believe this benefits our customers as compared to many of our cloud-based competitors who offer only a single point solution for a more limited and discrete work management need. Our applications address the information technology, process excellence, finance, professional services and marketing functions within organizations.
- Recurring revenue model with high visibility. We believe we have a highly attractive operating model due to the recurring nature of our subscription revenue, which results in greater visibility and predictability of future revenue and enhances our ability to effectively manage our business. In addition, the cloud-based nature of our model accommodates significant additional business volume with limited incremental costs, providing us with opportunities to improve our operating margins.
- Proven M&A capability. We have a proven ability to successfully identify, acquire and integrate complementary businesses to grow our company, as evidenced by the eight acquisitions we have completed since the beginning of 2012. We have a dedicated and experienced corporate development team that continually monitors hundreds of companies in order to maintain a robust pipeline of potential acquisition candidates. We believe that our acquisition experience and strategy gives us a competitive advantage in identifying additional opportunities to expand our family of software applications to better serve our customers.
- Experienced, proven management team. Our management team has significant operating experience and previously occupied key leadership roles at both private and public companies. In addition, our management's extensive knowledge of the industry and experience in building businesses organically and through strategic acquisitions has enabled us to quickly establish a leading position within the enterprise work management software market.
- Cloud-based platform. We deliver our software applications and functionality primarily through the cloud, with no hardware or software installation required by our customers. This delivery model allows us to provide reliable, cost-effective applications to our customers, add subscribers with minimal incremental expense and deploy new functionality and upgrades quickly and efficiently. We believe our cloud-based delivery model provides us with a competitive advantage over legacy processes and on-premise systems.
- Commitment to customer success. We have a dedicated customer success organization whose mission is to drive adoption, value realization, retention and loyalty across our customer base. Our focus on enabling our customers' success is a key reason our annual net dollar retention rate was 96% in fiscal 2014. Our commitment to customer success has enabled us to expand our footprint within organizations and facilitate the ongoing adoption of our enterprise work management software applications.

Our Strategy for Growth

Our objective is to be the world's leading provider of enterprise work management software. The key elements of our strategy for growth are as follows:

- Add new customers. We are expanding our direct sales and marketing capabilities in order to further grow our customer base. We also intend to expand our indirect sales channels through alliances with strategic partners that can leverage our applications with complementary services and technologies they provide. In addition, we continue to expand the range of integrations between our software and third-party applications and platforms, which we believe make our applications more attractive to a broader audience of potential customers.

- Increase sales to existing customers. We believe there is a significant opportunity to expand the adoption of our applications within existing customers, particularly within divisions or departments that have not previously used our applications. We also intend to cross-sell additional applications to our existing customers, as very few of our customers currently use more than one of our applications. In addition, we intend to add new applications to our family of applications that will address additional functions within the enterprise work management spectrum. We believe these initiatives will significantly increase the value of our platform to our customers, further strengthen our competitive position and drive increased adoption of multiple applications by our customers.
- Acquire complementary software businesses. We intend to pursue acquisitions of complementary technologies, products and businesses to enhance the features and functionality of our applications, expand our customer base and provide access to new markets and increased benefits of scale. Our dedicated and experienced corporate development team continually monitors hundreds of companies in order to maintain a robust pipeline of potential acquisition candidates, many of which are smaller scale or address only limited enterprise work management challenges, which often operate outside the scope of some of our larger competitors. We believe that our acquisition experience and strategy gives us a competitive advantage in identifying additional opportunities to expand our family of cloud-based applications to better serve our customers. We will prioritize acquisitions within the enterprise functions we currently serve, including information technology, process excellence, finance, professional services and marketing, as well as pursue acquisitions that serve other enterprise functions.
- Expand globally. We believe there is a significant opportunity to grow sales of our applications globally. In fiscal 2014 and 2013, approximately 22% and 24%, respectively, of our revenue was derived from sales outside the United States. We intend to expand our business in Europe and evaluate future opportunities in Asia through the hiring of additional sales personnel, selective acquisitions and entering into strategic partnerships.
- Improve and enhance applications. We will continue to invest in research and development and work closely with our customers to identify and improve new applications, features and functionalities that address customer requirements across the enterprise work management spectrum. We also intend to continue to expand the breadth of our applications with additional analytics, third-party integrations and social and mobile capabilities to meet the evolving needs of today's knowledge workers. In addition, we will continue to implement our consistent user interface, with its modern look and feel and single sign-on capability, across all of our applications.

Our Products

We provide a family of cloud-based enterprise work management software applications under the Upland brand. Our applications are easy-to-deploy, highly configurable, scalable, flexible and secure. We provide applications for the information technology, process excellence, finance, professional services and marketing functions within organizations, as described below. These applications are delivered through a cloud infrastructure, with a consistent, modern, and intuitive user interface across all of our applications. We refer to this as the "Upland Experience." Our cloud infrastructure has been designed to give us the ability to provide for single sign-on capability, responsive capabilities, analytics, and a shared application programming interface for integrating our family of software applications with each other and third-party applications.

Program and Portfolio Management. Our program and portfolio management application is used by our customers to gain high-level visibility across their organizations and improve their top-down governance of programs, initiatives, investments and projects without necessitating the detailed task and resource tracking required by legacy project management systems. Our customers use these capabilities to:

- gather, develop and assess ideas and proposed investments;
- prioritize and select projects and investments according to business value and strategic fit;
- more effectively allocate resources in alignment with business objectives;

- respond quickly to change with real-time visibility into status and the ability to evaluate the impact of potential changes; and
- gauge performance against strategic objectives, execution-level indicators and financial metrics.

Our program and portfolio management application currently is used within the information technology, finance and process excellence functions of organizations.

Project Management and Collaboration. Our project management and collaboration application is used by our customers to improve collaboration and the execution of projects, unstructured work and unscheduled tasks. Our customers use these capabilities to:

- plan and schedule projects and work in order to improve resource utilization;
- gain real-time visibility into work status, issues and risks;
- track costs associated with projects and work;
- increase the quality and speed of execution with customizable templates and workflows; and
- empower collaboration by providing shared online workspaces in which team members can collaborate in a social manner.

Our project management and collaboration application currently is used within the information technology, marketing and professional services functions of organizations.

Workflow Automation and Enterprise Content Management. Our workflow automation and enterprise content management applications are used by our customers to automate document-based workflows by capturing, storing and routing content, assigning work tasks and creating audit trails for operations such as healthcare records, loan processing, human resource processes and accounts receivable and payable processing. Our customers use these capabilities to:

- empower collaboration by providing a way for employees to access, share and update content from anywhere;
- streamline workflows by creating custom rules to process and route content for approval;
- automatically capture, index, classify and organize enterprise content in a secure, central repository with document retention policies to meet business and compliance requirements; and
- apply and enforce document retention policies to meet business and compliance requirements.

Our workflow automation and enterprise content management applications are currently used within the information technology, finance, marketing and process excellence functions of organizations.

Digital Engagement Management. Our digital engagement applications are used by customers to connect and communicate with their target markets in order to build brand relationships or drive a particular program outcome via website and mobile devices, providing a timely and highly relevant customer experience. Additionally, our digital engagement management applications are used by enterprise marketers and media companies to create, maintain and deliver websites that enhance and influence customer engagement. These applications empower non-technical staff to create, manage, publish, analyze and refine content and social media assets without information technology intervention. Our customers use these capabilities to:

- streamline the process for creating and managing website content;
- deliver more relevant, personalized content to website visitors based on the tracking of individual visitor behavior.
- integrate user-generated content, such as polls, surveys, blogs, ratings and comments, into their websites;
- engage entire target audiences with one-on-one text message conversations to achieve optimal results;
- reach the correct person at exactly the right moment through list segmentation and scheduling;
- provide timely alerts and reminders on important events based on user preferences;

- respond to users instantly, answering questions via text message;
- manage all mobile communications from a single place, keeping track of all users and actions;
- analyze campaign performance at all levels and every action;
- run surveys, polls and quizzes to gather information and engage users; and
- ensure security and privacy of information through comprehensive policies, procedures and technical controls.

Professional Services Automation. Our professional services automation applications are used by customers to more effectively manage their project and service-based knowledge workers to better manage employee-related expenses and client billing while improving scheduling, utilization and alignment of human capital. Our customers use these capabilities to:

- create resource capacity plans;
- align available skills, expertise and capacity with project requirements;
- more efficiently plan and schedule projects;
- track resource and expense allocation for specific projects, activity types or budget categories;
- analyze workforce performance;
- streamline timesheet review, approval and reporting processes;
- manage time, travel and entertainment expenses; and
- streamline project cost reporting, billing and revenue recognition processes.

Our professional services automation applications currently are used within the information technology, marketing, finance, and professional services functions of organizations.

Financial Management. Our financial management application is used by our customers to gain visibility into the cost, quality and value of services the information technology and finance functions deliver to organizations. This increased transparency helps our customers improve alignment during planning and budgeting processes, and validate proposed investments and initiatives of a particular line of business. Our customers use these capabilities to:

- quantify and understand the total cost of ownership of information technology applications and services;
- establish product and unit-costing metrics for benchmarking and/or chargeback;
- provide information technology and finance departments with the ability to chargeback business units for applications and services, including cloud services, based on metered consumption;
- provide business managers with insights into their consumption of information technology services to better utilize information technology services with business goals and objectives;
- leverage utilization and capacity metrics for “what-if” analysis and modeling;
- analyze fixed versus variable information technology-related costs to identify opportunities for savings; and
- support demand-based budgeting and forecasting processes.

Our financial management application currently is used within the information technology and finance functions of organizations.

Customers

As of December 31, 2014, we had more than 1,600 customers with over 225,000 users, excluding users under volume-based contracts. Our customers operate in a wide variety of industries, including financial services, retail, technology, manufacturing, education, consumer goods, media, and telecommunications, government, food and beverage, healthcare and life sciences, chemicals and travel and hospitality. No customer represented more than 3% of our revenue as of December 31, 2014. Our customers include:

Air Products and Chemicals, Inc.	Datacom Investments Pty Ltd	Memorial Sloan Kettering Cancer Center
Allstream Inc.	Eaton Corporation	NYSE Group, Inc.
Autodesk Inc.	Gray Television Group, Inc.	PC Connection, Inc.
HJ Baker & Bro, Inc.	Havi Global Solutions, LLC	ProQuest LLC
Bazaarvoice Inc.	JDA Inc.	Riverbed Technology, Inc.
Broadridge Financial Solutions, Inc.	Johnson Controls, Inc.	RSA Security LLC
CEVA Logistics Head Office BV	Lloyd’s Register Group Limited	Save the Children UK
Coca-Cola Hellenic	Mariah Media, Network LLC	Swiss Reinsurance Company Ltd.
Columbus McKinnon Corporation	McGraw Hill Financial, Inc.	

Sales and Marketing

Sales

We sell our software applications primarily through a direct sales organization comprised of inside sales and field sales personnel. We employ a land-and-expand go-to-market strategy. After we demonstrate the value of an initial application to an organization, our sales and account management teams work to expand the adoption of that initial application across the organization, as well as cross-sell additional applications to address other enterprise work management needs of the organization. Our direct sales team is organized by product line of business. All of our direct sales personnel sell our applications and professional services across multiple industries.

Marketing

Our marketing activities are designed to build awareness of the Upland brand and the individual product brands, generate thought leadership and create demand, resulting in leads and opportunities for our sales organizations. Our marketing programs target decision makers and influencers participating in a buying cycle, including the chief information officer, the chief marketing officer, the chief financial officer, the director of process excellence and other key technology and business managers. Our principal marketing programs include:

- use of our website to provide information about us and our software applications, as well as educational opportunities for potential customers;
- field marketing events for customers and prospective customers;
- participation in, and sponsorship of, executive events, trade shows and industry events;
- our user conferences;
- integrated digital marketing campaigns, including email, online advertising, blogs and webinars;
- public relations, analyst relations and social media initiatives; and
- sales representatives who respond to incoming leads to convert them into new sales opportunities.

Customer Success

Our customer success organization is structured to manage all aspects of our post-sale customer lifecycle. This organization consists of dedicated teams with a mission to drive adoption of our applications, value realization, retention and loyalty across our customer base. Our customer success organization has four core functional areas with strategic focus on customer relationship management:

- Customer Care. Our customer care team assists customers throughout their lifecycle with the Upland family of applications by making service offerings available to all customers as part of their standard customer agreements, including webinars, user group meetings and conferences. In particular, we hold a user conference featuring a variety of keynote and customer speakers, panelists and presentations. Conference attendees also gain insight into our recent application enhancements and participate in interactive sessions that give them the opportunity to express opinions on new features and functionality.

- Professional Services. Our professional services team is responsible for coordinating all activities relating to the implementation, transition and on-boarding of new customers and assisting new customers with the addition of new applications to their accounts. Typical professional services engagements vary in length from a few weeks to several months depending on the size and scope of the engagement and are in addition to services provided under our standard customer agreement and are fee-based. In addition, our project managers and consultants work closely with our customers to provide services that help customers maximize the utility of our applications. Our continuing education services, known as Upland University, provide our clients with access to product tutorials and information on new applications and platform features, as well as offer tailored training programs to meet specific client needs.
- Account Management. We assign each customer a regionally aligned account team with a relationship manager who functions as the customer's single point of contact and advocate within Upland. Our account management teams are trained on all of our applications and work closely with the relationship manager to ensure that our customers receive high-quality consultative service.
- Customer Support. We offer support from all of our office locations, as well as our offshore Center of Excellence in Egypt and India, to help our customers maximize the return on their investment in our applications. We provide 24/7 customer support around the world through our online customer support portal. In addition, our customer support team manages and administers the Upland customer community forum and knowledge base repository.

Our customer success organization manages programs to reinforce the ongoing business value of our applications and promote the Upland "customer for life" program. These service offerings include:

- Health Checks and Program Reviews: Engages core users and business buyer sponsors to deliver a detailed scorecard and recommendation report.
- Advisory and Retained Services: Provides access to a specific customer success contact with priority scheduling and periodic checkpoints.
- System Deployment and Adoption Analysis: Analyzes system configuration and usage patterns, resulting in best practice recommendations on improving user adoption and compliance.
- Consumption Review and Recommendations: Delivers best practice recommendations for implementation strategy and a roadmap proposal for aligning the system with customers' evolving process maturity to increase application usage.
- Success Services Program: Provides three service-level options tailored to maximize customers' value relative to their specific needs.

Technology and Operations

Our cloud-based family of applications utilizes a multi-tenant architecture and our customers access our applications through a consistent user interface using a secure Internet connection through a standard web browser. We rely on generally available off-the-shelf software licensed from third parties. Our applications are easy to deploy, highly configurable, scalable, flexible and secure and provide our customers with a modern and intuitive user experience.

Our cloud-based infrastructure is designed to achieve better than 99.9% uptime, excluding planned downtime. We achieved 99.9% uptime for the year ended December 31, 2014. We use storage area network hardware at our data center locations that have been designed for high performance and data-loss prevention. We believe these systems have the capability and scalability to enable us to meet our anticipated growth for the foreseeable future.

We employ a modular application architecture to balance customer workloads across multiple servers and to provide a flexible method for scaling customers without impacting other parts of the server environment. This architecture is designed to allow us to provide the high levels of uptime required by our customers. We employ capacity planning techniques to ensure we have required capacity for our forecasted growth.

We offer high levels of security by segregating each customer's data from the data of other customers and by limiting access to our platform to only those individuals authorized by our customers. We maintain a formal and comprehensive security program designed to ensure the security and integrity of customer data, protect against security threats or data breaches, and prevent unauthorized access to the data of our customers. We strictly regulate and limit all access to servers and networks at our production and remote backup facilities. Periodic security audits are conducted by an external third-party and include firewall penetration testing and vulnerability scans. In addition, sensitive customer data is encrypted. Encrypted backup files are transmitted over secure connections to a redundant server storage device in a secondary data center. Our data center facilities employ advanced measures to ensure physical integrity, including redundant power and cooling systems, and advanced fire and flood prevention.

All users are authenticated, authorized and validated before they can access our system. Users must have a valid user ID and associated password to log onto our user interface. Our configurable security model allows different groups of users to have different levels of access to our applications. Security groups and policies are delivered or can be created based on a customer's unique access requirements.

We currently serve our customers from fourteen secure, third-party, American National Standards Institute Tier 3 data center facilities, located in San Diego, California; Los Angeles, California; Phoenix, Arizona; St. Louis, Missouri; Chicago, Illinois; Reston, Virginia; Newark, New Jersey; Denver, Colorado; Markham, Ontario; Toronto, Ontario; Seattle, Washington; Atlanta, Georgia; Montreal, Quebec; and London, United Kingdom. Our data centers are designed to host computer systems with fully redundant subsystems and compartmentalized security zones. While we procure and operate all infrastructure equipment delivering our applications, third parties operate the data centers that we use. These facilities provide 24/7 security, biometric access controls, systems security, redundant networking, N+1 power and environmental controls. Our contracts with these third party data center providers are typically for a term of three years. While we believe that these data centers have sufficient capacity to meet our anticipated growth for the foreseeable future, we have instituted a new initiative to consolidate our data centers for higher efficiency.

We voluntarily obtain third-party security examinations relating to security and data privacy in accordance with the Service Organization Control (SOC) and Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization. Our SOC examination is conducted every year by an independent third-party auditor and addresses, among other areas, our physical and environmental safeguards for production data centers, data availability and integrity procedures, change management procedures and logical security procedures.

Research and Development

Our ability to compete depends in large part on our continuous commitment to research and development, our ability to rapidly introduce new features and functionality and our ability to improve proven applications for established markets in which we have competitive advantages. We work closely with our customers to continuously enhance the performance, functionality, usability, reliability and flexibility of our applications.

Our research and development organization is responsible for the design enhancements, development, testing and certification of our applications. In addition, we utilize contractors and offshore resources for our automated testing, managed upgrades, software development and other technology services. Our research and development expenses were $26.2 million, $10.3 million, $5.3 million in fiscal years 2014, 2013, and 2012, respectively. See audited financial statement Note 17 Related Party Transactions regarding an $11.2 million charge to research and development costs in fiscal 2014.

Competition

The overall market for enterprise work management software is rapidly evolving and subject to changing technology, shifting customer needs and frequent introductions of new applications. The intensity and nature of our competition varies significantly across our range of enterprise work management applications. We believe there are a limited number of direct competitors that provide a comprehensive cloud-based enterprise work management software offering. However, we face competition both from point solution providers, including legacy on-premise enterprise systems, and other cloud-based work management software vendors that may address one or more of the functional elements of our applications, but are not designed to address a broad range of enterprise work management needs. In addition, we face competition from manual processes and traditional tools, such as paper-based techniques, spreadsheets and email.

Our primary competitors for each of our enterprise work management applications currently include:

- Program and Portfolio Management: Clarity (a division of Computer Associates), Changepoint, Instantis and Planview;
- Project Management and Collaboration: Microsoft Project, AtTask and Clarizen;
- Workflow Automation and Enterprise Content Management: Hyland Software, Laserfiche, OpenText, Perceptive Software (a division of Lexmark);
- Digital Engagement Management: Adobe, Sitecore, ExactTarget and Vibes;
- Professional Services Automation: Deltek, Infor, OpenAir (a product of NetSuite) and Replicon; and
- Financial Management: Apptio, Hewlett Packard's Information Technology Financial Management Solution and VMware's Information Technology Business Management Suite.

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

- breadth and depth of application functionality;
- ease of deployment and use of applications;
- total cost of ownership;
- levels of customer support satisfaction;
- brand awareness and reputation;
- capability for configurability, integration, scalability and reliability of applications;
- ability to innovate and respond to customer needs rapidly; and
- level of integration among applications and with other enterprise systems.

We believe that we compete favorably on the basis of these factors. Our ability to remain competitive will largely depend on the strength of our applications, the effectiveness of our sales and marketing efforts, the quality of our customer success organization and our ability to acquire complementary technologies, products and businesses to enhance the features and functionality of our applications.

Intellectual Property and Proprietary Rights

We primarily rely on a combination of copyright, trade secret, trademark and other rights in the United States and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property and proprietary rights. We filed applications to register some of our trademarks, including UPLAND, "DO THE RIGHT WORK. DO THE WORK RIGHT" and our Upland Software logo, in the United States and certain other jurisdictions. In addition, as of December 31, 2014, we owned four issued U.S. patents and had four pending applications for U.S. patents.

