

ExactTarget, Inc.  
Form S-1/A  
September 06, 2012  
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As filed with the Securities and Exchange Commission on September 6, 2012

Registration No. 333-183586

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

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

**ExactTarget, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
Incorporation or organization)

**7372**  
(Primary Standard Industrial  
Classification Code Number)

**20-1367351**  
(I.R.S. Employer

Identification Number)

**20 North Meridian Street, Suite 200**

**Indianapolis, Indiana 46204**

**(317) 423-3928**

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

**Scott D. Dorsey**

**Chief Executive Officer**

**20 North Meridian Street, Suite 200**

**Indianapolis, Indiana 46204**

**(317) 423-3928**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

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**Washington, DC 20036-5306**

**Suite 2900**

**Las Cimas IV, Fifth Floor**

**Indianapolis, IN 46282-0200**

**Austin, TX 78746**

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

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: "

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

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

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

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

Large accelerated filer "                      Accelerated filer "                      Non-accelerated filer                       Smaller reporting company "

(Do not check if a smaller reporting company)

### CALCULATION OF REGISTRATION FEE

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered (1)</b>	<b>Proposed Maximum Aggregate Offering Price per Share (2)</b>	<b>Proposed Maximum Aggregate Offering Price (1)(2)</b>	<b>Amount of Registration Fee (3)</b>
Common Stock, par value \$0.0005 per share	7,475,000	\$21.17	\$158,245,750	\$18,135

- (1) Includes 975,000 shares which the underwriters have the option to purchase.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low sales prices of the Registrant's Common Stock as reported by the New York Stock Exchange on September 5, 2012.
- (3) The Registrant previously paid \$11,460 of this in connection with the previous filing of this Registration Statement.

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

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You should rely only on the information contained in this prospectus or any free writing prospectus filed with the Securities and Exchange Commission (the "SEC"). Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus filed with the SEC. The selling stockholders are offering to sell, and are seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus or a free writing prospectus is accurate only as of its date, regardless of its time of delivery, or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we, the selling stockholders nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside the United States.

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### **PROSPECTUS SUMMARY**

*The following summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read the entire prospectus, including the consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations. Unless the context requires otherwise, the words ExactTarget, we, company, us and our refer to ExactTarget, Inc. and its wholly-owned subsidiaries.*

*Upon completion of this offering, our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, will beneficially own, in the aggregate, approximately 53% of our outstanding common stock. See Risk Factors Our directors, executive officers and principal stockholders will collectively own approximately 53% of our outstanding common stock after this offering and will continue to have substantial control over the company.*

#### **Our Business**

We are a leading global provider of cross-channel, interactive marketing software-as-a-service ( SaaS ) solutions that empower organizations of all sizes to communicate with their customers through the interactive channels they use most email, mobile, social media and websites. Our solutions provide marketers with a broad and powerful suite of integrated applications to plan, automate, deliver and optimize data-driven interactive marketing campaigns and real-time communications to drive customer engagement, increase sales and improve their return on marketing investment.

Our suite of cross-channel, interactive marketing applications, which include email, mobile, social media and sites, is built on our highly-scalable and flexible multi-tenant SaaS platform. These channel applications are integrated with our campaign management, calendaring, real-time dashboard, integrated reporting, marketing automation and data management tools to provide marketers with a comprehensive, yet easy-to-use, solution to manage, automate and engage in real-time interactive marketing. In addition, our cloud-based platform's robust integration framework enables clients to integrate data from virtually any relevant source and leverage productized integrations with leading third-party CRM, web analytics and e-commerce providers to further enhance the relevance of their interactive communications. We also provide open application programming interfaces ( APIs ) and developer tools that allow third parties to embed our technology into their solutions and build applications on our platform.

Our global sales organization is focused on adding new clients and expanding relationships with existing clients. We believe our team is the largest sales organization devoted to selling interactive marketing SaaS solutions, with over 300 sales professionals as of June 30, 2012 located on four continents. Our field sales team sells into the large business, or enterprise market, while our inside sales team sells to small and medium-sized organizations primarily via telesales. In addition to these new business teams, we have a relationship management sales team that focuses on strengthening client relationships, driving contract renewals and selling additional applications to existing clients. We also extend our sales distribution through relationships with more than 500 marketing service providers as of June 30, 2012 that resell our solutions to their customers.

Our direct client base consisted of over 4,700 organizations as of June 30, 2012, ranging from enterprises to small businesses in numerous industries, including retail and e-commerce, media and entertainment, travel and hospitality, financial services and insurance, technology, daily-deal and flash-



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sale and marketing service providers. Among our direct clients are U.S.-based companies such as Ally Financial, Inc., Angie's List, Inc., CareerBuilder, LLC, Groupon, Inc., Microsoft Corporation, Nationwide Mutual Insurance Company, Oakley, Inc., OneAmerica Financial Partners, Inc., One King's Lane, Inc., Papa John's International, Inc., priceline.com Incorporated, The Scotts Miracle-Gro Company, Tommy Hilfiger Group, WellPoint, Inc. and Zappos.com, Inc., and companies headquartered outside the United States such as Abril Group (Brazil), Fairfax Media Limited (Australia), Icelandair Group (Iceland) and Telegraph Media Group Limited (United Kingdom). Several thousand additional organizations utilize our SaaS solutions through their relationships with our marketing service provider clients. Our client base is diverse, and no single client represented more than 5% of our overall revenue for each of the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2012.

We provide our solutions primarily through annual and multi-year subscriptions based on volume of contracted utilization, level of functionality, number of interactive marketing channels, number of users and level of customer support. We have achieved 46 consecutive quarters of revenue growth and dollar-based subscription revenue renewal rates of over 100% in each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 over the prior year period. For the years ended December 31, 2009, 2010 and 2011, and for the six months ended June 30, 2012, our revenue was \$95.4 million, \$134.3 million, \$207.5 million and \$133.4 million, representing period-over-period growth of 32%, 41%, 55% and 44%, respectively.

### **Industry Overview**

Changes in media consumption, real-time engagement through social media and pervasive mobile connectivity have challenged marketers ability to deliver relevant, meaningful and timely communications. Organizations require a cross-channel view of their customers to drive real-time, relevant engagement and positive return on marketing investment.