Though we rely in part on our registered intellectual property, we believe that the most important factor in protecting our technology, and the competitive advantage we believe it provides, is the skill and know-how embodied in the functionality and frequent enhancements we make to our applications. Accordingly, in order to help prevent misuse and misappropriation of our technology, we include confidentiality and other protective provisions in our customer agreements and in our other agreements with employees, contractors, customers and other third parties, which limit access to, use of and disclosure of our proprietary information and technology.

Employees
As of December 31, 2014, we had 362 employees, including 72 in sales and marketing, 124 in customer success and 106 in product development. None of our employees are covered by a collective bargaining agreement. We have never experienced a strike or similar work stoppage, and we consider our relations with our employees to be good.
Legal Proceedings
From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that we believe would, individually or taken together, have a material adverse effect on our business, operating results, financial condition or cash flows.
Information about Segment and Geographic Revenue
We operate and manage our business as a single operating segment. See our consolidated financial statements for a discussion of revenues, operating loss, net loss and total assets. The Company's revenues are principally generated in the United States, which accounted for 78%, 76%, and 75% of consolidated revenues for the years ended December 31, 2014, 2013 and 2012, respectively. Revenues from international business accounted for 22%, 24%, and 25% of consolidated revenues for the years ended December 31, 2014, 2013 and 2012, respectively.
The Company maintains offices and data centers in Montreal, Quebec and Toronto, Ontario and a data center in London, England. There are no other significant assets located outside of the United States.
Available Information
Our internet website address is www.uplandsoftware.com. In addition to the information about us and our subsidiaries contained in this Annual Report on Form 10-K, information about us can be found on our website including information on our corporate governance principles. Our website and information contained on or accessible through our website are not part of this Annual Report on Form 10-K.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through our website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The public may read and copy the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally the SEC maintains an internet site that contains reports, proxy and information statements and other information. The address of the SEC's website is www.sec.gov.
Item 1A. Risk Factors
Risks Related to Our Business
We have a limited operating history and may be unable to achieve or sustain profitability or accurately predict our future results.
We were formed in July 2010 and acquired our first business and commenced operations in September 2011. Prior to September 2011, our business activity was devoted to raising capital, building infrastructure and reviewing potential acquisitions. As such, we have a very limited operating history of selling our products and professional services to third parties. Our limited operating history makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment. We incurred net losses of $20.1 million, $9.2 million, and $2.5 million in fiscal 2014, 2013, and 2012, respectively. As of December 31, 2014, we had an accumulated deficit of $35.2 million. Our losses in prior periods and accumulated deficit reflect the investments we have made to date to grow our business. We expect to have significant operating expenses in the future to further support and grow our business, including expanding the range of integrations between our software and third-party applications and platform, expanding our direct and indirect sales capabilities, pursuing acquisitions of complementary businesses, investing in our data center infrastructure and research and development and increasing

our international presence, and as a result we may be unable to achieve or sustain profitability or accurately predict our future results. You should not consider our recent growth in revenue as indicative of our future performance, and we cannot assure you that we will achieve profitability in the future, nor that if we do become profitable, we will sustain profitability.

Our growth is dependent on our ability to retain existing customers and secure additional subscriptions and cross-sell opportunities from existing customers, and nonrenewals and downgrades could harm our future operating results.

In order for us to improve our operating results, it is important that our customers renew or upgrade their agreements with us when the applicable contract term expires, which is typically one to three years for subscription agreements and one year for perpetual license agreements, and also purchase additional applications from us. Upon expiration, customers can renew their existing subscriptions, upgrade their subscriptions to add more seats or additional minimum contracted volume, downgrade their subscriptions to fewer seats or lower minimum contracted volume or not renew. A renewal constitutes renewing an existing contract for an application under the same terms and an upgrade includes purchasing additional seats or volume under an existing contract. We may also cross-sell additional applications to existing customers. Our ability to grow revenue and achieve profitability depends, in part, on customer renewals, upgrades and cross-sales to existing customers exceeding downgrades and nonrenewals. However, we may not be able to increase our penetration within our existing customer base as anticipated and we may not otherwise retain subscriptions from existing customers. Our customers may choose to not renew or upgrade their subscriptions, or may downgrade, because of several factors, including dissatisfaction with our prices, features or performance relative to competitive offerings, reductions in our customers' spending levels, unused seats or volume or limited adoption or use of our applications. In addition, we may not be successful in cross-selling new applications to our existing customers. If our customers do not upgrade or renew their subscriptions or purchase additional applications from us, or if they downgrade their subscriptions, our revenue may grow more slowly than expected or may decline, and our financial performance may be adversely affected.

Any failure to offer high-quality customer service may adversely affect our relationships with our customers and our financial results.

Our customers depend on our customer success organization to manage the post-sale customer lifecycle, including to implement new applications for our customers, provide training and ongoing education services and resolve technical issues relating to our applications. We may be unable to respond quickly enough to accommodate short-term increases in demand for our customer success services. We also may be unable to modify the format of our customer success services to compete with changes in similar services provided by our competitors. Increased customer demand for these services, without corresponding revenue, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on the reliable functional operation of our applications, our business reputation and positive recommendations from our existing customers. Any failure to maintain high-quality customer service, or a market perception that we do not maintain high-quality customer service, could adversely affect our reputation, our ability to sell our applications to existing and prospective customers and our business, operating results and financial position.

If the market for cloud-based enterprise work management applications develops more slowly than we expect, or declines, our business could be adversely affected.

The market for cloud-based enterprise work management applications is not as mature as the market for legacy on-premise enterprise systems, and it is uncertain whether cloud-based applications will achieve and sustain high levels of customer demand and market acceptance. Our success will depend to a substantial extent on increased adoption of cloud-based applications, and of our enterprise work management software applications in particular. Many large organizations have invested substantial personnel and financial resources to integrate legacy on-premise enterprise systems into their businesses, and therefore may be reluctant or unwilling to migrate to cloud-based applications or away from their traditional vendors or to new practices because of the organizational changes often required to successfully implement new enterprise work management systems. In addition, we do not know whether the adoption of enterprise work management software will continue to grow and displace manual processes and traditional tools, such as paper-based techniques, spreadsheets and email. It is difficult to predict customer adoption rates and demand for our applications, the future growth rate and size of the cloud-based software application market or the entry of competitive products. The expansion of the cloud-based software application market depends

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on a number of factors, including the cost, performance and perceived value associated with cloud-based applications, as well as the ability of cloud-based application companies to address security and privacy concerns. If other cloud-based software application providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud-based applications as a whole, including our enterprise work management applications, may be negatively affected. If cloud-based applications do not achieve widespread adoption, or there is a reduction in demand for cloud-based applications caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, our revenues may decrease and our business could be adversely affected.

If we fail to manage our growth effectively, we may be unable to execute our business plan and maintain high levels of customer satisfaction.

We have recently experienced a period of rapid growth in our personnel and operations. In particular, we increased our number of full-time employees from three as of December 31, 2011 to 362 as of December 31, 2014, and have also increased the size of our customer base. In addition, our revenue grew from $712,000 in fiscal 2011 to $64.6 million in fiscal 2014. Acquisitions are a primary component of our growth strategy and, as a result, we anticipate that we will continue to experience further rapid growth in our personnel and operations in the future. Our growth has placed, and future growth will place, a significant strain on our managerial, administrative, operational, financial and other resources. To manage the expected growth of our personnel and operations, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. Failure to effectively manage our growth could result in difficulty or delays in deploying our applications, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations.

We have made and expect to continue to make acquisitions as a primary component of our growth strategy. We may not be able to identify suitable acquisition candidates or consummate acquisitions on acceptable terms, or we may be unable to successfully integrate acquisitions, which could disrupt our operations and adversely impact our business and operating results.

A primary component of our growth strategy has been to acquire complementary businesses to grow our company. For example, we acquired the businesses of PowerSteering Software, Inc., Tenrox Inc. and LMR Solutions, LLC, dba EPM Live, in fiscal 2012 and the businesses of FileBound Solutions, Inc. and Marex Group Inc., ComSci, LLC, and Clickability Inc., in fiscal 2013 and the businesses of Solution Q Inc. and Mobile Commons, Inc., in fiscal 2014 . We intend to continue to pursue acquisitions of complementary technologies, products and businesses as a primary component of our growth strategy to enhance the features and functionality of our applications, expand our customer base and provide access to new markets and increase benefits of scale. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations. For example:

- we may not be able to identify suitable acquisition candidates or to consummate acquisitions on acceptable terms;
- we may pursue international acquisitions, which inherently pose more risks than domestic acquisitions;
- we compete with others to acquire complementary products, technologies and businesses, which may result in decreased availability of, or increased price for, suitable acquisition candidates;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any or all of our potential acquisitions;
- we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a technology, product or business; and
- acquired technologies, products or businesses may not perform as we expect and we may fail to realize anticipated revenue and profits.

In addition, our acquisition strategy may divert management's attention away from our existing business, resulting in the loss of key customers or employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor for undisclosed or contingent liabilities of acquired businesses or assets.

If we fail to conduct due diligence on our potential targets effectively, we may, for example, not identify problems at target companies or fail to recognize incompatibilities or other obstacles to successful integration. Our inability to successfully integrate future acquisitions could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if new technologies, products or businesses are not implemented effectively, may preclude the realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of new technologies, products or businesses may result in unanticipated problems, expenses, liabilities and competitive responses. The difficulties integrating an acquisition include, among other things:

- issues in integrating the target company's technologies, products or businesses with ours;
- incompatibility of marketing and administration methods;
- maintaining employee morale and retaining key employees;
- integrating the cultures of both companies;
- preserving important strategic customer relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations; and
- coordinating and integrating geographically separate organizations.

In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all.

Further, acquisitions may cause us to:

- issue common stock that would dilute our current stockholders' ownership percentage;
- use a substantial portion of our cash resources;
- increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition;
- assume liabilities for which we do not have indemnification from the former owners; further, indemnification obligations may be subject to dispute or concerns regarding the creditworthiness of the former owners;
- record goodwill and non-amortizable intangible assets that are subject to impairment testing and potential impairment charges;
- experience volatility in earnings due to changes in contingent consideration related to acquisition earn-out liability estimates;
- incur amortization expenses related to certain intangible assets;
- lose existing or potential contracts as a result of conflict of interest issues;
- become subject to adverse tax consequences or deferred compensation charges;
- incur large and immediate write-offs; or
- become subject to litigation.

We depend on our senior management team and the loss of one or more key personnel or an inability to attract and retain highly skilled personnel may impair our ability to grow our business.

Our success depends in part upon the continued services of our key executive officers, including John T. McDonald, Michael D. Hill, and Timothy W. Mattox, as well as other key personnel. We do not have employment agreements with most of our executive officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they may terminate employment with us at any time with no advance notice. The replacement of our senior management team or other key personnel likely would involve significant time and costs, and the loss of these employees may significantly delay or prevent the achievement of our business objectives.

We face intense competition for qualified individuals from numerous technology and software companies. If we fail to attract and retain suitably qualified individuals, including software engineers and sales personnel, our ability to implement our business plan and develop and maintain our applications could be adversely affected. As a result, our ability to compete would decrease, our operating results would suffer and our revenue would decrease.

Failure to maintain and expand our sales organization may negatively impact our revenue growth.

We sell our applications primarily through a direct sales organization comprised of inside sales and field sales personnel. In addition, we have an indirect sales organization, which sells to distributors and value-added resellers. Growing sales to both new and existing customers is in part dependent on our ability to maintain and expand our sales force. Identifying, recruiting and training additional sales personnel requires significant time, expense and attention. It can take several quarters or longer before our sales representatives are fully-trained and productive. Our business may be adversely affected if our efforts to expand and train our sales organization do not generate a corresponding increase in revenue. In particular, if we are unable to hire, develop and retain sales personnel or if our new sales personnel are unable to achieve expected sales productivity levels in a reasonable period of time or at all, our revenue may grow more slowly than expected or decline and our business may be harmed.

Because we generally recognize revenue from our customers over the terms of their agreements but incur most costs associated with generating such agreements in advance, rapid growth in our customer base may increase our losses in the short-term.

Expenses associated with acquiring customers, such as the expenses related to our sales organizations and related commissions, are generally expensed as incurred while most of our revenue is recognized ratably over the life of the applicable agreements. Therefore, increased sales will result in our recognition of more costs than revenue during the early periods covered by such agreements, even in cases where the agreements are expected to be profitable for us over their full terms. As a result, even if we are successful in increasing our customer base, our short-term operating results may suffer.

We recognize revenue from customers over the term of the related agreement; therefore, downturns or upturns in our business may not be immediately reflected in our operating results.

We recognize revenue from customer agreements ratably over the terms of these agreements. As a result, a significant portion of the revenue we report in each quarter is generated from customer agreements entered into during previous periods, which is reflected as deferred revenue on our balance sheet. Consequently, a decline in new or renewed agreements, or a downgrade of renewed agreements to fewer seats or less minimum contracted volume, in any one quarter may not be fully reflected in our revenue in that quarter. Such a decline, however, will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our applications, and potential changes in our pricing policies or rates of renewals, may not be fully reflected in our results of operations until future periods. Similarly, it would be difficult for us to rapidly increase our revenue through new sales, renewals and upgrades of existing customer agreements, or through additional cross-selling opportunities, in a given period due to the timing of revenue recognition inherent in our subscription model.

Perpetual license revenue is unpredictable and a material increase or decrease in perpetual license revenue from period to period can produce substantial variation in the total revenue and earnings we recognize in a given period.

Perpetual license revenue reflects the revenue recognized from sales of perpetual licenses relating to our workflow automation and enterprise content management applications to new customers and additional licenses for such applications to existing customers. We generally recognize the license fee portion of the arrangement in advance. Perpetual licenses of our workflow automation and enterprise content management applications are sold through third-party resellers and, as such, the timing of sales of perpetual licenses is difficult to predict with the timing of recognition of associated revenue unpredictable. A material increase or decrease in the sale of perpetual licenses from period to period could produce substantial variation in the revenue we recognize. Accordingly, comparing our perpetual license revenue on a period to period basis may not be a meaningful indicator of a trend or future results.

Our quarterly operating results may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of research analysts or investors, which could cause our stock price to decline and you may lose part or all of your investment.

Our quarterly operating results may fluctuate as a result of a variety of factors, many of which are outside of our control. Accordingly, the results of any one quarter may not fully reflect the underlying performance of our business and should not be relied upon as an indication of future performance. If our quarterly operating results or outlook fall below the expectations of research analysts or investors, the price of our common stock could decline substantially. Fluctuations in our quarterly operating results or outlook may be due to a number of factors, including, but not limited to:

- the extent to which our existing customers purchase additional seats or volume for our applications and the timing and terms of those purchases;
- the extent to which our existing customers renew their customer agreements for our applications and the timing and terms of those renewals;
- the extent to which we cross-sell additional applications to our existing customers and the timing and terms of such cross-selling;
- the addition or loss of customers, including through acquisitions or consolidations;
- the extent to which new customers are attracted to our applications to satisfy their enterprise work management needs;
- the rate of adoption and market acceptance of enterprise work management applications;
- the mix of our revenue, particularly between product and professional services revenue, for which the timing of revenue recognition is substantially different;
- changes in the gross profit we realize on our applications and professional services due to our differing revenue recognition policies applicable to subscription and product and professional services revenue and other variables;
- the extent to which we enter into multi-year contracts, in which the support fees are typically paid in advance;
- the number and size of new customers and the number and size of renewals in a particular period;
- changes in our pricing policies or those of our competitors;
- the mix of applications sold during a period;
- the timing and expenses related to the acquisition of technologies, products or businesses and potential future charges for impairment of goodwill from such acquisitions;
- the amount and timing of operating expenses, including those related to the maintenance and expansion of our business, operations and infrastructure;
- the amount and timing of expenses related to the development of new products and technologies, including enhancements to our applications;
- the amount and timing of commissions earned by our sales personnel;
- the timing and success of new applications introduced by us or new offerings offered by our competitors;
- the length of our sales cycles;
- changes in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic collaborators;
- our ability to manage our existing business and future growth, including increases in the number of customers using our applications;
- the seasonality of our business or cyclical fluctuations in our industry;
- the timing and expenses related to any international expansion efforts we may undertake and the success of such efforts;
- various factors related to disruptions in access and delivery of our cloud-based applications, errors or defects in our applications, privacy and data security and exchange rate fluctuations, each of which is described elsewhere in these risk factors; and
- general economic, industry and market conditions.

We may need financing in the future, and any additional financing may result in restrictions on our operations or substantial dilution to our stockholders. We may seek to renegotiate or refinance our loan and security agreements, and we may be unable to do so on acceptable terms or at all.

We have funded our operations since inception primarily through equity financings, cash from operations and cash available under our loan and security agreements. We may need to raise funds in the future, for example, to expand our business, acquire complementary businesses, develop new technologies, respond to competitive pressures or react to unanticipated situations. We may try to raise additional funds through public or private financings, strategic relationships or other arrangements. Our ability to obtain debt or equity funding will depend on a number of factors, including market conditions, our operating performance and investor interest. Additional funding may not be available to us on acceptable terms or at all. If adequate funds are not available, we may be required to reduce expenditures, including curtailing our growth strategies, reducing our product-development efforts or foregoing acquisitions. If we succeed in raising additional funds through the issuance of equity or convertible securities, it could result in substantial dilution to existing stockholders. If we raise additional funds through the issuance of debt securities or preferred stock, these new securities would have rights, preferences and privileges senior to those of the holders of our common stock. In addition, any debt financing obtained by us in the future or issuance of preferred stock could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Additionally, we may need to renegotiate the terms of our loan and security agreements, and our lender may be unwilling to do so, or may agree to such changes subject to additional restrictive covenants on our operations and ability to raise capital.

Our loan agreements contain operating and financial covenants that may restrict our business and financing activities.

On March 5, 2012, we entered into a loan and security agreement with Comerica Bank, as amended, the U.S. Loan Agreement. The U.S. Loan Agreement provides to us and certain of our subsidiaries, as co-borrowers, a secured accounts receivable revolving loan facility of up to $5.0 million and a secured term loan facility of up to $19.5 million, for a total loan facility of up to $24.5 million. On February 10, 2012, Tenrox Inc., a Canadian corporation and wholly-owned subsidiary entered into a loan and security agreement with Comerica Bank, as amended, the Canadian Loan Agreement. The Canadian Loan Agreement provides a secured accounts receivable revolving loan facility of up to $3.0 million and a secured term loan facility of up to $2.5 million, for a total loan facility of up to $5.5 million. As of December 31, 2014, there was a zero balance on the revolving loans and $16.5 million outstanding as term loans under the U.S. Loan Agreement. As of December 31, 2014, there was $3.0 million outstanding on the revolving loans and $0.4 million outstanding as term loans under the Canadian Loan Agreement.

Our obligations and the obligations of the co-borrowers and any guarantors under the U.S. Loan Agreement are secured by a security interest in substantially all of our assets and assets of the co-borrowers' and of any guarantors, including intellectual property. The obligations of Tenrox Inc., our obligations and the obligations of any other guarantors under the Canadian Loan Agreement are secured by a security interest in substantially all of Tenrox Inc.'s assets, our assets and assets of any other guarantors, including intellectual property. The loan and security agreements and related guaranties and security agreements limit, among other things, our ability to:

- sell, lease, license or otherwise dispose of assets;
- undergo a change in control;
- consolidate or merge with or into other entities;
- make or own loans, investments and acquisitions;
- create, incur or assume guarantees in respect of obligations of other persons;
- create, incur or assume liens and other encumbrances; or
- pay dividends or make distributions on, or purchase or redeem, our capital stock.

Furthermore, the loan and security agreements require us and our subsidiaries to comply with certain financial covenants. The operating and other restrictions and covenants in the loan and security agreements and related guaranties and security agreements, and in any future financing arrangements that we may enter into, may

restrict our ability to finance our operations, engage in certain business activities, or expand or fully pursue our business strategies, or otherwise limit our discretion to manage our business. Our ability to comply with these restrictions and covenants may be affected by events beyond our control, and we may not be able to meet those restrictions and covenants. For example, at December 31, 2014, we would have been in violation of certain financial covenants under the U.S. Loan Agreement and Canadian Loan Agreement. However, we obtained a waiver of compliance with such financial covenants from Comerica Bank through March 31, 2015 and on March 23, 2015 the facility was amended into 60-month facility as described in Note 18 to the financial statements. A breach of any of the restrictions and covenants could result in a default under the loan and security agreements, related guarantees and security agreements or any future financing arrangements, which could cause any outstanding indebtedness under the loan and security agreements or under any future financing arrangements to become immediately due and payable, and result in the termination of commitments to extend further credit.

If we are unable to increase market awareness of our company and our applications, our revenue may not continue to grow, or may decline.

Market awareness of our company and our applications is essential to our ability to generate new leads for expanding our business and our continued growth. If we fail to sufficiently invest in our marketing programs or they are unsuccessful in creating market awareness of our company and our applications, our revenue may grow more slowly than expected or may decline and our financial performance may be adversely affected.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.

The overall market for enterprise work management software is rapidly evolving and subject to changing technology, shifting customer needs and frequent introductions of new applications. The intensity and nature of our competition varies significantly across our family of enterprise work management software applications. Many of our competitors and potential competitors are larger and have greater brand name recognition, longer operating histories, larger marketing budgets and significantly greater resources than we do. Some of our smaller competitors may offer applications on a stand-alone basis at a lower price than us due to lower overhead or other factors, while some of our larger competitors may offer applications at a lower price in an attempt to cross-sell additional products in the future or retain a customer using a different application.

We believe there are a limited number of direct competitors that provide a comprehensive enterprise work management software offering. However, we face competition both from point solution providers, including legacy on-premise enterprise systems, and other cloud-based work management software vendors that may address one or more of the functional elements of our applications, but are not designed to address a broad range of enterprise work management needs. In addition, we face competition from manual processes and traditional tools, such as paper-based techniques, spreadsheets and email.

Our primary competitors for each of our enterprise work management applications currently include:

- Program and Portfolio Management: Clarity (a division of Computer Associates), Changepoint, Instantis and Planview;
- Project Management and Collaboration: Microsoft Project, AtTask and Clarizen;
- Workflow Automation and Enterprise Content Management: Hyland Software, Laserfiche, OpenText, Perceptive Software (a division of Lexmark), Adobe and Sitecore;
- Digital Engagement Management: Adobe, Sitecore, ExactTarget and Vibes;
- Professional Services Automation: Deltek, Infor, OpenAir (a product of NetSuite), and Replicon; and
- Financial Management: Apptio, Hewlett Packard’s Information Technology Financial Management Solution and VMware’s Information Technology Business Management Suite.

If our competitors’ products, services or technologies become more accepted than our enterprise work management applications, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, our revenues could be adversely affected.

Mergers of, or other strategic transactions by, our competitors could weaken our competitive position or reduce our revenue.

If one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. In order to take advantage of customer demand for cloud-based software applications, vendors of legacy systems are expanding their cloud-based enterprise workplace management applications through acquisitions and organic development. A potential result of such expansion is that certain of our current or potential competitors may be acquired by third parties with greater available resources and the ability to further invest in product improvements and initiate or withstand substantial price competition. Our competitors also may establish or strengthen cooperative relationships with our current or future value-added resellers, third-party consulting firms or other parties with whom we have relationships, thereby limiting our ability to promote our applications. Disruptions in our business caused by these events could reduce our revenue.

Our growth and long-term success depends in part on our ability to expand our international sales and operations.

A core component of our growth strategy is international expansion. For fiscal 2014 and 2013, we generated approximately 22% and 24%, respectively, of our revenue from sales outside the United States. We currently maintain international offices and have sales, marketing, support or research and development personnel in Canada and the United Kingdom. As we continue to expand our international footprint, we will be increasingly susceptible to the risks associated with international operations. We have a limited operating history outside of the United States and Canada and our ability to manage our international operations successfully requires significant resources and management attention and is subject to particular challenges of supporting a rapidly growing business in an environment of diverse cultures, languages, customs, legal systems, alternative dispute systems and economic, political and regulatory systems. In addition, we expect to incur significant costs associated with expanding our international operations, including hiring personnel internationally. The risks and challenges associated with doing business internationally and our international expansion include:

- uncertain political and economic climates;
- lack of familiarity and burdens of complying with foreign laws, accounting and legal standards, regulatory requirements, tariffs and other barriers;
- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;
- lack of experience in connection with the localization of our applications, including translation into foreign languages and adaptation for local practices, and associated expenses and regulatory requirements;
- difficulties in adapting to differing technology standards;
- longer sales cycles and accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations, including differing legal and cultural expectations for employee relationships and increased travel, infrastructure and legal compliance costs associated with international operations;
- fluctuations in exchange rates that may increase the volatility of our foreign-based revenue and expenses;
- potentially adverse tax consequences, including the complexities of foreign value-added tax, goods and services tax and other transactional taxes;
- reduced or varied protection for intellectual property rights in some countries;
- difficulties in managing and adapting to differing cultures and customs;
- data privacy laws which require that customer data be stored and processed in a designated territory subject to laws different than the United States;
- new and different sources of competition as well as laws and business practices favoring local competitors and local employees;

- compliance with anti-bribery laws, including compliance with the Foreign Corrupt Practices Act;
- increased financial accounting and reporting burdens and complexities; and
- restrictions on the repatriation of earnings.

Further, our international expansion efforts may be hindered by lower levels of cloud adoption and increased price sensitivity for our applications or other cloud-based offerings in international markets. As a result of these and other factors, international expansion may be more difficult, take longer and not generate the results we anticipate, which could negatively impact our growth and business.

Fluctuations in the exchange rate of foreign currencies could result in losses on currency transactions.

Our customers are generally invoiced in the currency of the country in which they are located. In addition, we incur a portion of our operating expenses in foreign currencies, including Canadian dollars, British pounds and Euros, and in the future, as we expand into other foreign countries, we expect to incur operating expenses in other foreign currencies. In addition, our customers are generally invoiced in the currency of the country in which they are located. We are exposed to foreign exchange rate fluctuations as the financial results of our international operations are translated from the local functional currency into U.S. dollars upon consolidation. A decline in the U.S. dollar relative to foreign functional currencies would increase our non-U.S. revenue and improve our operating results. Conversely, if the U.S. dollar strengthens relative to foreign functional currencies, our revenue and operating results would be adversely affected. We have not previously engaged in foreign currency hedging. If we decide to hedge our foreign currency exchange rate exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets.

Our sales cycles can be lengthy and variable, which may cause changes in our operating results.

Our sales cycle can vary substantially from customer to customer. A number of factors influence the length and variability of our sales cycles, including, for example:

- the need to educate potential customers about the uses and benefits of our applications;
- the duration of the commitment customers make in their agreements with us, which are typically one to three years;
- the discretionary nature of potential customers' purchasing and budget cycles and decisions;
- the competitive nature of potential customers' evaluation and purchasing processes;
- the functionality demands of potential customers;
- fluctuations in the enterprise work management needs of potential customers;
- the announcement or planned introduction of new products by us or our competitors; and
- the purchasing approval processes of potential customers.

Our sales cycles can make it difficult to predict the quarter in which revenue from a new customer may first be recognized. We may incur significant sales and marketing expenses and invest significant time and effort in anticipation of a sale that may never occur or only occur in a smaller amount or at a later date than anticipated. Delays inherent to our sales cycles could cause significant variability in our revenue and operating results for any particular period.

We have a limited history with our pricing models and, as a result, we may be forced to change the prices we charge for our applications or the pricing models upon which they are based.

We have limited experience with respect to determining the optimal prices and pricing models for certain of our applications and certain geographic markets. As the markets for our applications mature, or as competitors introduce products or services that compete with ours, including bundling competing offerings with additional products or services, we may be unable to attract new customers at the same price or based on the same pricing models as we have used historically. As a result, in the future we may be required to reduce our prices, which could adversely affect our financial performance. In addition, we may offer volume price discounts based on the number of seats purchased by a customer or the number of our applications purchased by a customer, which would effectively reduce the prices we charge for our applications. Also, we may be unable to renew existing customer agreements or enter into new customer agreements at the same prices or upon the same terms that we have historically, which could have a material adverse effect on our financial position.

Any disruption of service at the data centers that house our equipment and deliver our applications could harm our business.

While we procure and operate all infrastructure equipment delivering our applications, third parties operate the data centers that we use. While we control and have access to our servers and all of the other components of our network that are located in our external data centers, we do not control the operation of these data centers and we are therefore vulnerable to disruptions, power outages or other issues the data centers experience. We have experienced and expect that we will in the future experience interruptions, delays and outages in service and availability from time to time. The owners of our data centers have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data centers, and we may incur significant costs and possible service interruption in connection with doing so.

Our data centers are vulnerable to damage or interruption from human error, malicious acts, earthquakes, hurricanes, tornadoes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. For example, certain of our data centers are located in an area known for seismic activity, increasing our susceptibility to the risk that an earthquake could significantly harm the operations of this facility. The occurrence of a natural disaster or an act of terrorism, vandalism or other misconduct, a decision to close the data centers without adequate notice or other unanticipated problems could result in lengthy interruptions in availability of our applications.

Any changes in third-party service levels at our data centers or any errors, defects, disruptions or other performance problems with our applications could harm our reputation and may damage our customers' businesses. Interruptions in availability of our applications might reduce our revenue, cause us to issue credits to customers, subject us to potential liability, and cause customers to terminate their subscriptions or decide not to renew their subscriptions with us.

If we fail to adequately manage our data center infrastructure capacity, our existing customers may experience service outages and our new customers may experience delays in the deployment of our applications.

We have experienced significant growth in the number of seats and volume of data that our hosting infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. However, obtaining new data center infrastructure requires lead time. If we do not accurately predict our infrastructure capacity requirements with sufficient lead time, our customers could experience service impairment that may subject us to financial penalties and liabilities and cause us to lose customers. If our data center infrastructure capacity fails to keep pace with increased subscriptions, customers may experience delays or reductions in the quality of our service as we seek to obtain additional capacity, which could harm our reputation and harm our business.

Security breaches may harm our business.

Our applications involve the storage and transmission of our customers' proprietary and confidential information, including personal or identifying information regarding their employees and customers. Any security breaches, unauthorized access, unauthorized usage, virus or similar breach or disruption could result in loss of confidential information, damage to our reputation, early termination of our contracts, litigation, regulatory investigations, indemnity obligations or other liabilities. If our security measures or those of our third-party data centers are breached as a result of third-party action, employee error, malfeasance or otherwise and, as a result, someone obtains unauthorized access to customer data, our reputation will be damaged, our business may suffer and we could incur significant liability. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect not to renew or upgrade their subscriptions, result in reputational damage or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our operating results.

Our success depends on our ability to adapt to technological change and continue to innovate.

The overall market for enterprise work management software is rapidly evolving and subject to changing technology, shifting customer needs and frequent introductions of new applications. Our ability to attract new customers and increase revenue from existing customers will depend in large part on our ability to develop or acquire new applications and enhance and improve existing applications. To achieve market acceptance for our applications, we must effectively anticipate and offer applications that meet changing customer demands in a timely manner. Customers may require features and capabilities that our current applications do not have. We may experience difficulties that could delay or prevent our development, acquisition or implementation of new applications and enhancements.

If we are unable to successfully develop or acquire new enterprise work management capabilities and functionality, enhance our existing applications to anticipate and meet customer preferences, sell our applications into new markets or adapt to changing industry standards in enterprise work management, our revenue and results of operations would be adversely affected.

Adverse economic conditions may reduce our customers' ability to spend money on information technology or enterprise work management software, or our customers may otherwise choose to reduce their spending on information technology or enterprise work management software, which may adversely impact our business.

Our business depends on the overall demand for information technology and enterprise work management software spend and on the economic health of our current and prospective customers. If worldwide economic conditions become unstable, our existing customers and prospective customers may re-evaluate their decision to purchase our applications. Weak global economic conditions or a reduction in information technology or enterprise work management software spending by our customers, could harm our business in a number of ways, including longer sales cycles and lower prices for our applications.

We rely on third-party software that is required for the development and deployment of our applications, which may be difficult to obtain or which could cause errors or failures of our applications.

We rely on software licensed from or hosted by third parties to offer our applications. In addition, we may need to obtain licenses from third parties to use intellectual property associated with the development of our applications, which might not be available to us on acceptable terms, or at all. Any loss of the right to use any software required for the development, maintenance and delivery of our applications could result in delays in the provision of our applications until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business. Any errors or defects in third-party software could result in errors or a failure of our applications, which could harm our business.

If our applications contain serious errors or defects we may lose revenue and market acceptance and we may incur costs to defend or settle product liability claims.

Complex software applications such as ours often contain errors or defects, particularly when first introduced or when new versions or enhancements are released. Our current and future applications may contain serious defects.

Since our customers use our applications for critical business purposes, defects or other performance problems could negatively impact our customers and could result in: loss or delayed market acceptance and sales;

- breach of warranty or product liability claims;
- sales credits or refunds for prepaid amounts related to unused subscription services;
- canceled contracts and loss of customers;
- diversion of development and customer service resources; and
- injury to our reputation.

The costs incurred in correcting any material errors or defects might be substantial and could adversely affect our operating results. Although our customer agreements typically contain provisions designed to limit our exposure to certain of the claims above, existing or future laws or unfavorable judicial decisions could negate these limitations. Even if not successful, a product liability claim brought against us would likely be a distraction to management, time-consuming and costly to resolve, and could seriously damage our reputation in the marketplace, making it harder for us to sell our applications. Additionally, our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all, and our policy may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

If we fail to integrate our applications with other software applications and competitive or adjacent offerings that are developed by others, or fail to make our applications available on mobile and other handheld devices, our applications may become less marketable, less competitive or obsolete and our operating results could be harmed.

Our applications integrate with a variety of other software applications, and also with competing and adjacent third-party offerings, and we need to continuously modify and enhance our platform to adapt to changes in cloud-enabled hardware, software, networking, browser and database technologies. Any failure of our applications to integrate effectively with other software applications and product offerings could reduce the demand for our applications or result in customer dissatisfaction and harm to our business. If we are unable to respond to changes in the applications and tools with which our applications integrate in a cost-effective manner, our applications may become less marketable, less competitive or obsolete. Competitors may also impede our attempts to create integration between our applications and competitive offerings, which may decrease demand for our applications. In addition, an increasing number of individuals within organizations are utilizing devices other than personal computers, such as mobile phones, tablets and other handheld devices, to access the Internet and corporate resources and to conduct business. If we cannot effectively make our applications available on these devices, we may experience difficulty attracting and retaining customers.

If we fail to develop and maintain relationships with third parties, our business may be harmed.

Our business depends in part on the development and maintenance of technology integration, joint sales and reseller relationships. Maintaining relationships with third parties requires significant time and resources, as does integrating third-party content and technology. Further, third parties may not perform as expected under any relationships that we may enter into, and we may have disagreements or disputes with third parties that could negatively affect our brands and reputation. If we are unsuccessful in establishing or maintaining relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results could suffer.

Our use of open source software could negatively affect our ability to sell our applications and subject us to possible litigation.

A portion of our applications incorporate open source software, and we expect to continue to incorporate open source software in the future. Few of the licenses applicable to open source software have been interpreted by courts, and their application to the open source software integrated into our proprietary software may be uncertain. Moreover, we cannot provide any assurance that we have not incorporated additional open source software in our applications in a manner that is inconsistent with the terms of the license or our current policies and procedures. If we fail to comply with these licenses, we may be subject to certain requirements, including requirements that we offer our applications that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our applications that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our applications. In addition, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to suits by parties claiming infringement due to the reliance by our applications on certain open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our applications.

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Certain of our operating results and financial metrics are difficult to predict as a result of seasonality.
We have historically experienced seasonality in terms of when we enter into customer agreements. We sign a significantly higher percentage of agreements with new customers, and renew agreements with existing customers, in the fourth quarter of each calendar year as our customers tend to follow budgeting cycles at the end of the calendar year. Our cash flow from operations has historically been higher in the first quarter of each calendar year than in other quarters. This seasonality is reflected to a much lesser extent, and sometimes is not immediately apparent, in our revenue, due to the fact that we defer revenue recognition. In addition, seasonality may be difficult to observe in our financial results during periods in which we acquire businesses as such results typically are most significantly impacted by such acquisitions. We expect this seasonality to continue, or possibly increase in the future, which may cause fluctuations in our operating results and financial metrics. If our quarterly operating results or outlook fall below the expectations of research analysts or investors, the price of our common stock could decline substantially.
We could incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.
In recent years, there has been significant litigation involving patents and other intellectual property rights in our industry. Companies providing software are increasingly bringing and becoming subject to suits alleging infringement of proprietary rights, particularly patent rights, and to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement claims. We do not have a significant patent portfolio, which could prevent us from deterring patent infringement claims through our own patent portfolio, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. The risk of patent litigation has been amplified by the increase in the number of a type of patent holder, which we refer to as a non-practicing entity, whose sole business is to assert such claims and against whom our own intellectual property portfolio may provide little deterrent value. We could incur substantial costs in prosecuting or defending any intellectual property litigation. If we sue to enforce our rights or are sued by a third-party that claims that our applications infringe its rights, the litigation could be expensive and could divert our management resources. In addition, in most instances, we have agreed to indemnify our customers against claims that our applications infringe the intellectual property rights of third parties. Our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them. Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease selling or using applications that incorporate the intellectual property that we allegedly infringe;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or
- redesign the allegedly infringing applications to avoid infringement, which could be costly, time-consuming or impossible.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us or any obligation to indemnify our customers for such claims, such payments or actions could harm our business.
We could incur substantial costs in protecting our intellectual property from infringement, and any failure to protect our intellectual property could impair our business.
Our success and ability to compete depend in part upon our intellectual property. We seek to protect the source code for our proprietary software and other proprietary technology and information under a combination of copyright, trade secrets and patent law, and we seek to protect our brands through trademark law. Our policy is to enter into confidentiality agreements, or agreements with confidentiality provisions, with our employees, consultants, vendors and customers and to control access to our software, documentation and other proprietary

information. Despite these precautions, it may be possible for unauthorized parties to copy our software or other proprietary technology or information, or to develop similar software independently.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our applications or to obtain and use information that we regard as proprietary. Policing unauthorized use of our applications is difficult, and we are unable to determine the extent to which piracy of our software exists or will occur in the future. Litigation may be necessary in the future to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming and distracting to management, result in a diversion of resources or the narrowing or invalidation of portions of our intellectual property and have a material adverse effect on our business, operating results and financial condition. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights or alleging that we infringe the counterclaimant's own intellectual property. These steps may be inadequate to protect our intellectual property. Third parties may challenge the validity or ownership of our intellectual property, and these challenges could cause us to lose our rights, in whole or in part, to such intellectual property or narrow its scope such that it no longer provides meaningful protection. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our applications may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States. To the extent we expand our international activities, our exposure to unauthorized copying, transfer and use of our applications and proprietary technology or information may increase.

There can be no assurance that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar technology. If we fail to meaningfully protect our intellectual property, our business, brands, operating results and financial condition could be materially harmed.

Unanticipated changes in our effective tax rate or challenges by tax authorities could harm our future results.

We are subject to income taxes in the United States and various non-U.S. jurisdictions. Our effective tax rate could be adversely affected by changes in the allocation of our pre-tax earnings and losses among countries with differing statutory tax rates, in certain non-deductible expenses as a result of acquisitions, in the valuation of our deferred tax assets and liabilities, or in federal, state, local or non-U.S. tax laws and accounting principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents. In particular, the United States is currently considering various changes to the U.S. taxation of international business activities, which, if enacted, could impact the U.S. taxation of our non-U.S. earnings as well as our cash maintained outside the United States. Increases in our effective tax rate would adversely affect our operating results.

In addition, we may be subject to income tax audits by various tax jurisdictions throughout the world, many of which have not established clear guidance on the tax treatment of cloud-based companies. The application of tax laws in such jurisdictions may be subject to diverging and sometimes conflicting interpretations by tax authorities in these jurisdictions. Although we believe our income tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, an adverse resolution of one or more uncertain tax positions in any period could have a material impact on the results of operations for that period.

Taxing authorities may successfully assert that we should have collected or in the future should collect additional sales and use taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.

We have not historically filed sales and use tax returns or collected sales and use taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable. Taxing authorities may seek to impose such taxes on us, including for past sales, which could result in penalties and interest. Any such tax assessments may adversely affect the results of our operations.

Taxing authorities could reallocate our taxable income among our subsidiaries, which could increase our consolidated tax liability.