### ***Market Opportunity for Interactive Marketing***

Consumers are increasingly using email, mobile, social media and websites to access information and interact with brands. Media consumption is shifting from offline channels to interactive channels, driving marketers to increase the percentage of advertising spending on interactive marketing. According to Forrester Research, Inc. ( Forrester ), U.S. marketers plan to increase spending on interactive channels (defined as display, search, email, mobile and social media) as a percentage of total advertising spending from 16% in 2011 to 26% in 2016, creating a projected \$77 billion market in the United States by 2016, of which email, mobile and social media marketing spending is expected to grow from approximately \$4.8 billion in 2011 to nearly \$15.7 billion by 2016, representing a compound annual growth rate of 27%.<sup>(1)</sup> We believe the addressable market outside the United States presents an even greater opportunity.

### ***Market Challenges***

Organizations often lack the technology, infrastructure and expertise needed to plan, automate, deliver and optimize data-driven interactive marketing campaigns and real-time communications across interactive channels. Marketers considering the adoption or expansion of email and cross-channel, interactive marketing programs face many challenges, including the following:

difficulty in integrating data to create a single, unified view of each consumer;

complexity in effectively engaging consumers across multiple channels;

(1) Forrester, *US Interactive Marketing Forecast, 2011 To 2016*, August 24, 2011, as updated September 7, 2011.

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inability of disparate point solutions to address marketers' emerging needs;

complex security and infrastructure requirements; and

changing deliverability and regulatory standards.

### **Our Solutions**

Our suite of cross-channel, interactive marketing applications enables organizations to plan, automate, deliver and optimize data-driven interactive marketing campaigns and critical, real-time communications to enhance customer engagement and improve their return on marketing investment. Key benefits of our solutions include:

***Cross-channel campaign management and engagement capabilities powered by a unified view of each consumer.*** Our suite includes email, mobile, social media and sites applications that are integrated with campaign management, calendaring, marketing automation and data management tools to provide marketers with the ability to develop a unified view of each consumer and engage in real-time, cross-channel marketing.

***Automation of marketing campaigns and real-time communications.*** Our solutions enable clients to automate processes required to deliver sophisticated, multi-stage marketing campaigns and personalized real-time communications such as order confirmations, e-statements, alerts, abandoned shopping cart reminders and many others.

***Highly-scalable and modular SaaS architecture to meet clients' evolving needs.*** Our SaaS technology infrastructure supports large transaction volumes and allows our clients to store large amounts of data while maintaining high application availability. Clients can easily add new channels and functionality as they expand their interactive marketing programs.

***Open and flexible cloud-based platform.*** Our cloud-based platform's robust integration framework enables clients to integrate data from virtually any relevant source and leverage productized integrations with leading third-party applications. We also provide open APIs and developer tools that allow third parties to embed our technology into their solutions and build applications on our cloud-based platform.

***Compliance with complex deliverability and regulatory standards.*** We solve challenging issues associated with deliverability of our clients' interactive communications and enable our clients to meet legal and regulatory compliance requirements.

### **Our Competitive Strengths**

Our vision is to inspire and enable organizations of all sizes to leverage interactive marketing technologies to achieve phenomenal business results. We have established a leadership position in interactive marketing as evidenced by our global size, scale and growth, which we believe results in several key competitive strengths including:

***Leadership driven by vision and focus on innovation.*** Our vision, focus on innovation and significant investments have fueled our growth and enabled us to deliver interactive marketing solutions that solve marketers' complex challenges. Forrester placed ExactTarget in the Leader category in its *Forrester Wave: Email Marketing Vendors, Q1 2012*, January 20, 2012. We have extended our leadership position beyond email marketing through the integration of our social media platform, SocialEngage (formerly CoTweet Enterprise), the creation of our Social Media Lab and the launch of the Interactive Marketing Hub, our integrated, cross-channel interactive marketing solution.



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***Market-leading size and scale and strong business momentum.*** With over 1,250 employees located on four continents and \$41.4 million and \$22.8 million of research and development investment in the year ended December 31, 2011 and the six months ended June 30, 2012, respectively, we enable marketers around the globe to improve returns from their interactive marketing programs. Our substantial investments have led to strong business momentum, resulting in \$207.5 million in revenue for the year ended December 31, 2011 and \$133.4 million in revenue for the six months ended June 30, 2012, increases of 55% and 44%, respectively, compared to the year ended December 31, 2010 and the six months ended June 30, 2011. These substantial investments contributed to an operating loss of \$23.6 million for the year ended December 31, 2011 and of \$6.9 million for the six months ended June 30, 2012.

***Serving clients of all sizes, in many industries and geographies, from a single platform.*** Our highly-scalable SaaS architecture and modular product offerings enable us to serve large, distributed enterprises with complex interactive marketing requirements, as well as small and medium-sized organizations. Our direct client base consists of over 4,700 organizations, across numerous industries and many geographies. Several thousand additional organizations utilize our SaaS solutions through their relationships with our marketing service provider clients.

***Large direct and indirect sales organization with global reach.*** We believe our team is the largest sales organization devoted to selling interactive marketing SaaS solutions to new and existing clients, with over 300 sales professionals located on four continents. We also extend our global sales distribution through relationships with more than 500 marketing service providers.

***Corporate culture committed to client success.*** Named for our primary brand color, our Orange culture reflects our employees energy, passion and focus on client success. Our culture is widely regarded as one of our greatest assets and is consistently cited as a key differentiator by clients, partners, prospective clients and employees.

### **Our Growth Strategy**

We intend to leverage our vision, our focus on innovation, the breadth of our solutions and our interactive marketing expertise to extend our market leadership and continue to fuel our growth. Key elements of our growth strategy include:

continue to innovate and enhance our leading interactive marketing solutions;

win new clients by expanding direct and indirect sales;

increase revenue from our existing clients;

continue to expand our global presence; and

selectively pursue acquisitions.

### **Emerging Growth Company Status**

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). For as long as we are an emerging growth company, we will not be required to:

provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002;



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provide certain disclosure regarding executive compensation required of larger public companies; or

obtain stockholder approval of any golden parachute payments not previously approved.