We conduct integrated operations internationally through subsidiaries in various tax jurisdictions pursuant to transfer pricing arrangements between our subsidiaries and between our subsidiaries and us. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally require that transfer prices be the same as those between unrelated companies dealing at arms' length and that contemporaneous documentation is maintained to support the transfer prices. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arms' length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices, which could result in a higher tax liability to us. Such reallocations may subject us to interest and penalties that would increase our consolidated tax liability and could adversely affect our financial condition, results of operations and cash flows.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2014, we had federal net operating loss carryforwards of approximately $45 million and research and development credit carryforwards of approximately $0.8 million, which begin expiring in 2017. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an "ownership change" occurs if there is a cumulative change in our ownership by "5% shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules apply under state tax laws. Based on analysis of acquired net operating losses, utilization of our net operating losses will be subject to annual limitations. The annual limitation will result in the expiration of $16.2 million of net operating losses and $0.8 million of credit carryforwards before utilization. In the event that it is determined that we have in the past experienced additional ownership changes, or if we experience one or more ownership changes as a result of future transactions in our stock, then we may be further limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

Changes in laws or regulations related to the Internet may diminish the demand for our applications and any failure of the Internet infrastructure could have a negative impact on our business.

We deliver our cloud-based applications through the Internet. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting data privacy and the use of the Internet. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet or on commerce conducted via the Internet. Increased enforcement of existing laws and regulations, as well as any laws, regulations or changes that may be adopted or implemented in the future, could limit the growth of the use of cloud-based applications or communications generally, result in a decline in the use of the Internet and the viability of cloud-based applications such as ours and reduce the demand for our applications.

The success of our enterprise work management software applications depends on the development and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security, as well as the timely development of complementary products for providing reliable Internet access and services. The Internet has experienced, and is likely to continue to experience, significant growth in the amount of traffic and may be unable to support such demands. In addition, problems caused by viruses, worms, malware and similar programs may harm the performance of the Internet. Any outages and delays in the Internet could reduce the level of usage of our services, which could materially adversely affect our business, financial condition, results of operations and prospects.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our applications and adversely affect our business.

Our customers can use our applications to collect, use and store personal or identifying information regarding their customers and employees. Federal, state and foreign government bodies and agencies have adopted, are considering adopting or may adopt laws and regulations regarding the collection, use, storage and disclosure of personal information obtained from individuals. The costs of compliance with, and other burdens imposed by, such laws and regulations that are applicable to the businesses of our customers may limit the use and adoption of our applications and reduce overall demand, or lead to significant fines, penalties or liabilities for any noncompliance with such privacy laws. For example, the European Union and many countries in Europe have stringent privacy laws and regulations that may impact our ability to profitably operate in certain European countries. Furthermore, privacy concerns may cause our customers to resist providing the personal data necessary to allow them to use our applications effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our applications in certain industries. All of these domestic and international legislative and regulatory initiatives may adversely affect our customers' ability to process, handle, store, use and transmit demographic and personal information from their customers and employees, which could reduce demand for our applications.

In addition to government activity, privacy advocacy groups and the technology and other industries are considering various new, additional or different self-regulatory standards that may place additional burdens on us. If the processing of personal information were to be curtailed in this manner, our applications would be less effective, which may reduce demand for our applications and adversely affect our business.

We are subject to governmental export and import controls that could impair our ability to compete in international markets due to licensing requirements and subject us to liability if we are not in compliance with applicable laws.

Our applications are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. Exports of our applications must be made in compliance with these laws and regulations. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including: the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. In addition, changes in our applications or changes in applicable export or import regulations may create delays in the introduction and sale of our applications in international markets, prevent our customers with international operations from deploying our applications or, in some cases, prevent the export or import of our applications to certain countries, governments or persons altogether. Any change in export or import regulations, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could also result in decreased use of our applications, or in our decreased ability to export or sell our applications to existing or potential customers with international operations. Any decreased use of our applications or limitation on our ability to export or sell our applications would likely adversely affect our business.

Furthermore, we incorporate encryption technology into certain of our applications. Various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our applications or could limit our customers' ability to implement our applications in those countries. Encrypted applications and the underlying technology may also be subject to export control restrictions. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export approval for our applications, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our applications, including with respect to new releases of our applications, may create delays in the introduction of our applications in international markets, prevent our customers with international operations from deploying our applications throughout their globally-distributed systems or, in some cases, prevent the export of our applications to some countries altogether.

Moreover, U.S. export control laws and economic sanctions programs prohibit the shipment of certain products and services to countries, governments and persons that are subject to U.S. economic embargoes and trade

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sanctions. Even though we take precautions to prevent our applications from being shipped or provided to U.S. sanctions targets, our applications and services could be shipped to those targets or provided by third parties despite such precautions. Any such shipment could have negative consequences, including government investigations, penalties and reputational harm.

If we are unable to implement and maintain effective internal controls over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

As a public company, we will be required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our internal controls over financial reporting. Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of our second annual report or the first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company" as defined in the JOBS Act. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We are in the process of designing and implementing the internal controls over financial reporting required to comply with this obligation, which process will be time consuming, costly and complicated. We may need additional finance and accounting personnel with certain skill sets to assist us with the reporting requirements we will encounter as a public company and to support our anticipated growth. In addition, implementing internal controls may distract our officers and employees, entail substantial costs to modify our existing processes and take significant time to complete.

In the future, if we identify material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is not required to express an opinion due to the provisions of the JOBS Act or is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the Securities and Exchange Commission, or the SEC, or other regulatory authorities, which could require additional financial and management resources.

We will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could harm our operating results.

As a public company, we will incur significant legal, accounting, investor relations and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with current corporate governance requirements, including requirements under Section 404 and other provisions of the Sarbanes-Oxley Act, as well as rules implemented by the SEC and the exchange on which we list our common stock. We expect these rules and regulations to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We are unable to currently estimate these costs with any degree of certainty. We also expect that, as a public company, it will be more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantially higher costs to obtain coverage or to accept reduced policy limits and coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers.

We are an "emerging growth company," and any decision on our part to comply with certain reduced disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act and, for as long as we continue to be an emerging growth company, we may choose to take advantage of certain exemptions from various reporting requirements applicable to other public companies including, but not limited to: not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act; reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and exemptions from the requirements to hold a nonbinding advisory vote on

executive compensation and to obtain stockholder approval of any golden parachute payments not previously approved. We may take advantage of these provisions for up to five years or such earlier time that we are no longer an "emerging growth company." We will remain an "emerging growth company" for up to five years, although, we would cease to be an "emerging growth company" upon the earliest of the first fiscal year following the fifth anniversary of the consummation of our initial public offering; the first fiscal year after our annual gross revenue is $1 billion or more; the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt securities; or the date on which we are deemed to be a "large accelerated filer" as defined in the Securities Exchange Act of 1934, or the Exchange Act. To the extent we take advantage of any of these reduced reporting burdens in this Annual Report or in future filings, the information that we provide our security holders may be different than you might get from other public companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under Section 107(b) of the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We are choosing to "opt out" of such extended transition period, however, and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable. The requirements of being a public company may strain our resources and divert management's attention

Risks Related to Ownership of Our Common Stock

The market price of our common stock may be volatile, which could result in substantial losses for investors.

The market price of our common stock could be subject to significant fluctuations. Some of the factors that may cause the market price of our common stock to fluctuate include:

- actual or anticipated changes in the estimates of our operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- price and volume fluctuations in the overall equity markets from time to time;
- significant volatility in the market price and trading volume of comparable companies;
- changes in the market perception of enterprise work management software generally or in the effectiveness of our applications in particular;
- disruptions in our services due to computer hardware, software or network problems;
- announcements of technological innovations, new products, strategic alliances or significant agreements by us or by our competitors;
- announcements of new customer agreements or upgrades and customer downgrades or cancellations or delays in customer purchases;
- litigation involving us;
- our ability to successfully consummate and integrate acquisitions;
- investors' general perception of us;
- recruitment or departure of key personnel;
- the expiration of market standoff or contractual lock-up agreements;
- sales of our common stock by us or our stockholders;
- fluctuations in the trading volume of our shares or the size of our public float; and
- general economic, legal, industry and market conditions and trends unrelated to our performance.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Because of the potential volatility of our stock price, we may become the target of securities litigation in the future. If we were to become involved in securities litigation, it could result in substantial costs, divert management's attention and resources from our business and adversely affect our business.

If securities or industry analysts do not publish, or cease publishing, research or reports about us, our business or our market, if they publish negative evaluations of our stock, or if we fail to meet the expectations of analysts, the price of our stock and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If few analysts commence coverage of us, the trading price of our stock would likely decrease if one or more of the analysts covering our business downgrade their evaluation of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline. Furthermore, if our operating results fail to meet analysts' expectations our stock price would likely decline.

Sales of a substantial number of shares of our common stock in the public market by our existing stockholders following the expiration of their lock-up agreements with our underwriters could cause our stock price to fall.

The price of our common stock could decline if there are substantial sales of our common stock in the public stock market. We, our directors and executive officers and other securityholders have agreed to lock-up agreements with the underwriters of our initial public offering that restrict us, our directors and executive officers, and these securityholders, subject to specified exceptions, from selling or otherwise disposing of any shares of our stock for a period of 180 days after November 5, 2014, without the prior consent of the underwriters. Sales of a substantial number of shares of our common stock in the public market could occur at any time after the expiration of the lock-up agreements. These sales, or the market perception that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of March 27, 2015, we had 15,257,797 shares of common stock outstanding.

In addition, as of December 31, 2014, there were an additional 744,113 shares reserved for issuance upon exercise of outstanding stock awards issued under our stock-based compensation plans that will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements, lock-up agreements and Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act. Moreover, as of December 31, 2014, holders of an aggregate of 6,834,476 shares of our common stock, or certain of their transferees, and the holders of 76,514 shares of common stock issuable upon exercise of warrants, will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We also have registered shares of common stock that we may issue under our stock-based compensation plans, which can be freely sold in the public market upon issuance, subject to the lock-up agreements and the restrictions imposed on our affiliates under Rule 144 under the Securities Act.

Additionally, William Blair & Company, L.L.C. and Raymond James & Associates, Inc., on behalf of the underwriters of our initial public offering, may without our consent, at any time, release all or any portion of the shares subject to lock-up agreements to be entered into in connection with our initial public offering, which would result in more shares being available for sale in the public market at earlier dates. Sales of common stock by existing stockholders in the public market, the availability of these shares for sale, our issuance of securities or the perception that any of these events might occur could materially and adversely affect the market price of our common stock. In addition, the sale of these securities could impair our ability to raise capital through the sale of additional stock.

Our existing directors, executive officers and principal stockholders have substantial control over us, which could limit your ability to influence the outcome of key transactions, including a change of control.

As of the closing of the initial public offering on November 12, 2014, our directors, executive officers, principal stockholders and their affiliates beneficially own or control, directly or indirectly, in the aggregate, approximately 55.7% of our outstanding common stock. As a result, these stockholders, acting together, could have significant influence over the outcome of matters submitted to our stockholders for approval, including the election or removal of directors, any amendments to our certificate of incorporation or bylaws and any merger, consolidation or sale of all or substantially all of our assets, and over the management and affairs of our company. This concentration of ownership may also have the effect of delaying or preventing a change in control of our company or discouraging others from making tender offers for our shares and might affect the market price of our common stock.

Because we do not expect to pay any dividends on our common stock for the foreseeable future, our investors may never receive a return on their investment.

We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing operations. In addition, our ability to pay cash dividends is currently limited by the terms of our existing loan and security agreements, which prohibit our payment of dividends on our capital stock without prior consent, and any future credit facility may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment.

Our management has broad discretion over the use of the proceeds we received from our initial public offering and might not apply the proceeds in ways that increase the value of your investment.

Our management has broad discretion to use our net proceeds from our initial public offering, and you will be relying on the judgment of our management regarding the application of those proceeds. Our management might not apply the net proceeds of our initial public offering in ways that increase the value of your investment. As of December 31, 2014 the proceeds of our initial public offering have been used as follows: (i) approximately $1.8 million of the net proceeds to repay amounts under our loan and security agreements with Comerica Bank, approximately $3.3 million of the net proceeds in connection with our acquisition of Solution Q Inc. and approximately $5.7 million of the net proceeds in connection with our acquisition of Mobile Commons, Inc. We expect to continue to use the net proceeds from our initial public offering for working capital and other general corporate purposes, including to finance our growth by investing in or acquiring complementary companies, products or technologies, expanding our sales force, growing sales of our applications and improving and enhancing our applications. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds. Pending their use, we may invest the net proceeds from our initial offering in a manner that does not produce income or that loses value. These investments may not yield a favorable return to our investors. You will not have the opportunity to influence our decisions on how we use the net proceeds from our initial public offering.

Anti-takeover provisions in our amended and restated certificate of incorporation and our amended and restated bylaws, as well as provisions of Delaware law, might discourage, delay or prevent a change in control of our company or changes in our board of directors or management and, therefore, depress the trading price of our common stock.

Provisions in our certificate of incorporation and bylaws, as amended and restated prior to the closing of this offering, will contain provisions that may depress the market price of our common stock by acting to discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove members of our board of directors or our management. These provisions include the following:

- our certificate of incorporation provides for a classified board of directors with staggered three-year terms so that not all members of our board of directors are elected at one time;
- directors may be removed by stockholders only for cause;
- our board of directors has the right to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- special meetings of our stockholders may be called only by our Chief Executive Officer, our board of directors or holders of not less than the majority of our issued and outstanding capital stock limiting the ability of minority stockholders to take certain actions without an annual meeting of stockholders;

- our stockholders may not act by written consent unless the action to be effected and the taking of such action by written consent are approved in advance by our board of directors and, as a result, a holder, or holders, controlling a majority of our capital stock would generally not be able to take certain actions without holding a stockholders' meeting;
- our certificate of incorporation prohibits cumulative voting in the election of directors. This limits the ability of minority stockholders to elect director candidates;
- stockholders must provide timely notice to nominate individuals for election to the board of directors or to propose matters that can be acted upon at an annual meeting of stockholders and, as a result, these provisions may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us; and
- our board of directors may issue, without stockholder approval, shares of undesignated preferred stock, making it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock from engaging in certain business combinations with us.

Any provision of our certificate of incorporation and bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal offices are located in Austin, Texas where we occupy approximately 9,896 square feet of space under a sublease that expires in March, 2020. We occupy additional leased facilities of approximately 8,930 square feet in Cambridge, Massachusetts; approximately 16,987 square feet in Montreal, Quebec; approximately 22,950 square feet in Lincoln, Nebraska; approximately 9,645 square feet in Carlsbad, California; approximately 7,740 square feet in San Francisco, California, and approximately 7,488 square feet in Toronto, Ontario.

We also occupy additional leased facilities of less than 5,000 square feet each in Iselin, New Jersey, Brooklyn, New York and London, England. We believe that our facilities are adequate for our current needs and that suitable additional or substitute space will be available as needed to accommodate planned expansion of our operations.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NASDAQ Global Market, or NASDAQ, under the symbol “UPLD”. The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on by the NASDAQ.

On March 30, 2015, there were 78 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, this number is not indicative of the total number of stockholders represented by these stockholders of record.

The table below sets forth the high and low sales prices per share of our common stock as reported on the NASDAQ for the periods indicated:

	Sales Price Per Share in 2014	
Year Ended December 31, 2014	Low	High
Fourth Quarter (from November 6, 2014)	$8.60	$12.20

We have never declared or paid dividends on our common stock. We do not expect to pay dividends on our common stock for the foreseeable future. Instead, we anticipate that all of our earnings will be used for the operation and growth of our business. Any future determination to declare cash dividends would be subject to the discretion of our board of directors and would depend upon various factors, including our results of operations, financial condition and liquidity requirements, restrictions that may be imposed by applicable law and our contracts and other factors deemed relevant by our board of directors. In addition, the terms of our loan and security agreement currently restrict our ability to pay dividends.

Performance Graph

Notwithstanding any statement to the contrary in any of our filings with the SEC, the following information shall not be deemed “filed” with the SEC or “soliciting material” under the Securities Exchange Act of 1934 and shall not be incorporated by reference into any such filings irrespective of any general incorporation language contained in such filing.

The following graph compares the total cumulative stockholder return on our common stock with the total cumulative return of the NASDAQ Computer Technology Index and the S&P 500 Composite Index during the period commencing on November 6, 2014, the initial trading day of our common stock, and ending on December 31, 2014. The graph assumes a $100 investment at the beginning of the period in our common stock, the stocks represented in the S&P 500 Composite Index and the stocks represented in NASDAQ Computer Technology Index, and reinvestment of any dividends. The Computer Technology Index is designed to represent a cross section of widely-held U.S. corporations involved in various phases of the computer industry. The Index is market-value (capitalization) weighted, based on the aggregate market value of its 27 component stocks. Historical stock price performance should not be relied upon as an indication of future stock price performance.

Recent Sales of Unregistered Securities

(1) On January 27, 2014, we sold and issued 1,803,574 shares of our common stock to one investor at $0.0001 per share, for a total consideration of $1,100. The issuance and sale of these securities were deemed to be exempt from registration pursuant to Section 4(2) of the Securities Act, as transactions by an issuer not involving a public offering.

(2) On March 31, 2014, we granted options under our 2010 Plan to purchase 262,196 shares of common stock to our employees, directors and consultants, having an exercise price of $6.23 per share for an aggregate exercise price of $1,633,481. The issuance and sale of these securities were deemed to be exempt from registration pursuant to Rule 701 promulgated under the Securities Act pursuant to a compensatory benefit plan approved by the registrant's board of directors. (3) On April 12, 2014, we granted options under our 2010 Plan to purchase 819 shares of common stock to an employee, having an exercise price of $6.23 per share for an aggregate exercise price of $5,102. The issuance and sale of these securities were deemed to be exempt from registration pursuant to Rule 701 promulgated under the Securities Act pursuant to a compensatory benefit plan approved by the registrant's board of directors.

(4) On June 9, 2014, we sold and issued 150 shares of common stock pursuant to an option exercise by the holder of a stock option issued under our 2010 Stock Plan, at a purchase price of $1.77 per share for a total consideration of $266. The issuance and sale of these securities were deemed to be exempt from registration pursuant to Rule 701 promulgated under the Securities Act pursuant to a compensatory benefit plan approved by the registrant's board of directors.

(5) On August 4, 2014, we sold and issued 163 shares of common stock pursuant to an option exercise by the holder of a stock option issued under our 2010 Stock Plan, at a purchase price of $1.77 per share for a total consideration of $290. The issuance and sale of these securities were deemed to be exempt from registration pursuant to Rule 701 promulgated under the Securities Act pursuant to a compensatory benefit plan approved by the registrant's board of directors.

(6) On September 2, 2014, we sold and issued 294,010 shares of common stock pursuant to a restricted stock grant issued under our 2010 Stock Plan, at a purchase price of $8.73 per share for a total consideration of $2,566,707. The issuance and sale of these securities were deemed to be exempt from registration pursuant to Rule 701 promulgated under the Securities Act pursuant to a compensatory benefit plan approved by the registrant's board of directors.

(7) On September 2, 2014, we granted options under our 2010 Stock Plan to purchase 123,785 shares of common stock to our employees, directors and consultants, having an exercise price of $8.73 per share for an aggregate exercise price of $1,080,643. The issuance and sale of these securities were deemed to be exempt from registration pursuant to Rule 701 promulgated under the Securities Act pursuant to a compensatory benefit plan approved by the registrant's board of directors.

(8) On November 5, 2014, we granted an aggregate of 41,664 shares of common stock to our non-employee directors pursuant to restricted stock grants under our 2014 Stock Plan. The issuance of these securities were deemed to be exempt from registration pursuant to Rule 701 promulgated under the Securities Act pursuant to a compensatory benefit plan approved by the registrant's board of directors.

(9) On November 20, 2014, we issued an aggregate of 150,977 shares of common stock to stockholders of Solution Q Inc. in connection with our acquisition of Solution Q, all of which are unregistered shares. The shares of common stock were issued as acquisition consideration and were issued pursuant to an exemption from the registration requirements under Section 5 of the Securities Act of 1933 provided by Section 4(2) thereof.