We could be an emerging growth company for up to five years from March 21, 2012, the date of our initial public offering, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) the date that we become a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the Exchange Act), which would occur at the end of the fiscal year during which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period. Under Section 107(b) of the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we are subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

### **Selected Risks Associated with Our Business**

Our business is subject to numerous risks and uncertainties, including those highlighted here and described in further detail in Risk Factors immediately following this Prospectus Summary. You should carefully read Risk Factors beginning on page 10 for a detailed explanation of these risks before investing in our common stock. Some of these risks include:

we have a recent history of losses, and we may not return to or sustain profitability in the future;

we have experienced rapid growth in recent periods, and if we fail to manage our domestic and international growth effectively, our financial performance may be adversely affected;

our operating results and revenue will be adversely affected if we are not able to attract new clients, retain existing clients or sell additional functionality and services to existing clients;

defects or errors in our SaaS solutions or compromises of security measures could harm our reputation, result in significant costs to us and impair our ability to sell our solutions;

we have been dependent on our clients' use of email as a channel for interactive marketing, and any decrease in the use of email for this purpose would harm our business, growth prospects, operating results and financial condition;

the market for cross-channel, interactive marketing SaaS solutions is relatively new and emerging. If the market develops more slowly or differently than we expect, our business, growth prospects and financial condition would be adversely affected;

our inability to successfully acquire and integrate other businesses, products or technologies could harm our operating results;

evolving domestic and international data privacy regulations may restrict our clients' ability to solicit, collect, process, disclose and use personal information or may increase the costs of doing so, which could harm our business;

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failures of the third-party hardware, software and infrastructure on which we rely, including third-party data center hosting facilities, could impair the delivery of our solutions and adversely affect our business;

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the markets in which we participate are highly competitive, and pricing pressure or other competitive dynamics, which could include clients developing their own solutions, could adversely affect our business and operating results;

we rely on our management team and other key employees, and the loss of one or more key employees could harm our business; and

our directors, executive officers and principal stockholders will continue to have substantial control over the company after this offering.

**Corporate Information**

We began our operations in December 2000 as ExactTarget, LLC, an Indiana limited liability company. In July 2004, ExactTarget, LLC merged into ExactTarget, Inc., a Delaware corporation. Our principal executive offices are located at 20 North Meridian Street, Suite 200, Indianapolis, Indiana 46204. Our main telephone number is (317) 423-3928, and our website address is [www.exacttarget.com](http://www.exacttarget.com). Information contained on our website is not a part of, and is not incorporated into, this prospectus.



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**The Offering**

Common stock offered by the selling stockholders	6,500,000 shares
Option granted by the selling stockholders	The selling stockholders have granted the underwriters a 30-day option to purchase up to an additional 975,000 shares.
Common stock to be outstanding after this offering	66,038,276 shares.
Use of proceeds	We will not receive any proceeds from the sale of common stock by the selling stockholders. See Use of Proceeds.

NYSE symbol

ET

The number of shares of our common stock to be outstanding after this offering is based on 66,038,276 shares of common stock outstanding as of June 30, 2012 and excludes:

12,407,828 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2012 granted under our 2008 equity incentive plan and 2004 stock option plan, having a weighted average exercise price of \$6.59 per share; and

86,930 shares of unvested restricted common stock outstanding as of June 30, 2012.

Unless otherwise stated, information in this prospectus reflects and assumes no exercise of the underwriters' option to purchase additional shares.

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The following tables summarize the consolidated financial data for our business. You should read this summary consolidated financial data in conjunction with Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes, all included elsewhere in this prospectus.

We derived the summary consolidated statements of operations and comprehensive loss data for the years ended December 31, 2009, 2010 and 2011 and the consolidated balance sheet data as of December 31, 2011 from our audited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated statements of operations and comprehensive loss data for the six months ended June 30, 2011 and 2012, and the unaudited consolidated balance sheet data as of June 30, 2012, were derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited consolidated financial statements on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of our future results, and our interim results are not necessarily indicative of the results to be expected for the full fiscal year or for any other period.

	2009	Year Ended December 31, 2010	2011	Six Months Ended June 30, 2011	2012 (unaudited)
	(in thousands, except share and per share data)				
<b>Consolidated Statements of Operations and Comprehensive Loss Data:</b>					
Revenue	\$ 95,443	\$ 134,267	\$ 207,493	\$ 92,862	\$ 133,375
Cost of revenue(1)	30,772	43,894	70,195	31,284	47,649
Gross profit	64,671	90,373	137,298	61,578	85,726
Operating expenses:					
Sales and marketing(1)	39,276	63,978	93,559	42,587	52,580
Research and development(1)	14,845	27,400	41,390	18,391	22,833
General and administrative(1)	13,397	17,159	25,985	11,181	17,246
Total operating expenses	67,518	108,537	160,934	72,159	92,659
Operating loss	(2,847)	(18,164)	(23,636)	(10,581)	(6,933)
Other income (expense), net	75	(53)	(1,001)	(589)	(352)
Loss before taxes	(2,772)	(18,217)	(24,637)	(11,170)	(7,285)
Income tax expense (benefit)	(777)	(6,127)	10,798	(4,202)	
Net loss	(1,995)	(12,090)	(35,435)	(6,968)	(7,285)
Adjustment for redemption of preferred stock	(58,601)				
Preferred stock dividend	(490)				
Net loss available to common stockholders	\$ (61,086)	\$ (12,090)	\$ (35,435)	\$ (6,968)	\$ (7,285)
Other comprehensive loss:					
Foreign currency translation adjustment	(86)	(17)	(948)	262	(362)
Comprehensive loss	\$ (61,172)	\$ (12,107)	\$ (36,383)	\$ (6,706)	\$ (7,647)
Net loss per common share:					
Basic	\$ (5.86)	\$ (1.52)	\$ (4.05)	\$ (0.81)	\$ (0.18)
Diluted	\$ (5.86)	\$ (1.52)	\$ (4.05)	\$ (0.81)	\$ (0.18)

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Weighted average number of common shares outstanding basic	10,417,392	7,978,304	8,750,540	8,612,684	40,345,884
Weighted average number of common shares outstanding diluted	10,417,392	7,978,304	8,750,540	8,612,684	40,345,884
<b>Other Financial Data:</b>					
Adjusted EBITDA(2)	\$ 7,723	\$ (2,769)	\$ (59)	\$ 32	\$ 8,519

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- (1) Cost of revenue and operating expenses include the following amounts related to stock-based compensation:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
	(in thousands)				
Cost of revenue	\$ 416	\$ 664	\$ 1,055	\$ 493	\$ 672
Sales and marketing	813	1,413	2,265	1,000	1,548
Research and development	528	1,147	1,511	673	780
General and administrative	1,589	1,201	2,123	846	1,953
<b>Total stock-based compensation</b>	<b>\$ 3,346</b>	<b>\$ 4,425</b>	<b>\$ 6,954</b>	<b>\$ 3,012</b>	<b>\$ 4,953</b>