(10) On November 20, 2014, we issued an aggregate of 65,570 shares of restricted common stock, all of which are unregistered shares, to certain key executives and certain affiliates of the key executives of Solution Q Inc., which shares are subject to forfeiture obligations for a two-year period upon (i) voluntary resignation by the key executive from his employment with us or (ii) a termination of the key executive's employment by us or one of our subsidiaries for "cause" (as such term is defined in a stock restriction agreement between the key executive and us). The shares of restricted common stock were issued as consideration for services provided to us and were issued pursuant to an exemption from the registration requirements under Section 5 of the Securities Act of 1933 provided by Section 4(2) thereof.

(11) On December 10, 2014, we agreed to issue an aggregate of 386,253 shares of common stock to stockholders of Mobile Commons in connection with our acquisition of Mobile Commons (of which (i) 316,747 shares were issued and outstanding as of December 31, 2014, (ii) 25,314 shares were reserved for issuance as of December 31, 2014 and (iii) 44,192 shares are being held in escrow for eighteen (18) months and subject to indemnification claims by the Company), all of which are unregistered shares. The shares of common stock were issued as acquisition consideration and were issued pursuant to an exemption from the registration requirements under Section 5 of the Securities Act of 1933 provided by Section 4(2) thereof.

Use of Proceeds

The Registration Statement on Form S-1 (File No. 333-198574) for our initial public offering of common stock was declared effective by the SEC on November 5, 2014. As of December 31, 2014 the proceeds of our initial public offering have been used as follows: (i) approximately $1.8 million of the net proceeds to repay amounts under our loan and security agreements with Comerica Bank, approximately $3.3 million of the net proceeds in connection with our acquisition of Solution Q Inc. and approximately $5.7 million of the net proceeds in connection with our acquisition of Mobile Commons, Inc. We expect to continue to use the net proceeds from our initial public offering for working capital and other general corporate purposes, including to finance our growth by investing in or acquiring complementary companies, products or technologies, expanding our sales force, growing sales of our applications and improving and enhancing our applications.

Issuer Purchases of Equity Securities

None.

Equity Compensation Plan Information

For information regarding securities authorized for issuance under equity compensation plans, see Part III, Item 12 of this Annual Report on Form 10-K.

Item 6. Selected Financial Data

The following selected historical consolidated financial data below should be read in conjunction with Item 7: “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our consolidated financial statements and the related notes appearing in Item 8: “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K to fully understand factors that may affect the comparability of the information presented below.

The consolidated statements of operations data for the years ended December 31, 2014, 2013 and 2012 and the selected consolidated balance sheet data as of December 31, 2014 and 2013 are derived from our audited consolidated financial statements appearing in Item 8: “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K. The selected consolidated balance sheet data as of December 31, 2012 are derived from our consolidated financial statements not included in this Annual Report on Form 10-K. To obtain further information about our historical results, including our historical acquisitions, for which results of operations are included in our consolidated financial statements beginning on the dates of acquisition, you should read the following selected consolidated financial data in conjunction with our consolidated financial statements and related notes, the information in the section of this filing titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the other financial information included elsewhere in this filing. Our historical results are not necessarily indicative of the results to be expected in the future, and our interim results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,		
	2014	2013	2012
	(in thousands except share and per share data)		
Consolidated Statements of Operations Data:			
Revenue:			
Subscription and support	$48,625	$30,887	$18,281
Perpetual license	2,787	2,003	641
Total product revenue	51,412	32,890	18,922
Professional services	13,162	8,303	3,841
Total revenue	64,574	41,193	22,763
Cost of revenue:			
Subscription and support	14,042	7,787	4,189
Professional services	9,079	5,680	3,121
Total cost of revenue	23,121	13,467	7,310
Gross profit	41,453	27,726	15,453
Operating expenses:			
Sales and marketing	14,670	10,625	6,331
Research and development	26,165	10,340	5,308
Refundable Canadian tax credits	(1,094)	(583)	(728)
General and administrative	13,561	6,832	4,574
Depreciation and amortization	4,310	3,670	1,812
Acquisition-related expenses	2,186	1,461	1,933
Total operating expenses	59,798	32,345	19,230
Loss from operations	(18,345)	(4,619)	(3,777)
Other expense:			
Interest expense, net	(1,951)	(2,797)	(528)

Other income (expense), net	101	(431)	(65)
Total other expense	(1,850)	(3,228)	(593)
Loss before provision for income taxes	(20,195)	(7,847)	(4,370)
Provision for income taxes	78	(708)	72
Loss from continuing operations	(20,117)	(8,555)	(4,298)
Income (loss) from discontinued operations	—	(642)	1,791
Net loss	$(20,117)	$(9,197)	$(2,507)
Preferred stock dividends and accretion	(1,524)	(98)	(44)
Net loss attributable to common shareholders	$(21,641)	$(9,295)	$(2,551)
Net loss per common share:			
Loss from continuing operations per common share, basic and diluted	$(4.43)	$(7.23)	$(5.78)
Income (loss) from discontinued operations per common share, basic and diluted	$—	$(0.54)	$2.39
Net loss per common share, basic and diluted	$(4.43)	$(7.77)	$(3.39)
Weighted-average common shares outstanding, basic and diluted	4,889,901	1,196,668	751,416

	December 31,		
	2014	2013	2012
	(in thousands)		
Consolidated Balance Sheet Data [(1)]:			
Cash and cash equivalents	$30,988	$4,703	$3,892
Property and equipment, net	3,930	3,942	1,407
Intangible assets, net	34,751	34,747	26,388
Goodwill	45,146	33,630	21,093
Total assets	135,766	94,847	67,808
Deferred revenue	21,376	17,036	16,502
Total liabilities	64,369	60,191	44,495
Redeemable convertible preferred stock	—	50,538	27,492
Total stockholders' equity (deficit)	71,397	(15,882)	(4,179)

	Year Ended December 31,		
	2014	2013	2012
	(in thousands, except %)		
Other Financial Data:			
Annualized recurring revenue value at year-end[(1)]	$56,800	$49,061	$27,093
Annual net dollar retention rate[(2)]	96%	90%	n/a
Adjusted EBITDA[(3)]	$3,851	$2,650	$720

(1) Annualized recurring revenue value as of December 31 equals the monthly value of our recurring revenue contracts measured as of December 31 multiplied by 12. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Key Metrics" for additional discussion of this key metric.

(2) We define annual net dollar retention rate as of December 31 as the aggregate annualized recurring revenue value at December 31 from those customers that were also customers as of December 31 of the prior fiscal year, divided by

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the aggregate annualized recurring revenue value from all customers as of December 31 of the prior fiscal year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Key Metrics" for additional discussion of this key metric.

(3) We monitor our Adjusted EBITDA to help us evaluate the effectiveness and efficiency of our operations. Adjusted EBITDA is a non-GAAP financial measure. We define Adjusted EBITDA as net loss, calculated in accordance with GAAP, plus discontinued operations, depreciation and amortization expense, interest expense, net, other income (expense), net, provision for income taxes, stock-based compensation expense, non-recurring litigation costs and acquisition-related expenses.

The following table presents a reconciliation of net loss to Adjusted EBITDA:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Net Loss	$(20,117)	$(9,197)	$(2,507)
Income (loss) from discontinued operations	—	642	(1,791)
Depreciation and amortization expense	7,457	5,310	2,472
Interest expense, net	1,951	2,797	528
Other expense (income), net	(101)	431	65
Provision for income taxes	(78)	708	(72)
Stock-based compensation expense	1,077	498	92
Acquisition-related expenses	2,186	1,461	1,933
Stock-based compensation expense --- related party vendor	11,220	—	—
Non-recurring litigation costs	256	—	—
Adjusted EBITDA	$3,851	$2,650	$720

We believe that Adjusted EBITDA provides useful information to management, investors and others in understanding and evaluating our operating results for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, in the preparation of our annual operating budget, as a measure of our operating performance, to assess the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance because Adjusted EBITDA eliminates the impact of items that we do not consider indicative of our core operating performance; and
- Adjusted EBITDA provides more consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our operations and also facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Adjusted EBITDA should not be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP. The use of Adjusted EBITDA as an analytical tool has limitations such as:

- depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect cash requirements for such replacements; however, much of the depreciation and amortization currently reflected relates to amortization of acquired intangible assets as a result of business combination purchase accounting adjustments, which will not need to be replaced in the future;

- Adjusted EBITDA may not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect the potentially dilutive impact of stock-based compensation;
- Adjusted EBITDA does not reflect interest or tax payments that could reduce cash available for use; and
- other companies, including companies in our industry, might calculate Adjusted EBITDA or similarly titled measures differently, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider Adjusted EBITDA together with other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

The following table presents stock-based compensation and depreciation included in the respective line items in our Consolidated Statement of Operations:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Stock-based compensation:			
Cost of Revenue	$49	$16	$—
Research and development	61	12	—
Sales and marketing	39	15	—
General and administrative	928	455	92
Total	$1,077	$498	$92

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Depreciation:			
Cost of Revenue	$1,303	$455	$—
Research and development	—	—	—
Sales and marketing	—	—	—
General and administrative	987	348	325
Total	$2,290	$803	$325

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Amortization:			
Cost of Revenue	$1,844	$1,185	$662
Research and development	—	—	—
Sales and marketing	—	—	—
General and administrative	3,323	3,322	1,487
Total	$5,167	$4,507	$2,149

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Item 1A: "Risk Factors."

This section and other parts of this Annual Report on Form 10-K contain forward-looking statements that involve risks and uncertainties. Forward-looking statements may be identified by the use of forward-looking words such as "anticipate," "believe," "may," "will," "continue," "seek," "estimate," "intend," "hope," "predict," "could," "should," "would," "expect" or the negative or plural of these words or similar expressions, although not all forward-looking statements contain these words. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled Item 1A: "Risk Factors" above, which are incorporated herein by reference. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Item 8: "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references in this report to particular years or quarters refer to our fiscal years ended December 31 and the associated quarters of those fiscal years. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Overview

Upland is a leading provider of cloud-based enterprise work management software. We define enterprise work management software as software applications that enable organizations to plan, manage and execute projects and work. Our software applications help organizations better optimize the allocation and utilization of their people, time and money. We provide a family of cloud-based enterprise work management software applications for the information technology, process excellence, finance, professional services and marketing functions within organizations. Our software applications address a broad range of enterprise work management needs, from strategic planning to task execution.

The continued growth of an information-based economy driven by technological innovation and globalization is causing a fundamental shift in the way work is done. These changes have given rise to a large and growing group of knowledge workers who operate in dynamic work environments as part of geographically dispersed and virtual teams. McKinsey estimates that, as of May, 2013, there were more than 200 million knowledge workers globally. We believe that manual processes and legacy on- premise enterprise systems are insufficient to address the needs of the modern work environment. In order for knowledge workers to be successful, they need to interact with intuitive enterprise work systems in a collaborative way, including real-time access at any time, from anywhere and on any device. Today, legacy processes and systems are being disrupted and replaced by cloud-based enterprise work management software that improves visibility, collaboration and productivity.

In response to these changes, we are helping transform how work gets done by providing organizations and their knowledge workers with software applications that better align resources with business objectives and increase visibility, governance, collaboration, quality of customer experience and responsiveness to changes in the business environment. This results in increased work capacity, higher productivity, better execution and greater levels of customer engagement. Our applications are easy-to-use, highly scalable and offer real-time collaboration for knowledge workers distributed on a local or global scale. Our applications address enterprise work challenges in the following categories:

- Program and Portfolio Management: Enables customers to gain high-level visibility across their organizations and improve top-down governance and management of programs, initiatives, investments and projects.
- Project Management and Collaboration: Enables customers to improve collaboration and the execution of both projects and unstructured work.
- Workflow Automation and Enterprise Content Management: Enables customers to automate document-based workflows and control access and distribution of their content to boost productivity, encourage collaboration, improve compliance and enhance and influence customer engagement.
- Digital Engagement Management: Enables customers to automate the digital provision of personalized content to target audiences via website and mobile devices, providing a timely and highly relevant customer experience.
- Professional Services Automation: Enables customers to more effectively manage their knowledge workers to better track work, expenses and client billing while improving scheduling, utilization and alignment of human capital.
- Financial Management: Enables customers to have visibility into the cost, quality and value of internal services delivered within their organizations, which helps improve alignment during planning and budgeting processes, and better assess and validate proposed investments and initiatives of a particular line of business.

We sell our software applications primarily through a direct sales organization comprised of inside sales and field sales personnel. In addition to our direct sales organization, we have an indirect sales organization, which sells to distributors and value-added resellers. We employ a land-and-expand go-to-market strategy. After we demonstrate the value of an initial application to an organization, our sales and account management teams work to expand the adoption of that initial application across the organization, as well as cross-sell additional applications to address other enterprise work management needs of the organization. Our customer success organization supports our direct sales efforts by managing the post-sale customer lifecycle.

Our subscription agreements are typically sold either on a per-seat basis or on a minimum contracted volume basis with overage fees billed in arrears, depending on the application being sold. We service customers ranging from large global corporations and government agencies to small- and medium-sized businesses. As of December 31, 2014, we had more than 1,600 customers with over 225,000 users, excluding users under volume-based contracts, across a broad range of industries, including financial services, retail, technology, manufacturing, education, consumer goods, media, telecommunications, government, food and beverage, healthcare and life sciences.

We have achieved significant growth and scale in a relatively short period of time. Through a series of acquisitions, we have established a diverse family of software applications under the Upland brand, each of which addresses a specific enterprise work management need. Our revenue has grown from $22.8 million in fiscal 2012 to $41.2 million in fiscal 2013 and to $64.6 million in fiscal of 2014, representing an 81% and 57% period-over-period growth rate, respectively. See Note 16 of the Notes to Consolidated Financial Statements for more information regarding our revenue as it relates to domestic and foreign operations.

Our operating results in a given period can fluctuate based on the mix of subscription and support, perpetual license and professional services revenue. For the years ended December 31, 2014, 2013, and 2012, our subscription and support revenue accounted for 75%, 75% and 80%, respectively of our total revenue in both periods. Our customer agreements for program and portfolio management, project management and collaboration, and professional services automation typically are sold on a per-seat basis with terms varying from one to three years, paid in advance. Our customer agreements for workflow automation and enterprise content management and financial management historically have been sold on a volume basis with a one-year term, paid in advance. We generally seek to enter into multi-year contracts with our customers when possible. In each case, our customer agreements provide us with revenue visibility over a number of quarters. We typically negotiate the total number of seats or total minimum contracted volume a customer is entitled to use as part of its subscription, but these seats or minimum contracted volume may not be fully utilized over the term of the agreement. In addition, where customers exceed the minimum contracted volume, additional overage fees are billed in arrears.

Historically, we have sold certain of our applications under perpetual licenses, which also are paid in advance. For the years ended December 31, 2014, 2013, and 2012, our perpetual license revenue accounted for 4%, 5%, and 3% of our total revenue, respectively. We expect perpetual license revenue to decrease as a percentage of revenue in the future. The support agreements related to our perpetual licenses are one-year in duration and entitle the customer to support and unspecified upgrades. The revenue related to such support agreements is included as part of our subscription and support revenue.

Professional services revenue consists of fees related to implementation, data extraction, integration and configuration and training on our applications. For the years ended December 31, 2014, 2013, and 2012, our professional services revenue accounted for 21%, 20%, and 17%, respectively. We expect the proportional revenue contribution of product and professional services revenue to shift more to product revenue and less to professional services revenue in future periods.

We sell our software applications primarily through a direct sales organization comprised of inside sales and field sales personnel. In addition to our direct sales organization, we have an indirect sales organization, which sells to distributors and value-added resellers. We employ a land-and-expand go-to-market strategy. After we demonstrate the value of an initial application to an organization, our sales and account management teams work to expand the adoption of that initial application across the organization, as well as cross-sell additional applications to address other enterprise work management needs of the organization. Our customer success organization supports our direct sales efforts and our professional services organization by managing the post-sale customer life cycle. To support continued growth, we intend to pursue acquisitions of complementary technologies, products and businesses to enhance the features and functionalities of our applications, expand our customer base and provide access to new markets and increased benefits of scale. We will prioritize acquisitions within the enterprise functions we currently serve, including information technology, process excellence, finance, professional services and marketing, as well as pursue acquisitions that serve other enterprise functions. Consistent with our growth strategy, we made eight acquisitions in 2014, 2013, and 2012.

2012 Acquisitions

PowerSteering. In February 2012, we acquired the business of PowerSteering Software, Inc., or PowerSteering, a provider of cloud-based program and portfolio management software, for $13.0 million. The acquisition of PowerSteering enabled our customers to gain high-level visibility across their organizations and improve top-down governance in management of programs, initiatives, investments and projects.

Tenrox. In February 2012, we acquired the business of Tenrox Inc., or Tenrox, a provider of cloud-based professional services automation software, for $15.3 million. The acquisition of Tenrox provided us with additional access to the professional services market and provided our customers with the ability to more effectively manage their knowledge workers to better track work, expenses and client billing while improving scheduling, utilization and alignment of human capital. In addition, following the Tenrox acquisition, we began selling Timesheet.com, a Tenrox product for professional services automation, as a separate application.

EPM Live. In November 2012, we acquired the business of LMR Solutions, LLC, dba EPM Live, or EPM Live, a provider of cloud-based and perpetual license-based project management and collaboration software, with a combination of cash, seller notes and equity, for total consideration of $7.7 million. The acquisition of EPM Live added a software application focused on improving collaboration and the execution of both projects and unstructured work.

2013 Acquisitions

FileBound. In May 2013, we acquired the businesses of FileBound Solutions, Inc. and Marex Group, Inc., together FileBound, a provider of cloud-based and perpetual license-based workflow automation and enterprise content management software, with a combination of cash, seller notes and equity, for total consideration of $14.7 million. The acquisition of FileBound provided our customers the ability to automate document-based workflows and control access and distribution of their content to boost productivity, encourage collaboration and improve compliance.

ComSci. In November 2013, we acquired the business of ComSci LLC, or ComSci, a provider of cloud-based financial management software, with a combination of cash and equity, for total consideration of $7.6 million, with additional contingent consideration payable if certain performance targets are achieved. The acquisition of ComSci enabled our customers to have visibility into the cost, quality and value of internal services delivered within their organizations.

Clickability. In December 2013, we acquired the business of Clickability, Inc., or Clickability, a cloud-based platform for web content management, for $12.3 million. The acquisition of Clickability provided an enterprise content management software application that is used by enterprise marketers and media companies to create, maintain and deliver websites that shape visitor experiences and empower non-technical staff to create, management, publish, analyze and refine content and social media assets without information technology intervention. For accounting purposes, the acquisition of Clickability was recorded as of December 31, 2013 and, accordingly, the operations of Clickability had no impact on our statement of operations.

2014 Acquisitions

In November 2014, the Company acquired 100% of the outstanding capital of Solution Q Inc. (Solution Q) for total purchase consideration of $6.1 million, which includes cash of $4.5 million, net of $0.4 million of cash acquired, and 150,977 shares of the Company’s common stock with a fair value of $1.6 million. Solution Q provides mid-market organizations an easy-to-use, turnkey solution for their project management and portfolio visibility needs. Revenues recorded since the acquisition date for the year ended December 31, 2014 were approximately $0.3 million.

In December 2014, the Company acquired 100% of the outstanding capital of Mobile Commons, Inc. (Mobile Commons) for total purchase consideration of $10.2 million including cash of $5.7 million, net of $0.3 million of cash acquired, 386,253 shares of common stock valued at $4.5 million and excluding potential additional consideration for incremental additional revenue described below. The Company agreed to pay additional consideration of up to $1.5 million in both cash and common stock to the selling shareholders of Mobile Commons based on the achievement of certain incremental revenue targets during fiscal 2015. The acquisition-date fair value of the contingent payment was measured based on the probability-adjusted present value of the consideration expected to be transferred, which amounted to $0.5 million. Mobile Commons’ enterprise-class application drives and manages digital engagement through two-way SMS programs and campaigns. Revenues recorded since the acquisition date for the year ended December 31, 2014 were approximately $0.5 million.

Our acquisitions may have a material adverse impact on our results of operations, including a potential material adverse impact on our cost of revenue in the short term, as we seek to integrate our acquired businesses over the following six to 12 months in order to achieve additional operating efficiencies. In addition, as we grow our business, we continue to face many challenges and risks. We might encounter difficulties identifying, acquiring and integrating complementary products, technologies and businesses. Over time, as competition increases we may experience pricing pressure. We also may experience seat downgrades or a reduction in minimum contracted volume that could negatively impact our business. Seat downgrades or reductions in minimum contracted volume could occur for several reasons, including dissatisfaction with our prices or features relative to competitive offerings, reductions in our customers’ spending levels, unused seats or minimum contracted volume or limited adoption by our customers of our applications. Our strategic initiatives will require expenditure of capital and the attention of management, and we may not succeed in executing on our growth plan.