- (2) We provide Adjusted EBITDA, which is a non-GAAP financial measure, because we believe this measure provides important supplemental information regarding our operating performance and is often used by investors and analysts in their evaluation of companies such as ours. In addition, we use Adjusted EBITDA as a measurement of our operating performance because it assists us in comparing our operating performance on a consistent basis by removing the impact of certain non-cash and non-operating items. We calculate Adjusted EBITDA as net income (loss) before (1) other (income) expense, which includes interest income, interest expense and other income and expense, (2) income tax expense (benefit), (3) depreciation and amortization of property and equipment, (4) amortization of intangible assets and (5) stock-based compensation. This non-GAAP financial measure is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Adjusted EBITDA reflects an additional way of viewing aspects of our operations that we believe, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provides a more complete understanding of factors and trends affecting our business. The following table provides a reconciliation from net loss to Adjusted EBITDA:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
	(in thousands)				
Net loss	\$ (1,995)	\$ (12,090)	\$ (35,435)	\$ (6,968)	\$ (7,285)
Other (income) expense, net	(75)	53	1,001	589	352
Income tax expense (benefit)	(777)	(6,127)	10,798	(4,202)	
Depreciation and amortization of property and equipment	7,046	10,173	15,470	7,041	9,873
Amortization of intangible assets	178	797	1,153	560	626
Stock-based compensation	3,346	4,425	6,954	3,012	4,953
<b>Adjusted EBITDA</b>	<b>\$ 7,723</b>	<b>\$ (2,769)</b>	<b>\$ (59)</b>	<b>\$ 32</b>	<b>\$ 8,519</b>

	As of June 30, 2012 (unaudited) (in thousands)
<b>Consolidated Balance Sheet Data:</b>	
Cash and cash equivalents	\$ 211,555
Working capital	191,183
Total assets	346,811
Total liabilities	81,237
Total stockholders' equity	265,574



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**RISK FACTORS**

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including the financial statements and related notes, and any related free writing prospectus before deciding whether to purchase shares of our common stock. If any of the following risks are realized, in whole or in part, our business, operating results, reputation and prospects could be materially and adversely affected. In that event, the price of our common stock could decline, and you could lose part or all of your investment.*

**Risks Related to Our Business and Industry**

*We have a recent history of losses, and we may not return to or sustain profitability in the future.*

We incurred net losses of \$12.1 million for the year ended December 31, 2010, \$35.4 million for the year ended December 31, 2011 and \$7.3 million for the six months ended June 30, 2012. We had an accumulated deficit of \$153.4 million as of June 30, 2012. In recent years, we have made substantial investments in research and development, infrastructure, growing our sales team, international expansion and acquisitions to support anticipated future revenue growth. We expect to continue to make significant investments in the development and expansion of our business, which may make it difficult for us to return to profitability. The significant accounting, legal and other expenses that we incur as a public company require us to generate and sustain increased revenue relative to our costs to achieve profitability in the future. While our revenue has grown in recent periods, such revenue growth may not be indicative of our future performance, and this growth may not be sustainable. We may not be able to achieve sufficient revenue to return to profitability in future periods, and our revenue could decline or grow more slowly than we expect. We may incur significant losses in the future for a number of reasons, including due to the risks described in this prospectus.

*We have experienced rapid growth in recent periods, and if we fail to manage our domestic and international growth effectively, our financial performance may be adversely affected.*

We have expanded our overall business, including our revenue, team of employees, international operations and client base, in recent periods. Our revenue increased from \$72.3 million for the year ended December 31, 2008 to \$207.5 million for the year ended December 31, 2011 and from \$92.9 million for the six months ended June 30, 2011 to \$133.4 million for the six months ended June 30, 2012. We increased our total number of full-time employees from 379 as of December 31, 2008 to 1,268 as of June 30, 2012. Since August 2009, we have acquired a social media marketing platform and three international reseller partners. Our historical growth rate is not necessarily indicative of the growth that we will achieve in the future. Our recent growth and anticipated future growth has placed and will continue to place strain on our team, infrastructure and operations. Our success will depend on our ability to manage this growth effectively. We intend to further expand our overall business, client base, number of employees and operations and to continue to expand our operations internationally. Managing a large, diverse and geographically dispersed client base and workforce requires substantial management effort and significant additional investment in our team, technology and infrastructure. In order to support and sustain our growth, we must continue to improve our technology and our operational, financial and management controls and reporting procedures, and all of these investments will increase our costs. Furthermore, we have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these uncertainties are incorrect or change as a result of changes in the market in which we operate, if we do not address these risks successfully or if we fail to successfully plan for and manage our growth, our operating and financial results could differ materially from our expectations and our business and growth prospects could be adversely affected.

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***Our operating results and revenue will be adversely affected if we are not able to attract new clients, retain existing clients or sell additional functionality and services to existing clients.***

To continue to grow our business, we must attract new clients and retain and sell additional products and services to existing clients. Many of our subscription agreements do not automatically renew at the end of their terms and some have termination clauses that could result in early termination. As the interactive marketing industry matures and as competitors introduce lower cost or differentiated competitive products or services, our ability to effectively compete with respect to pricing, technology, functionality, services and support could be impaired. In such an event, we may be unable to attract new clients or renew our agreements with existing clients on favorable or comparable terms to prior periods. In addition, we may not be able to accurately predict new subscriptions or subscription renewal rates and the impact these rates may have on our future revenue and operating results. These events and developments could have a material adverse effect on our revenue, gross margin and other operating results.

***Defects or errors in our SaaS solutions could harm our reputation, result in significant costs to us and impair our ability to sell our solutions.***

Our suite of cross-channel, interactive marketing SaaS solutions is inherently complex and may contain defects or errors, which may cause disruptions in availability or other performance problems that could include prolonged down-time. Any such errors, defects, disruptions in service or other performance problems, whether in connection with day-to-day operations, bug fixes, upgrades or otherwise, could be costly for us to remedy, damage our clients' businesses and harm our reputation. In addition, if we have any such errors, defects, disruptions in service or other performance problems, our clients could terminate their agreements, elect not to renew their subscriptions, delay or withhold payment, or make claims against us. Any of these actions could result in lost business, increased insurance costs, difficulty in collecting our accounts receivable and costly litigation. Such errors, defects or other problems could also result in reduced sales or a loss of or delay in the market acceptance of our solutions.

***We have been dependent on our clients' use of email as a channel for interactive marketing, and any decrease in the use of email for this purpose would harm our business, growth prospects, operating results and financial condition.***

Historically, our clients have primarily used our SaaS solutions for email-based interactive marketing to consumers who have given our clients permission to send them emails. We expect that email will continue to be the primary channel used by our clients for the foreseeable future. Should our clients lose confidence in the value or effectiveness of email marketing, or if other interactive channels are perceived to be more effective than email marketing, the demand for our solutions may decline. A number of factors could adversely affect our clients' assessment of the value or effectiveness of email marketing, including continual growth in the number of emails consumers receive on a daily basis, the inability of Internet service providers ( ISPs ) to prevent unsolicited bulk email, or spam, from overwhelming consumers' inboxes, security concerns regarding viruses, worms or similar problems affecting Internet and email utilization and increased governmental regulation or restrictive policies adopted by ISPs that make it more difficult or costly to utilize email for marketing communications.