Additionally, while cloud computing and SaaS have begun to transform enterprise work management for many organizations, other organizations, particularly those with legacy on-premise systems, have been slower to adopt cloud-based enterprise work management software applications such as ours. Until such organizations are ready to transition to cloud-based systems, we may face challenges in convincing such organizations to adopt our cloud-based enterprise work management applications or be required to make on-premise systems available instead of our cloud-based systems.

Initial Public Offering

In November 2014, we completed an initial public offering (the "IPO"), in connection with which we issued 3,846,154 shares of common stock for proceeds of $38.8 million, net of underwriting discounts and commissions and other offering costs. See Note 11 to the audited consolidated financial statements included elsewhere in this Annual Report for further details.

Key Metrics

In addition to the GAAP financial measures described below in "—Components of Operating Results," we regularly review the following key metrics to evaluate and identify trends in our business, measure our performance, prepare financial projections and make strategic decisions:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands, except %)		
Other Financial Data:			
Annualized recurring revenue value at year-end[(1)]	$56,800	$49,061	$27,093
Annual net dollar retention rate[(2)]	96 %	90 %	n/a
Adjusted EBITDA[(3)]	$3,851	$2,650	$720

(1) Annualized recurring revenue. The value as of December 31 equals the monthly value of our recurring revenue contracts measured as of December 31 multiplied by 12. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Key Metrics" for additional discussion of this key metric.

(2) Annual net dollar retention rate. We define annual net dollar retention rate as of December 31 as the aggregate annualized recurring revenue value at December 31 from those customers that were also customers as of December 31 of the prior fiscal year, divided by the aggregate annualized recurring revenue value from all customers as of December 31 of the prior fiscal year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Key Metrics" for additional discussion of this key metric.

(3) Adjusted EBITDA. We monitor our Adjusted EBITDA to help us evaluate the effectiveness and efficiency of our operations. Adjusted EBITDA is a non-GAAP financial measure. We define Adjusted EBITDA as net loss, calculated in accordance with GAAP, plus discontinued operations, depreciation and amortization expense, interest expense, net, other expense (income), net, provision for income taxes, stock-based compensation expense, acquisition-related expenses, and non-recurring litigation costs.

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

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Net loss	$(20,117)	$(9,197)	$(2,507)
Income (loss) from discontinued operations	—	642	(1,791)
Depreciation and amortization expense	7,457	5,310	2,472
Interest expense, net	1,951	2,797	528
Other expense (income), net	(101)	431	65
Provision for income taxes	(78)	708	(72)
Stock-based compensation expense	1,077	498	92
Acquisition-related expenses	2,186	1,461	1,933
Stock-based compensation expense --- related party vendor	11,220	—	—
Non-recurring litigation costs	256	—	—
Adjusted EBITDA	$3,851	$2,650	$720

We believe that Adjusted EBITDA provides useful information to management, investors and others in understanding and evaluating our operating results for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company’s operating performance without regard to items that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, in the preparation of our annual operating budget, as a measure of our operating performance, to assess the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance because Adjusted EBITDA eliminates the impact of items that we do not consider indicative of our core operating performance;
- Adjusted EBITDA provides more consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our operations and also facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and
- Adjusted EBITDA should not be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP. The use of Adjusted EBITDA as an analytical tool has limitations such as:
- depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect cash requirements for such replacements; however, much of the depreciation and amortization currently reflected relates to amortization of acquired intangible assets as a result of business combination purchase accounting adjustments, which will not need to be replaced in the future;
- Adjusted EBITDA may not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect the potentially dilutive impact of stock-based compensation;
- Adjusted EBITDA does not reflect interest or tax payments that could reduce cash available for use; and,
- other companies, including companies in our industry, might calculate Adjusted EBITDA or similarly titled measures differently, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider Adjusted EBITDA together with other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

Components of Operating Results

Revenue

Subscription and support revenue. We derive our subscription revenue from fees paid to us by our customers for use of our cloud-based applications. We recognize the revenue associated with subscription agreements ratably over the term of the agreement, provided all criteria required for revenue recognition have been met. Our subscription agreements are typically one to three years.

Our support revenue consists of maintenance fees associated with our perpetual licenses and hosting fees paid to us by our customers. Typically, when purchasing a perpetual license, a customer also purchases maintenance for which we charge a fee, priced as a percentage of the perpetual license fee. Maintenance agreements include the right to support and unspecified upgrades. We recognize the revenue associated with maintenance ratably over the term of the contract. In limited instances, at the customer’s option, we may host the software purchased by a customer under a perpetual license on systems at our third-party data centers. For hosting, we charge a fee, priced as a percentage of the perpetual license fee, and we recognize the revenue associated with hosting ratably over the associated hosting period. These hosting arrangements are typically for a period of one to three years.

Perpetual license revenue. Perpetual license revenue reflects the revenue recognized from sales of perpetual licenses to new customers and additional perpetual licenses to existing customers. We generally recognize the license fee portion of the arrangement in advance, provided all revenue recognition criteria are satisfied. Our perpetual license agreements are typically one year.

Professional services revenue. Professional services revenue consists of fees related to implementation, data extraction, integration and configuration and training on our applications. We generally recognize the revenue associated with these professional services on a time and materials basis as we deliver the services or provide training to our customers.

Cost of Revenue

Cost of product revenue. Cost of product revenue consists primarily of personnel and related costs of our customer success and operations teams, including salaries, benefits, bonuses, payroll taxes, stock-based compensation and allocated overhead, as well as software license fees, hosting costs, Internet connectivity and depreciation expenses directly related to delivering our applications. We expect that cost of revenues may increase in the future depending on the growth rate of our new customers and billings and our need to support the implementation, hosting and support of those new customers. We intend to continue to invest additional resources in expanding the delivery capability of our applications. As we add data center capacity and support personnel in advance of anticipated growth, our cost of product revenue will increase and if such anticipated revenue growth does not occur, our product gross profit will be adversely affected both in terms of absolute dollars and as a percentage of total revenues in any particular quarterly or annual period. Our cost of product revenue is generally expensed as the costs are incurred.

Cost of professional services revenue. Cost of professional services revenue consists primarily of personnel and related costs, including salaries, benefits, bonuses, payroll taxes, stock-based compensation and allocated overhead, as well as the costs of contracted third-party vendors and reimbursable expenses. As most of our personnel are employed on a full-time basis, our cost of professional services revenue is largely fixed in the short-term, while our professional services revenue may fluctuate, leading to fluctuations in professional services gross profit. We expect that cost of professional services as a percentage of total revenues could fluctuate from period to period depending on the growth of our professional services business, the timing of sales of applications, and any associated costs relating to the delivery of services. Our cost of professional services revenue is generally expensed as costs are incurred.

Operating Expenses

Our operating expenses are classified into six categories: sales and marketing, research and development, refundable Canadian tax credits, general and administrative, depreciation and amortization and acquisition-related expenses. For each category, other than refundable Canadian tax credits and depreciation and amortization, the largest expense component is personnel and related costs, which includes salaries, employee benefit costs, bonuses, commissions, stock-based compensation and payroll taxes. Operating expenses also include allocated overhead costs for facilities, which are allocated to each department based on relative department headcount. Operating expenses are generally recognized as incurred.

Sales and marketing. Sales and marketing expenses primarily consist of personnel and related costs for our sales and marketing staff, including salaries, benefits, commissions, bonuses, payroll taxes, stock-based compensation and allocated overhead, as well as costs of promotional events, corporate communications, online marketing, product marketing and other brand-building activities. We expense sales commissions when the initial customer contract is signed and upon any renewal as our obligation to pay a sales commission arises at these times. We expect that sales and marketing expenses will continue to increase in absolute dollars as a result of our expected growth, and sales and marketing expenses may fluctuate as a percentage of total revenues due to the timing of such expenses, in any particular quarterly or annual period.

Research and development. Research and development expenses primarily consist of personnel and related costs of our research and development staff, including salaries, benefits, bonuses, payroll taxes, stock-based compensation, allocated overhead and costs of certain third-party contractors. Research and development costs related to the development of our software applications are generally recognized as incurred. For example, we are parties to a technology services agreement pursuant to which we generally recognize expenses for services as they are received. See Note 17 of the Notes to Consolidated Financial Statements for more information regarding how expenses under such agreement are recognized. We have devoted our product development efforts primarily to enhancing the functionality, and expanding the capabilities, of our applications. We expect that our research and development expenses will continue to increase in absolute dollars as we increase our research and development headcount to further strengthen and enhance our applications.

Refundable Canadian tax credits. Investment tax credits are accounted for as a reduction of research and development costs. Credits are accrued in the year in which the research and development costs of the capital expenditures are incurred, provided that we are reasonably certain that the credits will be received. The investment tax credit must be examined and approved by the tax authorities, and it is possible that the amounts granted will differ from the amounts recorded.

General and administrative. General and administrative expenses primarily consist of personnel and related costs for our executive, administrative, finance, information technology, legal, accounting and human resource staff, including salaries, benefits, bonuses, payroll taxes, stock-based compensation, allocated overhead, professional fees and other corporate expenses. We have recently incurred, and expect to continue to incur, additional expenses as we grow our operations and prepare to operate as a public company, including higher legal, corporate insurance, accounting and auditing expenses, and the additional costs of enhancing and maintaining our internal control environment through the adoption of new corporate policies. General and administrative expenses may fluctuate as a percentage of revenue, and we expect that general and administrative expenses will continue to increase in absolute dollars as we expand our operations and operate as a public company.

Depreciation and amortization. Depreciation and amortization expenses primarily consist of depreciation and amortization of acquired intangible assets as a result of business combination purchase accounting adjustments. The valuation of identifiable intangible assets reflects management’s estimates based on, among other factors, use of established valuation methods. Customer relationships are valued using an income approach, which estimates fair value based on the earnings and cash flow capacity of the subject asset and are amortized over a 10-year period. The value of the trade name intangibles are determined using a relief from royalty method, which estimates fair value based on the value the owner of the asset receives from not having to pay a royalty to use the asset and are amortized over mostly a three-year period. Developed technology is valued using a cost-to-recreate approach and is amortized over a four- to seven-year period.

Acquisition-related expenses. Acquisition-related expenses consist of one-time costs in connection with each of our acquisitions, including legal fees, accounting fees, financing fees, restructuring costs, integration costs and other transactional fees and bonuses. We intend to continue executing our focused strategy of acquisitions to enhance the features and functionality of our applications, expand our customer base and provide access to new markets and increased benefits of scale. We expect acquisition-related expenses to be relatively constant as a percentage of revenue in the near team.

Total Other Expense

Total other expense consists primarily of changes in the estimated fair value of our preferred stock warrant liabilities, amortization of deferred financing costs over the term of the related loan and security agreement and interest expense on outstanding debt, including amortization of debt discount and effect of beneficial conversion features in our convertible promissory notes payable.

Provision for Income Taxes

Because we have not generated domestic net income in any period to date, we have recorded a full valuation allowance against our domestic net deferred tax assets, exclusive of tax deductible goodwill. We have historically not recorded any material provision for federal or state income taxes, other than deferred taxes related to tax deductible goodwill and current taxes in certain separate company filing states. The balance of the tax provision for fiscal years ended December 31, 2014, 2013, and 2012, outside of tax deductible goodwill and current taxes in separate filing states, is related to foreign income taxes, primarily operations of our Canadian subsidiaries. Realization of any of our domestic deferred tax assets depends upon future earnings, the timing and amount of which are uncertain. Based on analysis of acquired net operating losses, utilization of our net operating losses will be subject to annual limitations due to the ownership change rules under the Internal Revenue Code of 1986, as amended, or the Code, and similar state provisions. In the event we have subsequent changes in ownership, the availability of net operating losses and research and development credit carryovers could be further limited.

Results of Operations

Consolidated Statements of Operations Data

The following tables set forth our results of operations for the specified periods, as well as our results of operations for the specified periods as a percentage of revenue. The period-to-period comparisons of results of operations are not necessarily indicative of results for future periods.

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Consolidated Statements of Operations Data:	Year Ended December 31, 2014 Amount		Percent of Revenue		2013 Amount		Percent of Revenue		2012 Amount		Percent of Revenue	
	(in thousands, except share and per share data)											
Revenue:												
Subscription and support	$48,625		75	%	$30,887		75	%	$18,281		80	%
Perpetual license	2,787		4	%	2,003		5	%	641		3	%
Total product revenue	51,412		79	%	32,890		80	%	18,922		83	%
Professional services	13,162		21	%	8,303		20	%	3,841		17	%
Total revenue	64,574		100	%	41,193		100	%	22,763		100	%
Cost of revenue:												
Subscription and support(1)(2)	14,042		22	%	7,787		19	%	4,189		18	%
Professional services(1)	9,079		14	%	5,680		14	%	3,121		14	%
Total cost of revenue	23,121		36	%	13,467		33	%	7,310		32	%
Gross profit	41,453		64	%	27,726		67	%	15,453		68	%
Operating expenses:												
Sales and marketing(1)	14,670		23	%	10,625		26	%	6,331		28	%
Research and development(1)	26,165		41	%	10,340		25	%	5,308		23	%
Refundable Canadian tax credits	(1,094	)	(2	)%	(583	)	(1	)%	(728	)	(3	)%
General and administrative(1)	13,561		21	%	6,832		17	%	4,574		20	%
Depreciation and amortization	4,310		7	%	3,670		9	%	1,812		8	%
Acquisition-related expenses	2,186		3	%	1,461		3	%	1,933		8	%
Total operating expenses	59,798		93	%	32,345		79	%	19,230		84	%
Loss from operations	(18,345	)	(29	)%	(4,619	)	(12	)%	(3,777	)	(16	)%
Other Expense:												
Interest expense, net	(1,951	)	(3	)%	(2,797	)	(7	)%	(528	)	(2	)%
Other income (expense), net	101		—	%	(431	)	(1	)%	(65	)	(1	)%
Total other expense	(1,850	)	(3	)%	(3,228	)	(8	)%	(593	)	(3	)%
Loss before provision for income taxes	(20,195	)	(32	)%	(7,847	)	(20	)%	(4,370	)	(19	)%
Provision for income taxes	78		1	%	(708	)	(1	)%	72		—	%
Loss from continuing operations	(20,117	)	(31	)%	(8,555	)	(21	)%	(4,298	)	(19	)%
Income (loss) from discontinued operations	—				(642	)			1,791			
Net loss	$(20,117	)	(31	)%	$(9,197	)	(21	)%	$(2,507	)	(19	)%
Preferred stock dividends and accretion	(1,524	)	(3	)%	(98	)	(2	)%	(44	)	8	%
Net loss attributable to common shareholders	$(21,641	)	(34	)%	$(9,295	)	(23	)%	$(2,551	)	(11	)%

Net loss per common share[3]:			
Loss from continuing operations per common share, basic and diluted	$(4.43)	$(7.23)	$(5.78)
Loss from discontinued operations per common share, basic and diluted	$—	(0.54)	2.39
Net loss per common share, basic and diluted	$(4.43)	$(7.77)	$(3.39)
Weighted-average common shares outstanding, basic and diluted	4,889,901	1,196,668	751,416

(1) Includes stock-based compensation.

(2) Includes depreciation and amortization of $3,162,000 $1,640,000 and $660,000 in 2014, 2013, and 2012, respectively.

(3) See Note 8 to our consolidated financial statements included elsewhere in this 10-K for a discussion and reconciliation of historical net loss attributable to common stockholders and weighted average shares outstanding for historical basic and diluted net loss per share calculations.

Comparison of Fiscal Years Ended December 31, 2014 and 2013

Revenue

	Year Ended December 31,					
	2014		2013		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Revenue:						
Subscription and support	$48,625	75 %	$30,887	75 %	$17,738	57 %
Perpetual license	2,787	4 %	2,003	5 %	784	39 %
Total product revenue	51,412	79 %	32,890	80 %	18,522	56 %
Professional services	13,162	21 %	8,303	20 %	4,859	59 %
Total revenue	$64,574	100 %	$41,193	100 %	$23,381	57 %

Total revenue was $64.6 million in 2014, compared to $41.2 million in 2013, an increase of $23.4 million, or 57%. Of the increase in total revenue, $21.7 million was due to the 2013 and 2014 acquisitions. The remaining $1.7 million increase in total revenue was due to the organic portion of our business. Additionally, total revenue from our Canada operations were $1.2 million lower in 2014 compared to 2013 due to the change in the foreign currency exchange rate between the Canadian dollar versus the U.S. dollar for those periods. Therefore, on a constant currency basis, our organic revenue increased organically by $2.9 million, or 7%.

Subscription and support revenue increased $17.7 million, or 57%, in 2014 as compared to 2013. Of the increase in subscription and support revenue, $17.3 million was due to the 2013 and 2014 acquisitions. The organic portion of our business contributed $0.4 million to the subscription and support revenue. Additionally, subscription and support revenue from our Canada operations were $0.9 million lower in 2014 compared to 2013 due to the change in the foreign currency exchange rate between the Canadian dollar versus the U.S. dollar for those periods. Therefore, on a constant currency basis, our organic subscription and support revenue increased organically by $1.3 million, or 4%.

Perpetual license revenue increased $0.8 million, or 39%, in 2014 as compared to 2013. The 2013 and 2014 acquisitions contributed $0.9 million in perpetual license revenue in 2014 as compared to 2013. This increase was partially offset by a $0.1 million decrease in the organic portion of our business. Additionally, perpetual license revenue from our Canada operations were $0.1 million lower in 2014 compared to 2013 due to the change in the foreign currency exchange rate between the Canadian dollar versus the U.S. dollar for those periods.

Professional services revenue increased $4.9 million, or 59%, in 2014 as compared to 2013. Of the increase in professional services revenue, $3.6 million was due to the 2013 and 2014 acquisitions. The organic portion of our business contributed an increase of $1.3 million to professional services revenue. Additionally, professional services revenue from our Canada operations were $0.2 million lower in 2014 compared to 2013 due to the change in the foreign currency exchange rate between the Canadian dollar versus the U.S. dollar for those periods. Therefore, on a constant currency basis, our organic professional services revenue increased organically by $1.5 million, or 18%.

Cost of Revenue and Gross Margin

	Year Ended December 31,									
	2014			2013			Change			
	Amount	% of Total Revenue		Amount	% of Total Revenue		Amount	% Change		
	(dollars in thousands)									
Cost of revenue:										
Subscription and support [1]	$14,042	22	%	$7,787	19	%	$6,255	80	%	
Professional Services	9,079	14	%	5,680	14	%	3,399	60	%	
Total cost of revenue	$23,121	36	%	$13,467	33	%	$9,654	72	%	
[1] Includes depreciation and amortization expense as follows:										
Depreciation	$1,303	2	%	$455	1	%	$848	4	%	
Amortization	$1,844	3	%	$1,185	3	%	$659	3	%	

Cost of subscription and support revenue was $14.0 million in 2014, compared to $7.8 million in 2013, an increase of $6.3 million, or 80%. Of the increase in cost of subscription and support revenue, $5.3 million was due to the 2013 and 2014 acquisitions. The acquisitions contributed a $1.4 million increase in travel and related costs, a $1.3 million increase in depreciation and amortization, a $1.2 million increase in personnel and related costs, a $0.8 million increase in data center hosting fees, a $0.4 million increase in software fees, a $0.1 million increase in contractor fees, and a $0.1 million increase in the facility allocation. Cost of subscription and support revenue for the organic portion of our business increased $1.0 million primarily due to a $1.2 million increase in personnel and related costs, a $0.5 million increase in server license and software fees, a $0.4 million increase in contractor fees, a $0.2 million increase in data center hosting fees, and a $0.2 million increase in depreciation and amortization. These increases were partially offset by a $1.5 million decrease in travel and related costs and a $0.1 million decrease in recruiting fees.
Cost of professional services revenue was $9.1 million in 2014, compared to $5.7 million in 2013, an increase of $3.4 million, or 60%. Of the increase in cost of professional services revenue, $2.3 million was due to the 2013 and 2014 acquisitions. The acquisitions contributed a $1.3 million increase in personnel and related costs and a $1.0 million increase in contractor fees. Cost of professional services revenue for the organic portion of our business increased $1.1 million primarily due to a $0.5 million increase in personnel and related costs, a $0.4 million increase in other operating expenses primarily due to an accounting reclass entry within cost of revenue, and a $0.2 million increase in contractors.

Operating Expenses

Sales and Marketing Expense

	Year Ended December 31,								
	2014			2013			Change		
	Amount	Percent of Revenue		Amount	Percent of Revenue		Amount	% Change	
	(dollars in thousands)								
Sales and marketing	$14,670	23	%	$10,625	26	%	$4,045	38	%

Sales and marketing expense was $14.7 million for 2014, compared to $10.6 million for 2013, an increase of $4.0 million, or 38%. Of the increase in sales and marketing, $2.6 million was attributable to the 2013 and 2014 acquisitions. The increase from acquisitions was due to a $1.9 million increase in personnel and related costs, a $0.4

million increase in marketing programs and trade shows, a $0.2 million increase in contractor fees, and a $0.1 million increase in bad debt expense. Sales and marketing expense for the organic portion of our business increased $1.4 million primarily due to a $0.3 million increase in contractor fees, a $0.3 million increase in personnel and related costs, a $0.2 million increase in software fees, a $0.2 million increase in travel and related costs, a $0.1 million increase in recruiting fees, and a $0.1 million increase in marketing subscriptions.

Research and Development Expense

	Year Ended December 31,					
	2014		2013		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Research and development:						
Research and development	$26,165	41 %	$10,340	25 %	$15,825	153 %
Refundable Canadian tax credits	(1,094)	(2)%	(583)	(1)%	(511)	88 %
Total research and development	$25,071	39 %	$9,757	24 %	$15,314	157 %

Research and development expense was $26.2 million for 2014, compared to $10.3 million for 2013, an increase of $15.8 million, or 153%. In January 2014, we issued 1,803,574 shares of common stock in connection with an amendment of a technology services agreement with a related party and took a non-cash charge of $11.2 million. Our agreement with the related party is viewed as a fixed purchase commitment contract that obligates us to annual purchase commitments even if we do not take delivery of the contracted services. Since the amended agreement still requires payments for future services that we believe are not discounted from amounts charged to other customers, we believe the fair value of the common stock consideration provided to the related party to amend the agreement does not represent an asset and, accordingly, was expensed immediately. The remaining $1.0 million increase in research and development expense for our organic businesses was primarily due to a $0.7 million increase in personnel and related costs, a $0.1 million increase in travel and related costs, and a $0.1 million increase in software and equipment expense. The 2013 and 2014 acquisitions contributed a $3.6 million increase in research and development expense primarily due to a $3.2 million increase in personnel and related costs, and a $0.3 million increase in contractor fees. Refundable Canadian tax credits were $1.1 million for 2014 compared to $0.6 million for 2013 an increase of $0.5 million, or 88%. This increase is primarily due to favorable Canadian Revenue Agency tax audit results.

General and Administrative Expense

	Year Ended December 31,					
	2014		2013		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
General and administrative	$13,561	21 %	$6,832	17 %	$6,729	98 %

General and administrative expense was $13.6 million for 2014, compared to $6.8 million for 2013, an increase of $6.7 million, or 98%. Of the increase in general and administrative expenses, $4.0 million is from the organic businesses due to a $1.0 million increase in outsourced legal (including $0.3 million of non-recurring litigation costs incurred during the quarter ended December 31, 2014), audit, tax, and human resource fees, a $1.0 million increase in contractor fees, a $0.5 million increase in recruiting fees, a $0.5 million increase in employee stock-based compensation expense, a $0.4 million increase in management fee allocations, a $0.4 million increase in software and equipment related expenses, and a $0.2 million increase in travel and related costs. The remaining $2.7 million increase in general and administrative expense was attributable to the 2013 and 2014 acquisitions. The acquisitions contributed a $1.5 million increase in personnel and related costs, a $0.8 million increase in facility and other office related expenses, a $0.2 million increase in contractor fees, and a $0.1 million increase in recruiting and outsourced service fees.

Depreciation and Amortization Expense

	Year Ended December 31,					
	2014		2013		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Depreciation and amortization:						
Depreciation	$987	2 %	$348	1 %	$639	184 %
Amortization	3,323	5 %	3,322	8 %	1	— %
Total depreciation and amortization	$4,310	7 %	$3,670	9 %	$640	17 %

Depreciation and amortization expense was $4.3 million for 2014, compared to $3.7 million for 2013, an increase of $0.6 million, or 17%. The 2013 and 2014 acquisitions contributed $1.3 million to the increase with the majority resulting from amortization expense. The organic businesses contributed a $0.7 million decrease primarily due to the $1.1 million impairment charge of the PowerSteering trade name that occurred in 2013. See Note 5 of the Notes to Consolidated Financial Statements for more information regarding the impairment charge which is noted in Goodwill and Other Intangible Assets.

Acquisition-related Expenses

	Year Ended December 31,					
	2014		2013		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Acquisition-related expenses	$2,186	3 %	$1,461	3 %	$725	50 %

One-time acquisition related expense was $2.2 million for 2014, compared to $1.5 million for 2013, an increase of $0.7 million, or 50%. The increase was due to acquisition-related expenses for the acquisitions we closed in late 2013, being incurred partially in 2014, and the acquisitions we closed in late 2014 also being incurred and accrued in 2014.

Other Expense, net

	Year Ended December 31,					
	2014		2013		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Other Expense:						
Interest expense, net	$(1,951)	(3)%	$(2,797)	(7)%	$846	(30)%
Other income (expense), net	101	—%	(431)	(1)%	532	(123)%
Total other expense	$(1,850)	(3)%	$(3,228)	(8)%	$1,378	(43)%

Interest expense was $2.0 million for 2014, compared to $2.8 million for 2013, a decrease in interest expense of $0.8 million, or 30%. The decrease was primarily due to the effect of a beneficial conversion feature on convertible promissory notes payable which resulted in higher non-cash interest expense for 2013.

Other income was $0.1 million for 2014, compared to other expense of $0.4 million for 2013, a decrease in expense of $0.5 million, or 123%. The decrease in other expense was primarily due to gains on foreign currency translation.

Benefit from (Provision for) Income Taxes

	Year Ended December 31,					
	2014		2013		Change	
	(dollars in thousands)					
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
Benefit from (Provision for) Income Taxes	$78	1%	$(708)	(1)%	$786	(111)%

Benefit from income taxes was $0.1 million for 2014, compared to the provision for income taxes of $0.7 million for 2013, a decrease in provision for income taxes of $0.8 million, or 111%. In 2014 and 2013, we recorded income taxes that were principally attributable to state and foreign taxes, other than deferred taxes related to tax deductible goodwill. The foreign benefit for income taxes in 2014 is attributable to changes in deferred taxes, primarily generation of a net operating loss for the current year in Canada. Because we have not generated domestic net income in any period to date, we have recorded a full valuation allowance against our domestic net deferred tax assets, exclusive of tax deductible goodwill. Realization of any of our domestic deferred tax assets depends upon future earnings, the timing and amount of which are uncertain. Based on analysis of acquired net operating losses, utilization of our net operating losses will be subject to annual limitations due to the ownership change rules under the Code and similar state provisions. In the event we have subsequent changes in ownership, including as a result of this offering, the availability of net operating losses and research and development credit carryovers could be further limited.

Comparison of Fiscal Years Ended December 31, 2013 and 2012

Revenue

	Year Ended December 31,					
	2013		2012		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Revenue:						
Subscription and support	$30,887	75 %	$18,281	80 %	$12,606	69 %
Perpetual license	2,003	5 %	641	3 %	1,362	212 %
Total product revenue	32,890	80 %	18,922	83 %	13,968	74 %
Professional services	8,303	20 %	3,841	17 %	4,462	116 %
Total revenue	$41,193	100 %	$22,763	100 %	$18,430	81 %

Subscription and support revenue increased $12.6 million, or 69%, in fiscal 2013 as compared to fiscal 2012. Substantially all of the increase in subscription and support revenue during fiscal 2013 resulted from the acquisitions of FileBound and ComSci in fiscal 2013, as well as the inclusion of the full year of ownership of our 2012 acquisitions.

Perpetual license revenue increased $1.4 million, or 212%, in fiscal 2013 as compared to fiscal 2012. Substantially all of increase in perpetual license revenue resulted from our acquisition of FileBound during fiscal 2013, as well as the inclusion of the full year of ownership of EPM Live, both of which offer perpetual license software products.

Professional services revenue increased $4.5 million, or 116%, in fiscal 2013 as compared to fiscal 2012. Substantially all of the increase resulted from the acquisitions of FileBound and ComSci in fiscal 2013, as well as the inclusion of the full year of ownership of our 2012 acquisitions, all of which provide professional services revenue.

Cost of Revenue

	Year Ended December 31,									
	2013			2012			Change			
	Amount	% of Total Revenue		Amount	% of Total Revenue		Amount	% Change		
	(dollars in thousands)									
Cost of revenue:										
Subscription and support (1)	$7,787	19	%	$4,189	18	%	$3,598	86	%	
Professional Services	5,680	14	%	3,121	14	%	2,559	82	%	
Total cost of revenue	$13,467	33	%	$7,310	32	%	$6,157	84	%	
(1) Includes depreciation and amortization expense as follows:										
Depreciation	$455	1	%	$—	—	%	$455	na		
Amortization	$1,185	3	%	$660	3	%	$525	80	%	

Cost of subscription and support revenue increased $3.6 million, or 86%, in fiscal 2013 as compared to fiscal 2012. This increase was primarily a result of $1.6 million of increased personnel and related costs associated with the acquisitions from fiscal 2012 to fiscal 2013.

Cost of professional services revenue increased $2.6 million, or 82%, in fiscal 2013 as compared to fiscal 2012. This increase was primarily a result of $2.5 million of increased personnel and related costs associated with the acquisitions from fiscal 2012 to fiscal 2013.

Operating Expenses

Sales and Marketing

	Year Ended December 31,								
	2013			2012			Change		
	Amount	Percent of Revenue		Amount	Percent of Revenue		Amount	% Change	
	(dollars in thousands)								
Sales and marketing	$10,625	26	%	$6,331	28	%	$4,294	68	%

Sales and marketing expenses increased $4.3 million, or 68%, in fiscal 2013 as compared to fiscal 2012. The increase was primarily due to an increase of $2.6 million in personnel and related costs associated with acquisitions. We also incurred $1.3 million of increased marketing expenses mainly in the form of a new company-branding campaign and marketing events, including our first user conference in the fourth quarter of 2013.

Research and Development

	Year Ended December 31,					
	2013		2012		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Research and development:						
Research and development	$10,340	25 %	$5,308	23 %	$5,032	95 %
Refundable Canadian tax credits	(583)	(1)%	(728)	(3)%	145	(20)%
Total research and development	$9,757	24 %	$4,580	20 %	$5,177	113 %

Research and development expenses increased $5.0 million, or 95%, in fiscal 2013 as compared to fiscal 2012. The increase was primarily due to an increase of $1.9 million in personnel and related costs and an increase of $1.0 million in outsourced contractor fees each associated with acquisitions, as well as an increase of $1.1 million in fees pursuant to a third-party technology services agreement. Each of these costs related to enhancing existing applications and adding new functionality to our applications.

Refundable Canadian tax credits decreased $0.1 million, or 20%, in fiscal 2013 as compared to fiscal 2012. The decrease was due to fewer costs incurred by our Canadian subsidiary in 2013 that were eligible for reimbursement pursuant to local Canadian government programs.

General and Administrative

	Year Ended December 31,					
	2013		2012		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
General and administrative	$6,832	17 %	$4,574	20 %	$2,258	49 %

General and administrative expenses increased $2.3 million, or 49%, in fiscal 2013 as compared to fiscal 2012. The increase was primarily due to an increase of $2.3 million in personnel and related costs associated with acquisitions.

Depreciation and Amortization

	Year Ended December 31,					
	2013		2012		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Depreciation and amortization:						
Depreciation	$348	1 %	$325	1 %	$23	7 %
Amortization	3,322	8 %	1,487	7 %	1,835	123 %
Total depreciation and amortization	$3,670	9 %	$1,812	8 %	$1,858	103 %

Depreciation and amortization expenses increased $1.9 million, or 103%, in fiscal 2013 as compared to fiscal 2012. Substantially all of the increase relates to amortization of acquired intangible assets as a result of business combination purchase accounting adjustments, which includes an impairment charge of $1.1 million relating to a change in useful life from indefinite to definite for the PowerSteering trade name. These assets will not need to be replaced in the future. See Note 5 of the Notes to Consolidated Financial Statements for more information regarding the impairment charge which is noted in Goodwill and Other Intangible Assets.

Acquisition-related Expenses

	Year Ended December 31,					
	2013		2012		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Acquisition-related expenses	$1,461	3 %	$1,933	8 %	$(472)	(24)%

Acquisition-related expenses decreased $0.5 million, or 24%, from fiscal 2012 to fiscal 2013. The decrease was a result of lower legal fees, accounting fees, financing fees, restructuring costs, integration costs, and other transactional fees and bonuses related to our 2013 acquisitions as compared to similar fees and costs for our 2012 acquisitions.

Other Expense, net

	Year Ended December 31,					
	2013		2012		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Other Expense:						
Interest expense, net	$(2,797)	(7)%	$(528)	(2)%	$(2,269)	430 %
Other expense, net	(431)	(1)%	(65)	(1)%	(366)	563 %
Total other expense	$(3,228)	(8)%	$(593)	(3)%	$(2,635)	444 %

Total other expense increased $2.6 million, or 444%, in fiscal 2013 as compared to fiscal 2012. The increase was due to the fact that fiscal 2013 included changes in the estimated fair value of our preferred stock warrant liabilities, higher amortization of deferred financing costs and debt discount over the term of the related loan and security agreement, higher interest expense on outstanding debt and the effect of a beneficial conversion feature on convertible promissory notes payable.

Benefit from (Provision for) Income Taxes

	Year Ended December 31,					
	2013		2012		Change	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	% Change
	(dollars in thousands)					
Benefit from (Provision for) Income Taxes	$(708)	(1)%	$72	—%	$(780)	1,083%

Provision for income taxes was $0.7 million for 2013, compared to the benefit from income taxes of $0.1 million for 2012, an increase of $0.8 million, or 1,083%. The increase was primarily due to foreign operations for which we do not have the benefit of loss carryforwards.

Liquidity and Capital Resources

To date, we have financed our operations primarily through private placements of preferred stock and common stock and cash from operating activities, and to a lesser extent, borrowing under our loan and security agreements and the issuance of seller notes. As of December 31, 2014, we had cash and cash equivalents of $31.0 million, $5.0 million of available borrowings under our loan and security agreements, and $19.9 million of borrowings outstanding under our loan and security agreements. See further discussion under the heading Loan and Security Agreements Note 7 to the audited consolidated financial statements included elsewhere in this Annual Report for further details.

On November 12, 2014, the Company completed its initial public offering, or IPO, of 3,846,154 shares of common stock, at a price of $12.00 per share, before underwriting discounts and commissions. The Company sold all of such shares. The IPO generated net proceeds of approximately $42.9 million, after deducting underwriting discounts and commissions. Expenses incurred by us for the IPO were approximately $4.1 million and were recorded against the proceeds received from the IPO. With the proceeds, the Company plans to finance growth by investing in or acquiring complementary companies, products, or technologies, growing sales of its applications globally, and improving and enhancing its applications.

The following table summarizes our cash flows for the periods indicated (including cash flows from discontinued operations:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Consolidated Statements of Cash Flow Data:			
Net cash provided by (used in) operating activities	$ 1,177	$ (239)	$ 1,604
Net cash used in investing activities	(7,078)	(28,565)	(33,312)
Net cash provided by financing activities	32,384	29,564	24,255
Effect of exchange rate changes on cash	(198)	51	—
Net increase (decrease) in cash and cash equivalents	26,285	811	(7,453)
Cash and cash equivalents at beginning of period	4,703	3,892	11,345
Cash and cash equivalents at end of period	$ 30,988	$ 4,703	$ 3,892

Cash Flows from Operating Activities

Cash used in operating activities is significantly influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business. Our operating assets and liabilities consist primarily of receivables from clients and unbilled professional services, accounts payable and accrued expenses and deferred revenues. The volume of professional services rendered and the related timing of collections on those bookings, as well as payments of our accounts payable and accrued payroll and related benefits affect these account balances.

Our cash provided by operating activities for the year ended 2014 primarily reflects our net loss of $20.1 million, offset by non-cash expenses that included a $11.2 million charge for the 1,803,574 shares of common stock issued to DevFactory, $7.5 million of depreciation and amortization, $0.6 million of non-cash interest expense, and $1.1 million of non-cash stock compensation expense. Working capital sources of cash included a $2.6 million increase in deferred revenue, a $0.9 million decrease in accrued expenses and other liabilities and a $0.6 million increase in accounts payable. These sources of cash were offset by a $1.6 million decrease in accounts receivable and a $0.5 million decrease in prepaids and other assets.

Our cash used in operating activities for fiscal 2013 primarily reflects our net loss of $9.2 million, offset by non-cash expenses that included $5.6 million of depreciation and amortization, $1.6 million of non-cash interest expense, and $0.5 million of non-cash stock compensation expense. Working capital sources of cash included $2.9

million in collections on accounts receivable and $2.2 million of increases in accrued expenses and other liabilities. These sources of cash were offset by $1.6 million from an increase in prepaids and other, $1.1 million from a decrease in accounts payable, and $1.0 million resulting from a decrease in deferred revenue.

Our cash provided by operating activities for fiscal 2012 primarily reflects our net loss of $2.5 million, offset by $2.8 million of depreciation and amortization. Working capital sources of cash included $5.9 million in deferred revenue and $0.9 million from an increase in accounts payable. These sources of cash were partially offset by a use of $3.5 million from an increase in accounts receivable, $0.8 million from an increase in prepaids and other, and $0.4 million from a decrease in accrued expenses and other liabilities.

A substantial source of cash is provided as a result of invoicing for subscriptions in advance, which is recorded as deferred revenue, and is included on our consolidated balance sheet as a liability. Deferred revenue consists of the unearned portion of booked fees for our software subscriptions and support, which is amortized into revenue in accordance with our revenue recognition policy. We assess our liquidity, in part, through an analysis of new subscriptions booked, expected cash receipts on new and existing subscriptions, and our ongoing operating expense requirements.

Cash Flows from Financing Activities

Our primary financing activities have consisted of capital raised to fund our operations as well as proceeds from debt obligations entered into to finance our operations. For fiscal 2014, cash provided by financing activities consisted primarily of $38.8 million in proceeds from the issuance of common stock, net of issuance costs in our November, 2014 IPO and $5.7 million in proceeds from debt, offset by $10.9 million for repayment of debt. For fiscal 2013, cash provided by financing activities consisted primarily of $19.7 million in proceeds from the issuance of preferred stock and $28.0 million in proceeds from debt, offset by $17.5 million for repayment of debt. For fiscal 2012, cash provided by financing activities consisted primarily of $11.3 million in proceeds from the issuance of preferred stock and $17.0 million in proceeds from debt, offset by $3.6 million for repayment of debt.

Cash Flows from Investing Activities

Our primary investing activities have consisted of acquisitions of complementary technologies, products and businesses. As our business grows, we expect our primary investing activities to continue to further expand our family of software applications and infrastructure and support additional personnel. For fiscal 2014 and 2013, cash used in investing activities for business combinations consisted of $6.2 million and $28.2 million, respectively. In addition, for fiscal 2014 and 2013, we used $0.9 million and $0.3 million, respectively, for the purchases of property and equipment. For fiscal 2012, cash used in investing activities consisted of $33.3 million, for business combinations, net of cash acquired and $3 million of additional consideration paid to sellers of acquired businesses. In addition, for fiscal 2012, we used $0.3 million for the purchases of property and equipment.

Loan and Security Agreements

U.S. Loan Agreement

On March 5, 2012, we entered into a loan and security agreement with Comerica Bank, as amended, the U.S. Loan Agreement. The U.S. Loan Agreement provides to us and certain of our subsidiaries, as co-borrowers, a secured accounts receivable revolving loan facility of up to $5.0 million and a secured term loan facility of up to $19.5 million, for a total loan facility of up to $24.5 million. As of December 31, 2014, we had $0 outstanding as revolving loans and $16.5 million as term loans under the U.S. Loan Agreement. Loans drawn under the U.S. Loan Agreement may be used for working capital, to finance acquisitions and for general corporate purposes.