***The market for cross-channel, interactive marketing SaaS solutions is relatively new and emerging. If the market develops more slowly or differently than we expect, our business, growth prospects and financial condition would be adversely affected.***

The market for cross-channel, interactive marketing SaaS solutions, such as ours, is relatively new and may not achieve or sustain high levels of demand and market acceptance. While email has been used successfully for interactive marketing for several years, marketing via new interactive

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marketing channels such as mobile and social media is not as well established, and revenue from email represents a substantial majority of our total revenue. The future growth of our business depends both on the acceptance and expansion of emerging interactive marketing channels, as well as the continued use and growth of existing interactive marketing channels, including email. Even if interactive marketing through these channels becomes widely adopted, our suite of cross-channel, interactive marketing SaaS solutions may not continue to be utilized by our existing clients or we may not acquire new clients. Organizations may not make significant investments in cross-channel, interactive marketing solutions and may not purchase SaaS solutions to address their interactive marketing needs. If cross-channel, interactive marketing SaaS solutions are not widely adopted, or the market for such SaaS solutions does not develop as we expect, our business, growth prospects and financial condition would be adversely affected.

### ***Our inability to successfully acquire and integrate other businesses, products or technologies could harm our operating results.***

Since 2009, we have acquired a social media management and engagement platform and three international software reseller partners. In the ordinary course of our business, we actively evaluate acquisitions and strategic investments, some of which are significant in size, in businesses, products or technologies that we believe could complement or expand our existing solutions, expand our client base and operations worldwide, enhance our technical capabilities or otherwise offer growth or cost-saving opportunities. From time to time, we have entered and expect to in the future enter into letters of intent with companies with which we are negotiating potential acquisitions or investments or as to which we are conducting due diligence. Although we are currently not a party to any binding definitive agreement with respect to potential investments in, or acquisitions of, complementary businesses, products or technologies, we may enter into these types of arrangements in the future, which could materially decrease the amount of our available cash or require us to seek additional equity or debt financing. We have limited experience in successfully acquiring and integrating businesses, products and technologies. We may not be successful in negotiating the terms of any potential acquisition, conducting thorough due diligence, financing the acquisition or effectively integrating the acquired business, product or technology into our existing business and operations. Our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues related to intellectual property, product quality or product architecture, regulatory compliance practices, revenue recognition or other accounting practices, or employee or customer issues.

Additionally, in connection with any acquisitions we complete, we may not achieve the synergies or other benefits we expected to achieve, and we may incur write-downs, impairment charges or unforeseen liabilities that could negatively affect our operating results or financial position or could otherwise harm our business. If we finance acquisitions using existing cash, the reduction of our available cash could cause us to face liquidity issues or cause other unanticipated problems in the future. If we finance acquisitions by issuing convertible debt or equity securities, the ownership interest of our existing stockholders may be diluted, which could adversely affect the market price of our stock. Further, contemplating or completing an acquisition and integrating an acquired business, product or technology could divert management and employee time and resources from other matters.

### ***Evolving domestic and international data privacy regulations may restrict our clients' ability to solicit, collect, process, disclose and use personal information or may increase the costs of doing so, which could harm our business.***

Federal, state and foreign governments and supervising authorities have enacted, and may in the future enact, laws and regulations concerning the solicitation, collection, processing, disclosure or use of consumers' personal information. Evolving and changing regulations regarding personal data and



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personal information, both within the European Union and elsewhere, especially relating to classification of IP addresses, machine identification, location data and other information, may limit or inhibit our ability to operate or expand our business. Such laws and regulations require or may require companies to implement privacy and security policies, permit consumers to access, correct or delete personal information stored or maintained by such companies, inform individuals of security incidents that affect their personal information, and, in some cases, obtain consent to use personal information for certain purposes. Other proposed legislation could, if enacted, impose additional requirements and prohibit the use of certain technologies, such as those that track individuals' activities on web pages or record when individuals click on a link contained in an email message. Such laws and regulations could restrict our clients' ability to collect and use email addresses, web browsing data and personal information, which may reduce demand for our solutions. Changing industry standards and industry self-regulation regarding the collection, use and disclosure of certain data may have similar effects. Existing and potential future privacy and data protection laws and increasing sensitivity of consumers to unauthorized disclosures and use of personal information may also negatively affect the public's perception of interactive marketing, including marketing practices of our clients. If our solutions are perceived to cause, or are otherwise unfavorably associated with, invasions of privacy, whether or not illegal, we or our clients may be subject to public criticism. Public concerns regarding data collection, privacy and security may also cause some consumers to be less likely to visit our clients' websites or otherwise interact with our clients, which could limit the demand for our solutions and inhibit the growth of our business.

Any failure to comply with applicable privacy and data protection laws, regulations, policies and standards or any inability to adequately address privacy concerns associated with our solutions, even if unfounded, could subject us to liability, damage our reputation, impair our sales and harm our business. Furthermore, the costs to our clients of compliance with, and other burdens imposed by, such laws, regulations, policies and standards may limit adoption of and demand for our solutions.

***If our security measures are compromised or unauthorized access to client data is otherwise obtained, our solutions may be perceived as not being secure, clients may curtail or cease their use of our solutions, our reputation may be harmed and we may incur significant liabilities.***

Our operations involve the storage and transmission of client and consumer data. Security incidents could result in unauthorized access to, loss of or unauthorized disclosure of this information, litigation, indemnity obligations and other possible liabilities, as well as negative publicity, which could damage our reputation, impair our sales and harm our business. Cyberattacks and other malicious Internet-based activity continue to increase, and SaaS-based platform providers of interactive marketing services have been targeted. Our security measures and the contractual restraints we maintain to prevent our clients from loading sensitive health, personal and financial information into our SaaS platform may not be sufficient to prevent the storage of such information on our systems or to prevent our systems from being compromised. We do not regularly monitor or review the content that our clients upload and store and, therefore, do not control the substance of the content within our hosted environment. If clients use our suite of cross-channel, interactive marketing SaaS solutions for the transmission or storage of personally identifiable information and our security measures are compromised as a result of third-party action, employee or client error, malfeasance, stolen or fraudulently obtained log-in credentials or otherwise, our reputation could be damaged, our business may be harmed and we could incur significant liability. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and generally are not detected until after an incident has occurred. As we increase our client base and our brand becomes more widely known and recognized, we may become more of a target for third parties seeking to compromise our security systems or gain unauthorized access to our clients' data. A failure or inability to meet clients' expectations with respect to security and confidentiality could seriously damage our reputation and affect our ability to retain clients and attract new business.

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Many governments have enacted laws requiring companies to notify individuals of data security incidents involving certain types of personal data. In addition, some of our clients contractually require notification of any data security compromise. Security compromises experienced by our competitors, by our clients or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode client confidence in the effectiveness of our security measures, negatively impact our ability to attract new clients, cause existing clients to elect not to renew their subscriptions or subject us to third-party lawsuits, regulatory fines or other action or liability, which could materially and adversely affect our business and operating results.

There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing general liability insurance coverage and coverage for errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to scale our infrastructure quickly enough to meet our clients' growing needs and, even if we can, our operations may be disrupted or our operating results could be harmed.***

As usage of our suite of cross-channel, interactive marketing SaaS solutions grows and as clients use our solutions for more advanced interactive marketing programs, we will need to devote additional resources to improving our application architecture and our infrastructure to maintain our solutions' performance. Any failure of or delays in our systems could cause service interruptions or impaired system performance. If sustained or repeated, these performance issues could reduce the attractiveness of our solutions to clients, result in decreased sales to new clients and lower renewal rates by existing clients, which could hurt our revenue growth and our reputation. We also may need to expand our hosting operations at a more rapid pace than we have in the past. This would involve spending substantial amounts to purchase or lease data center capacity and equipment, upgrade our technology and infrastructure and introduce new SaaS solutions. Similarly, our international expansion efforts could require us to use data centers located outside the United States. We may not be able to scale our existing systems in a manner that is satisfactory to our existing or prospective clients, especially those located outside the United States. In addition, any such expansion will require management time and support, could be expensive and complex, could result in inefficiencies, unsuccessful data transfers or operational failures, could reduce our margins and could adversely impact our financial results. Moreover, there are inherent risks associated with upgrading, improving and expanding our information technology systems. We cannot be sure that the improvements to our infrastructure and systems will be fully or effectively implemented on a timely basis, if at all.

***Failures of the third-party hardware, software and infrastructure on which we rely, including third-party data center hosting facilities, could impair the delivery of our solutions and adversely affect our business.***

We rely on hardware and infrastructure, which is purchased or leased, and software licensed from third parties, to offer our suite of cross-channel, interactive marketing SaaS solutions and related professional services. For example, we rely on bandwidth providers, ISPs, mobile providers and social networks to deliver messages to consumers on behalf of our clients. Any errors or defects in third-party hardware, software or infrastructure could result in errors, interruptions or a failure of our SaaS solutions. Furthermore, this hardware, software and infrastructure may not continue to be available on commercially reasonable terms, or at all. The loss of the right to use any of this hardware, software or infrastructure could limit access to our SaaS solutions.

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We currently serve our clients from two third-party data center hosting facilities located in Indianapolis, Indiana and one in Las Vegas, Nevada. Although our network infrastructure is generally redundant in each of our data centers, our data storage and operational capabilities are not fully redundant across data centers. The owners and operators of these facilities do not guarantee that our clients' access to our solutions will be uninterrupted, error-free or secure. We do not control the operation of these facilities, and such facilities are vulnerable to damage or interruption from a tornado, earthquake, fire, cyber-attack, terrorist attack, power loss, telecommunications failure or similar catastrophic events. They also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the delivery of our solutions. If for any reason our arrangement with one or more of the third-party data centers we use is terminated, we could incur additional expense in arranging for new facilities and support. In addition, the failure of the data centers to meet our capacity requirements could result in interruptions in the availability of our SaaS solutions or impair the functionality of our SaaS solutions, which could adversely affect our business.

Errors, defects, disruptions or other performance problems with the delivery of our suite of cross-channel, interactive marketing SaaS solutions may reduce our revenue, harm our reputation and brand and adversely affect our contract renewals and our ability to attract new clients. In addition, some of our client agreements require us to issue credits for downtime in excess of certain thresholds, and in some instances give our clients the ability to terminate the agreements in the event of significant amounts of downtime. Our business, growth prospects and operating results will also be harmed if our clients and potential clients are not confident that our solutions are reliable.

As we add data centers and increase capacity in data centers to accommodate increased demand, our costs and expenses associated with these efforts may adversely affect our operating results, liquidity and financial condition.

***The markets in which we participate are highly competitive, and pricing pressure or other competitive dynamics, which could include clients developing their own solutions, could adversely affect our business and operating results.***

The markets for interactive marketing solutions are fragmented, highly competitive and rapidly changing. With the introduction of new technologies and potential new entrants into these markets, we expect competition to intensify in the future, which could harm our ability to increase sales and maintain our margins. We provide interactive marketing solutions to a broad array of clients, ranging from enterprises to small businesses. We have a number of competitors, including Aprimo, Inc. (which was acquired by Teradata Corporation in 2011), CheetahMail Inc. (a subsidiary of Experian Group Limited), e-Dialog Inc. (a subsidiary of eBay, Inc.), Eloqua Limited, Epsilon Data Management, LLC (a subsidiary of Alliance Data Systems Corporation), Marketo, Inc., Responsys, Inc., Silverpop Systems Inc., StrongMail Systems, Inc., Unica Corporation (which was acquired by International Business Machines Corporation in 2010) and Yesmail (a division of infoGROUP Inc.). To a lesser degree, we compete with a number of email marketing providers focused on the small business market. We also face competition from social media marketing providers, such as Buddy Media, Inc. and Radian6 Technologies, Inc. (which were acquired by salesforce.com, inc. in 2012 and 2011, respectively), and from mobile marketing service providers, as well as from in-house solutions that our current and prospective clients may develop.

We may also face competition from new companies entering our markets, which may include large established businesses, such as Adobe Systems Incorporated, Amazon.com, Inc., Google Inc., Oracle Corporation or salesforce.com, inc., each of which currently offers, or may in the future offer, interactive marketing or related applications such as applications for customer relationship management, analysis of Internet data and marketing automation. Google Inc. and Oracle Corporation

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have recently acquired companies offering social media marketing services. If these or other companies decide to develop, market or resell competitive interactive marketing products or services, acquire one of our competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be compromised, and our operating results could be harmed. Furthermore, we believe that our industry may experience further consolidation, which could lead to increased competition and result in pricing pressure or loss of market share, either of which could have a material adverse effect on our business, limit our growth prospects or reduce our revenue.

Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we have, may be able to devote greater resources to the development, promotion, sale and support of their products and services than we can, may have more extensive customer bases and broader customer relationships than we have and may have longer operating histories and greater name recognition than we have. In some cases, these companies may choose to offer interactive marketing applications at little or no additional cost to the customer by bundling them with their existing applications. If we are unable to compete with such companies, the demand for our suite of cross-channel, interactive marketing SaaS solutions and related professional services could decline and adversely affect our business, operating results and financial condition.

***If we fail to effectively expand our sales and marketing capabilities and teams, we may not be able to increase our client base and achieve broader market acceptance of our SaaS solutions.***

Increasing our client base and achieving broader market acceptance of our suite of cross-channel, interactive marketing SaaS solutions will depend on our ability to expand our sales and marketing teams and their capabilities to obtain new clients and sell additional products and services to existing clients. We believe there is significant competition for direct sales professionals with the skills and technical knowledge that we require, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future. Our ability to achieve significant future revenue growth will depend on our success in recruiting, training and retaining sufficient numbers of direct sales professionals. New hires require significant training and time before they become fully productive, and may not become as productive as quickly as we anticipate. Our growth prospects will be harmed if our efforts to expand, train and retain our direct sales team do not generate a corresponding significant increase in revenue.

In addition to our direct sales team, we also extend our global sales distribution through relationships with more than 500 marketing service providers. These providers do not have exclusive relationships with us, and we cannot be certain that these partners will prioritize or provide adequate resources for selling our solutions. Establishing and retaining qualified partners and training them in our solutions requires significant time and resources. If we are unable to devote sufficient time and resources to establish and train these partners, or if we are unable to maintain successful relationships with them, our business could be adversely affected.

***Because our long-term growth strategy involves further expansion of our sales to clients outside the United States, our business will be susceptible to risks associated with international operations.***

A key component of our growth strategy involves the further expansion of our operations and client base internationally. We currently have offices in the United Kingdom, Australia, Brazil, and Germany. As we continue to expand the sales of our suite of cross-channel, interactive marketing SaaS solutions to clients outside the United States, our business will be increasingly susceptible to risks associated with international operations. Among the risks and challenges we believe are most likely to affect us with respect to international expansion are:

difficulties and expenses associated with the continued adaptation of our suite of cross-channel, interactive marketing SaaS solutions for international markets, including translation into foreign languages;

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difficulties in staffing and managing foreign operations and the increased travel, real estate, infrastructure and legal compliance costs associated with international operations;

burdens of complying with applicable laws and regulations, including regional data privacy laws and anti-bribery laws such as the Foreign Corrupt Practices Act;

in some countries, a less-developed set of rules and infrastructure for online and mobile communications;

our ability to secure local communications and data center services and to successfully deliver communications to international ISPs and mobile carriers;

adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash;

currency exchange rate fluctuations;

difficulties in enforcing contracts;

difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;

trade restrictions;

laws and business practices favoring local competitors or general preferences for local vendors;

lesser degrees of intellectual property protection;

political instability or terrorist activities;

legal systems subject to undue influence or corruption;

business cultures in which improper sales practices may be prevalent; and

continuing economic instability in Europe.

We have a limited operating history outside the United States, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business. In addition, we have limited experience in marketing, selling and supporting our suite of cross-channel, interactive marketing SaaS solutions and services abroad, which increases the risk that our future expansion efforts will not be successful. If we invest substantial time and resources to expand our international operations and are unable to do so successfully and in a timely manner, our business, operating results and reputation

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will be adversely affected. Additionally, operating in international markets requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required to establish operations in other countries will result in adequate revenue and profitability levels.

***Our business could be adversely affected if our clients are not satisfied with our SaaS solutions, our implementation and integration of our solutions or our professional services.***

Our business depends on our ability to satisfy our clients and meet their business needs. If a client is unsatisfied, we could lose the client, we could incur additional costs to remedy the situation, or the profitability of our relationship with that client may be impaired. Negative publicity resulting from issues related to our client relationships, regardless of accuracy, may damage our business by adversely affecting our ability to attract new clients and maintain and expand our relationships with existing clients.

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In addition, supporting enterprise clients could require us to devote significant development services and support personnel, which could strain our team and infrastructure, and reduce our profit margins. If we are unable to address the needs of these clients in a timely fashion or further develop and enhance our solutions, these clients may seek to terminate their relationships with us, not renew their subscriptions, renew their subscriptions on less favorable terms or not purchase additional features or solutions. If any of these were to occur, our revenue may decline, we may not realize future growth and our operating results may be materially and adversely affected.

***If we fail to respond to evolving technological requirements or to introduce adequate enhancements and new features, our SaaS solutions could become obsolete or less competitive.***

To remain a leading global provider of cross-channel, interactive marketing SaaS solutions, we must continue to invest in research and development of new solutions and enhancements to our existing solutions. The process of developing new technologies, products and services is complex and expensive. Our industry is characterized by rapidly changing technologies, standards, regulations and client requirements and frequent product enhancements and introductions. The introduction of new solutions by our competitors, the market acceptance of competitive solutions based on new or alternative technologies or the emergence of new industry standards could render our solutions obsolete or less effective. In addition, other means of interactive marketing may be developed or adopted in the future, and our solutions may not be compatible with these new marketing channels. The success of any enhancement or new solution depends on several factors, including timely completion, adequate quality testing, introduction and market acceptance. Any new solution or feature that we develop or acquire may not be introduced in a timely or cost-effective manner, may contain defects or may not achieve the broad market acceptance necessary to generate significant revenue. If we are unable to anticipate client requirements, successfully develop or acquire new solutions or features in a timely manner or enhance our existing solutions to meet our clients' requirements, our business and operating results may be adversely affected.

***We may experience quarterly fluctuations in our operating results due to a number of factors, which makes our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.***

Our quarterly operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Our past results may not be indicative of our future performance. If our revenue or operating results fall below the expectations of investors or securities analysts, or below any guidance we may provide, the price of our common stock could decline.

In addition to the other risks described in this prospectus, factors that may affect our quarterly operating results include the following:

changes in spending on interactive marketing technologies by our current or prospective clients;

the volume of utilization above contracted levels for a particular quarter and the amount of any associated additional revenue earned;

client renewal rates, and the pricing and volume commitments at which agreements are renewed;

clients delaying purchasing decisions in anticipation of new products or product enhancements by us or our competitors;

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budgeting cycles of our clients;

changes in the competitive dynamics of our industry, including consolidation among competitors or clients;

long or delayed implementation times for new clients;

the amount and timing of operating expenses, particularly research and development and sales and marketing expenses (including commissions and bonuses associated with performance), unforeseen product execution costs, employee benefit expenses and expenses related to the expansion of our business, operations and infrastructure;

changes in the levels of our capital expenditures;

the amount and timing of costs associated with recruiting, training and integrating new employees; and

failure to successfully manage any acquisitions or the incurrence of write-downs, impairment charges or unforeseen liabilities in connection with acquisitions.