Revolving loans and term loans bear interest at a floating rate equal to Comerica Bank’s prime rate plus 1.75%. Interest on the revolving loans and the term loans is due and payable monthly. Revolving loans may be borrowed, repaid and reborrowed until April 11, 2015, when all outstanding revolving loan amounts must be repaid. Term loan advances may be requested until April 11, 2014. From November 1, 2013 to March 1, 2014, an amount equal to 5% of the principal outstanding on all term loan advances on October 2, 2013 is payable in monthly installments during such period. Between April 1, 2014 and March 1, 2015 an amount equal to 15% of the principal

outstanding on all term loan advances on April 11, 2014 is payable in monthly installments during such period. From April 1, 2015 to March 1, 2016 an amount equal to 25% of the principal outstanding on all term loan advances on April 11, 2014 is payable in monthly installments during such period. From April 1, 2016 to March 1, 2017, an amount equal to 25% of the principal outstanding on all term loan advances on April 11, 2014 is payable in monthly installments on the first day of each month during such period. From April 1, 2017 to March 1, 2018, an amount equal to 30% of principal outstanding on all term loan advances on April 11, 2014 is payable in monthly installments during such period. All outstanding principal and interest under the term loan facility must be repaid on April 11, 2018. The revolving loan facility and the term loan facility may be prepaid prior to their respective termination dates without penalty or premium. Starting June 1, 2015, we and the other borrowers may be required to begin prepaying certain term loan advances with a percentage of our excess cash flow, if any.

Our obligations and the obligations of the other borrowers under the loan facility are secured by a security interest in substantially all of our assets and the other borrowers' assets, including intellectual property. Our other and future subsidiaries may also be required to become co-borrowers or guarantors under the loan facility and grant a security interest in their assets in connection therewith.

The U.S. Loan Agreement contains customary affirmative covenants and customary negative covenants limiting our ability and the ability of our subsidiaries to, among other things, dispose of assets, undergo a change in control, merge or consolidate, make acquisitions, incur debt, incur liens, pay dividends, repurchase stock and make investments, in each case subject to certain exceptions. We and the other borrowers must also comply with a minimum cash financial covenant, minimum fixed charge ratio financial covenant, maximum indebtedness to adjusted EBITDA financial covenant, and minimum EBITDA financial covenant.

The U.S. Loan Agreement also contains customary events of default including, among others, payment defaults, breaches of covenants defaults, material adverse change defaults, bankruptcy and insolvency event defaults, cross defaults with certain material indebtedness, judgment defaults, and breaches of representations and warranties defaults. Upon an event of default, Comerica Bank may declare all or a portion of the outstanding obligations payable to be immediately due and payable and exercise other rights and remedies provided for under the loan facility and any related guaranty, including a requirement that any guarantor pay all of the outstanding obligations under its guaranty and a right by Comerica Bank to exercise remedies under any security agreement related to such guaranty. During the existence of an event of default, interest on the obligations could be increased by 5.0%.

At December 31, 2014, the Company would have been in violation of certain financial covenants under the U.S. Loan Agreement and Canadian Loan Agreement. However, the Company obtained a waiver of compliance with such financial covenants from Comerica Bank through March 31, 2015 and on March 23, 2015 the facility was amended into 60-month facility as described in Note 18 to the financial statements.

Revolving loans and term loans bear interest at a floating rate equal to Comerica Bank's prime rate plus 1.75% (5% at December 31, 2012, 2013, and 2014). Interest on the revolving loans and the term loans is due and payable monthly. Revolving loans may be borrowed, repaid and reborrowed until April 11, 2017 when all outstanding revolving loan amounts must be repaid. The principal payments on the U.S. term loan and payment schedule remain the same as described above. The revolving loan facility and the term loan facility may be prepaid prior to their respective termination dates without penalty or premium. Starting June 1, 2015, the Company and the other borrowers may be required to begin prepaying certain term loan advances with a percentage of our excess cash flow, if any.

Canadian Loan Agreement

On February 10, 2012, Tenrox Inc., a Canadian corporation and our wholly-owned subsidiary or, the Canadian Subsidiary, entered into a loan and security agreement with Comerica Bank, as amended, the Canadian Loan Agreement. The Canadian Loan Agreement provides a secured accounts receivable revolving loan facility of up to $3.0 million and a secured term loan facility of up to $2.5 million, for a total loan facility of up to $5.5 million. As of December 31, 2014, we had $3.0 million outstanding as revolving loans and $0.4 million as term loans under the Canadian Loan Agreement. Loans drawn under the Canadian Loan Agreement may be used for working capital and for general corporate purposes.

Revolving loans and term loans bear interest at a floating rate equal to Comerica Bank's prime rate plus 1.75%. Interest on the revolving loans and the term loans is due and payable monthly. Revolving loans may be borrowed, repaid and reborrowed until April 11, 2015, when all outstanding revolving loan amounts must be repaid. Principal on the term loan advance is payable in 24 equal monthly installments beginning on May 1, 2013 and continuing each month until paid in full. All outstanding principal and interest under the term loan facility must be repaid on April 11, 2015. The revolving loan facility and the term loan facility may be prepaid prior to their respective termination dates without penalty or premium.

The Canadian Subsidiary's obligations under the loan facility are secured by a security interest in substantially all of its assets, including its intellectual property. Additionally, we and certain of our domestic subsidiaries provided guarantees of the loan facility secured by substantially all of our and such subsidiaries' assets, including intellectual property. Furthermore, our other and future subsidiaries may be required to become co-borrowers or guarantors under the loan facility and grant a security interest in their assets in connection therewith.

The Canadian Loan Agreement and the security agreements contain customary affirmative covenants and customary negative covenants limiting our ability, the Canadian Subsidiary's ability and the ability of our subsidiaries to, among other things, dispose of assets, undergo a change in control, merge or consolidate, make acquisitions, incur debt, incur liens, pay dividends, repurchase stock and make investments, in each case subject to certain exceptions. The Canadian Subsidiary must also comply with a minimum cash financial covenant, minimum fixed charge ratio financial covenant, maximum indebtedness to adjusted EBITDA financial covenant and minimum EBITDA financial covenant.

The Canadian Loan Agreement and the security agreements also contain customary events of default including, among others, payment defaults, breaches of covenants defaults, material adverse change defaults, bankruptcy and insolvency event defaults, cross defaults with certain material indebtedness, judgment defaults, and breaches of representations and warranties defaults. Upon an event of default, Comerica Bank may declare all or a portion of the Canadian Subsidiary's outstanding obligations payable to be immediately due and payable and exercise other rights and remedies provided for under the loan facility, including a requirement that any guarantor pay all of the outstanding obligations under its guaranty and a right by Comerica Bank to exercise remedies under any security agreement related to such guaranty. During the existence of an event of default, interest on the obligations could be increased by 5.0%.

At December 31, 2014, the Company would have been in violation of certain financial covenants under the U.S. Loan Agreement and Canadian Loan Agreement. However, the Company obtained a waiver of compliance with such financial covenants from Comerica Bank through March 31, 2015 and on March 23, 2015 the facility was amended into 60-month facility as described in Note 18 to the financial statements.

Revolving loans and term loans bear interest at a floating rate equal to Comerica Bank's prime rate plus 1.75%. Interest on the revolving loans and the term loans is due and payable monthly. Revolving loans may be borrowed, repaid and reborrowed until April 11, 2017, when all outstanding revolving loan amounts must be repaid. The principal payments on the Canadian term loan and payment schedule remain the same as described above. The revolving loan facility and the term loan facility may be prepaid prior to their respective termination dates without penalty or premium. The revolving loan facility and the term loan facility may be prepaid prior to their respective termination dates without penalty or premium.

Contractual Payment Obligations

The Company leases office space under operating leases that expire between 2015 and 2020. The company also leases computer equipment under capital leases.

Future minimum lease payments under operating and capital lease obligations are as follows (in thousands):

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Capital Lease Obligations	2,728,808	989,109	1,398,235	341,464	—
Operating Lease Obligations	4,899,365	1,532,818	2,194,577	1,074,940	97,030
Purchase Commitments	2,131,750	2,131,750			
Total	9,759,923	4,653,677	3,592,812	1,416,404	97,030

The Company has an outstanding purchase commitment for software development services pursuant to a technology services agreement in 2015 in the amount of $2.1 million. For years after 2015, the purchase commitment amount for software development services will be equal to the prior year purchase commitment increased (decreased) by the percentage change in total revenue for the prior year as compared to the preceding year. For example, if 2015 total revenues increase by 10% as compared to 2014 total revenues, then the 2016 purchase commitment would increase by approximately $210,000 from the 2015 purchase commitment amount to $2.3 million.

The Company has a letter of credit for an office lease with a bank in the amount of $100,000.

Off-Balance Sheet Arrangements

During the years ended December 31, 2014, 2013, and 2012, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special-purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and the Use of Estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

The following critical accounting policies reflect significant judgments and estimates used in the preparation of our consolidated financial statements:

- revenue recognition and deferred revenue;
- stock-based compensation;
- income taxes; and
- business combinations and the recoverability of goodwill and long-lived assets.

We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. See Note 2 "Summary of Significant Accounting

Policies” to the consolidated financial statements included in this Annual Report. Of those policies, we believe that the accounting policies enumerated above involve the greatest degree of complexity and exercise of judgment by our management.

We evaluate our estimates, judgments and assumptions on an ongoing basis, and while we believe that our estimates, judgments and assumptions are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of 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. The guidance provides a five-step process to achieve that core principle. ASU 2014-09 requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, using one of two retrospective application methods. Early application is not permitted. The Company is currently evaluating the impact of the provisions of ASC 2014-09.

In August 2014, the FASB issued FASB ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. The statement of operations impact is mitigated by having an offsetting liability in deferred revenue to partially or completely offset against the outstanding receivable if an account should become uncollectible. Our cash balances are kept in customary operating accounts, a portion of which are insured by the Federal Deposit Insurance Corporation, and uninsured money market accounts. The majority of our cash balances in money market accounts are with Comerica Bank, our lender under our loan and security agreements. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We also have not used, nor do we intend to use, derivatives for trading or speculative purposes.

Interest Rate Risk

Our exposure to market risk for changes in interest rates primarily relates to our cash equivalents and any variable rate indebtedness.

The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This objective is accomplished currently by making diversified investments, consisting only of money market mutual funds and certificates of deposit.

Any draws under our loan and security agreements bear interest at a variable rate tied to the prime rate. As of December 31, 2014, we had a principal balance of $16.5 million under our U.S. Loan Agreement and $3.4 million under our Canadian Loan Agreement. As of December 31, 2013, we had a principal balance of $21.2 million under our U.S. Loan Agreement and $2.3 million under our Canadian Loan Agreement.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. In addition, we incur a portion of our operating expenses in foreign currencies, including Canadian dollars, British pounds and Euros, and in the future as we expand into other foreign countries, we expect to incur operating expenses in other foreign currencies. In addition, our customers are generally invoiced in the currency of the country in which they are located. We are exposed to foreign exchange rate fluctuations as the financial results of our international operations are translated from the local functional currency into U.S. dollars upon consolidation. A decline in the U.S. dollar relative to foreign functional currencies would increase our non-U.S. revenue and improve our operating results. Conversely, if the U.S. dollar strengthens relative to foreign functional currencies, our revenue and operating results would be adversely affected. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would have resulted in a change in revenue of $1.6 million for the year ended December 31, 2014. To date, we have not engaged in any hedging strategies. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in foreign currency exchange rates.

Inflation

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

ITEM 8. Financial Statements and Supplementary Data

Our financial statements and the report of our independent registered public accounting firm are included in this Annual Report on Form 10-K beginning on page F-1. The index to these reports and our financial statements is included in Part IV, Item 15 below. Selected quarterly financial data is included in Note 19 to the Consolidated financial statements.

PART III

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer (our principal executive officer and principal financial officer, respectively), we have evaluated our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of December 31, 2014. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2014, the Company's disclosure controls and procedures were effective in ensuring information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management’s assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm as permitted in this transition period under the rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter of fiscal 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Departure of Directors or Certain Officers; Appointment of Certain Officers

On March 28, 2015, R. Brian Henley, resigned from his position as our Executive Vice President, effective as of March 31, 2015.

Item 10. Directors, Officers and Corporate Governance

We have adopted a code of ethics that applies to the Company’s directors, officers and employees, including the Chief Executive Officer and the Chief Financial Officer and any other persons performing similar functions. The text of our code of ethics, “Code of Business Conduct and Ethics,” has been posted on our website at http://investor.uplandsoftware.com/code-of-conduct. We will provide a copy of the code of ethics without charge upon request to Corporate Secretary, Upland Software, Inc., 401 Congress Ave., Suite 1850, Austin, Texas 78701. Additional information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

Item 13. Certain Relationships, and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our definitive proxy statement for the 2015 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference our definitive proxy statement for the 2015 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

The financial statements filed as part of this Annual Report on Form 10-K are listed on the index to financial statements at Item 8 herein.

(b) Exhibits

See Exhibit Index at the end of this Annual Report on Form 10-K, which is incorporated by reference.

(c) Financial Statement Schedules

The following schedule is filed as part of this Annual Report on Form 10-K:

Schedule II-Valuation and Qualifying Accounts

This schedule has been omitted as the required information has been included in the notes to the consolidated financial statements.

SIGNATURES

Pursuant to the requirement of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 31, 2015

Upland Software, Inc.

By: /s/ John T. McDonald
John T. McDonald
Chief Executive Officer and Chairman

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints John T. McDonald and Michael D. Hill and each of them, as his true and lawful attorney-in-fact and agent with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent the full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ John T. McDonald John T. McDonald	Chief Executive Officer and Chairman (Principal Executive Officer)	March 31, 2015
/s/ Michael D. Hill Michael D. Hill	Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 31, 2015
/s/ John D. Thornton John D. Thornton	Director	March 31, 2015
/s/ Steven Sarracino Steven Sarracino	Director	March 31, 2015
/s/ Stephen E. Courter Stephen E. Courter	Director	March 31, 2015
/s/ Rodney C. Favaron Rodney C. Favaron	Director	March 31, 2015

Item 8. Financial Statements and Supplementary Data
UPLAND SOFTWARE, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Upland Software, Inc.

We have audited the accompanying consolidated balance sheets of Upland Software, Inc. (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Upland Software, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Austin, Texas

March 30, 2015

Upland Software, Inc.
Consolidated Balance Sheets

(in thousands, except share and per share data)	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$30,988	$4,703
Accounts receivable, net of allowance of $890 and $454 for 2014 and 2013, respectively	14,559	11,026
Prepaid and other	2,069	2,562
Total current assets	47,616	18,291
Canadian tax credits receivable	3,959	3,583
Property and equipment, net	3,930	3,942
Intangible assets, net	34,751	34,747
Goodwill	45,146	33,630
Other assets	364	654
Total assets	$135,766	$94,847
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$2,258	$1,280
Accrued compensation	2,372	2,725
Accrued expenses and other	4,304	2,654
Deferred revenue	21,182	16,620
Due to seller	4,365	1,033
Current maturities of notes payable	10,964	5,245
Total current liabilities	45,445	29,557
Commitments and contingencies (Note 9)		
Canadian tax credit liability to sellers	1,616	2,595
Notes payable, less current maturities	12,407	23,438
Deferred revenue	194	416
Noncurrent deferred tax liability, net	3,006	3,084
Other long-term liabilities	1,701	1,101
Total liabilities	64,369	60,191
Redeemable convertible preferred stock, $0.0001 par value; No shares authorized, issued and outsanding at December 31, 2014, 9,300,342 shares authorized as of December 31, 2013:		
Series A: 2,990,703 shares designated; 2,821,181 shares issued and outstanding at December 31, 2013	—	17,118
Series B: 1,767,912 shares designated; 1,701,909 shares issued and outstanding at December 31, 2013	—	10,367
Series B-1: 983,767 shares designated; 237,740 shares issued and outstanding at December 31, 2013	—	1,076
Series B-2: 1,639,613 shares designated; 155,598 shares issued and outstanding at December 31, 2013	—	949

Series C: 1,918,347 shares designated; 1,918,048 shares issued and outstanding at December 31, 2013	—	21,028
Total redeemable convertible preferred stock	—	50,538
Stockholders' equity (deficit):		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized, no shares issued and outstanding at December 31, 2014; no shares authorized, issued and outstanding at December 31, 2013	—	—
Common stock, \$0.0001 par value; 50,000,000 shares authorized: 15,249,118 and 1,851,319 shares issued and outstanding at December 31, 2014 and 2013, respectively	2	—
Additional paid-in capital	108,337	—
Accumulated other comprehensive loss	(1,716)	(773)
Accumulated deficit	(35,226)	(15,109)
Total stockholders' equity (deficit)	71,397	(15,882)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$135,766	\$94,847

See accompanying notes.

Upland Software, Inc.
Consolidated Statements of Operations

(in thousands, except share and per share amounts)	Year Ended December 31, 2014	2013	2012
Revenue:			
Subscription and support	$48,625	$30,887	$18,281
Perpetual license	2,787	2,003	641
Total product revenue	51,412	32,890	18,922
Professional services	13,162	8,303	3,841
Total revenue	64,574	41,193	22,763
Cost of revenue:			
Subscription and support	14,042	7,787	4,189
Professional services	9,079	5,680	3,121
Total cost of revenue	23,121	13,467	7,310
Gross profit	41,453	27,726	15,453
Operating expenses:			
Sales and marketing	14,670	10,625	6,331
Research and development	26,165	10,340	5,308
Refundable Canadian tax credits	(1,094)	(583)	(728)
General and administrative	13,561	6,832	4,574
Depreciation and amortization	4,310	3,670	1,812
Acquisition-related expenses	2,186	1,461	1,933
Total operating expenses	59,798	32,345	19,230
Loss from operations	(18,345)	(4,619)	(3,777)
Other expense:			
Interest expense, net	(1,951)	(2,797)	(528)
Other income (expense), net	101	(431)	(65)
Total other expense	(1,850)	(3,228)	(593)
Loss before provision for income taxes	(20,195)	(7,847)	(4,370)
Provision for income taxes	78	(708)	72
Loss from continuing operations	(20,117)	(8,555)	(4,298)
Income (loss) from discontinued operations, net of tax of $0, $342 and $50 for 2014, 2013, and 2012, respectively	—	(642)	1,791
Net loss	$(20,117)	$(9,197)	$(2,507)
Preferred stock dividends and accretion	(1,524)	(98)	(44)
Net loss attributable to common shareholders	$(21,641)	$(9,295)	$(2,551)
Net loss per common share:			
Loss from continuing operations per common share, basic and diluted	$(4.43)	$(7.23)	$(5.78)
Income (loss) from discontinued operations per common share, basic and diluted	$—	$(0.54)	$2.39
Net loss per common share, basic and diluted	$(4.43)	$(7.77)	$(3.39)
Weighted-average common shares outstanding, basic and diluted	4,889,901	1,196,668	751,416

See accompanying notes.

Upland Software, Inc.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended December 31,		
	2014	2013	2012
Net loss	$(20,117)	$(9,197)	$(2,507)
Foreign currency translation adjustment	(943)	(669)	(78)
Comprehensive loss	$(21,060)	$(9,866)	$(2,585)

See accompanying notes.

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Upland Software, Inc.
Consolidated Statement of Stockholders' Equity (Deficit)

(in thousands, except share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance at January 1, 2012	1,582,635	$—	$—	$ (26)	$ (1,564)	$ (1,590)
Accretion of preferred stock	—	—	(40)	—	(4)	(44)
Issuance of restricted stock	113,085	—	—	—	—	—
Stock-based compensation	—	—	40	—	—	40
Foreign currency translation adjustment	—	—	—	(78)	—	(78)
Net loss	—	—	—	—	(2,507)	(2,507)
Balance at December 31, 2012	1,695,720	—	—	(104)	(4,075)	(4,179)
Issuance of common stock in business combination	155,599	—	275	—	—	275
Accretion of preferred stock	—	—	(47)	—	—	(47)
Preferred stock dividends	—	—	(51)	—	—	(51)
Stock-based compensation	—	—	98	—	—	