We may not be able to accurately forecast the amount and mix of future subscriptions, revenue and expenses and, as a result, our operating results may fall below our estimates or the expectations of public market analysts and investors.

***Because we recognize subscription revenue from our clients over the terms of their agreements and most of the costs associated with such agreements are incurred up front, rapid increases in new clients and expanding sales to existing clients may cause an adverse impact on our short-term operating income and cash flows and may cause our operating results to be difficult to predict.***

The majority of our subscription revenue in a quarter is derived from client agreements entered into in previous quarters. Significant selling activity in a quarter may result in little incremental recognized revenue and client cash receipts during that quarter, but results in the recognition of related commissions and sales and company bonuses due to immediate expense recognition. In addition, it takes several months to ramp up a professional services consultant to full productivity and, as a result, we generally must increase our professional services capacity ahead of the recognition of associated professional services revenue, which can result in lower margins in a period of significant hiring. The timing of revenue and expense recognition and associated cash flows may result in an adverse impact on our short-term operating income and cash flows and may also make it more difficult to accurately predict current quarter operating results. The resulting variations in our operating income, earnings per share, cash flows from operating activities and other financial metrics and non-financial metrics could harm the price of our common stock if they do not meet the expectations of the public market, securities analysts or investors.

***Shifts over time in the mix of sizes or types of organizations that purchase our solutions or changes in the types of solutions purchased by our clients could negatively affect our operating results.***

Our strategy is to sell our suite of cross-channel, interactive marketing SaaS solutions to organizations of all sizes. While we serve all of our clients from our single SaaS platform, our profit margins can vary depending on numerous factors, including the number of clients using our SaaS solutions, the complexity and frequency of their use, the level of utilization, the volume of messages sent, the amount of stored data and the level of professional services and support required by a client. For example, because our professional services offerings typically have a higher cost of revenue than subscriptions to our SaaS solutions, any increase in sales of professional services would likely have an



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adverse effect on our overall gross profit margin and operating results. Enterprise organizations generally require more professional services compared to small businesses and medium-sized companies and, as a result, the overall margin for our enterprise engagements may be lower. We supplement our internal professional services team with third parties to provide professional services, and our goal is to expand these relationships over time. If we are unable to expand our network of third-party service providers, or if we are unable to retain existing third-party service providers, some of which have accumulated valuable knowledge and experience with our solutions, we will likely have to expand our internal team to meet the needs of our clients, which could increase our operating costs and result in lower gross margins. If the mix of organizations that purchase our solutions changes, or the mix of solution components purchased by our clients changes, our profit margins could decrease and our operating results could be adversely affected.

***As the number of enterprise clients that we serve increases, we may encounter implementation challenges, and we may have to delay revenue recognition for some complex engagements, which would harm our business and operating results.***

We may face unexpected challenges with some enterprise clients or more complicated implementations of our suite of cross-channel, interactive marketing SaaS solutions with such clients. It may be difficult or expensive to implement our SaaS solutions if a client has unexpected data, hardware or software technology challenges, or complex or unanticipated business requirements. In addition, prospective enterprise clients may require acceptance testing related to implementation of our SaaS solutions. Implementation delays may also require us to delay revenue recognition until the technical or implementation requirements have been met. Any difficulties or delays in the initial implementation could cause clients to delay or forego future purchases of our solutions, in which case our business, operating results and financial condition would be adversely affected.

***We rely on our management team and other key employees, and the loss of one or more key employees could harm our business.***

Our success and future growth depend upon the continued services of our management team and other key employees, including in the areas of research and development, marketing, sales, services and general and administrative functions. From time to time, there may be changes in our management team resulting from the hiring or departure of executives, which could disrupt our business. We also are dependent on the continued service of our existing development professionals because of the complexity of our solutions. We may terminate any executive officer's employment at any time, with or without cause, and any executive officer may resign at any time, with or without cause. We do not maintain key man life insurance on any of our employees. The loss of one or more of our key employees could harm our business.

***Because competition for key employees is intense, we may not be able to attract and retain the highly-skilled employees we need to support our operations and future growth.***

Competition for executive officers, software developers and other key employees in our industry is intense. In particular, we compete with many other companies for executive officers, for software developers with high levels of experience in designing, developing and managing software, as well as for skilled sales and operations professionals, and we may not be successful in attracting and retaining the professionals we need. Job candidates and existing employees often consider the actual and potential value of the equity awards they receive as part of their overall compensation. Thus, if the perceived value or future value of our stock declines, our ability to attract and retain highly skilled employees may be adversely affected. In addition, upon the expiration of the lock-up period related to our initial public offering, and subject to black-out periods under our insider trading policy, many of our existing employees may exercise vested options and sell our stock, which may make it more difficult for us to retain key employees. If we fail to attract new employees or fail to retain and motivate our current employees, our business and future growth prospects could be harmed.

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***We derive a significant portion of our revenue from clients in the retail and e-commerce, media and entertainment, travel and hospitality, financial services and insurance, technology, daily-deal and flash-sale industries, and any downturn in these industries could harm our business.***

A significant portion of our revenue is derived from clients in the retail and e-commerce, media and entertainment, travel and hospitality, financial services and insurance, technology, daily-deal and flash-sale industries. Any downturn in any of these industries may cause our clients to reduce their spending on interactive marketing solutions, delay or cancel interactive marketing projects or seek to terminate or renegotiate their contracts with us. Also, the increased pace of consolidation in any of these industries may result in reduced overall spending on our solutions. In particular, if our clients are acquired by entities that are not our clients, that use fewer of our solutions or that choose to discontinue, reduce or change the terms of their use of our solutions, our business and operating results could be materially and adversely affected.

***Our sales cycle can be unpredictable, time-consuming and expensive, which could harm our business and operating results.***

Our sales efforts involve educating prospective clients and our existing clients about the use, technical capabilities and benefits of our solutions. Some clients, particularly in the enterprise market, undertake a prolonged solution-evaluation process, which frequently involves not only our solutions but also those of our competitors. As we continue to pursue enterprise clients, we may face greater costs, longer sales cycles and less predictability in completing such sales. We may spend substantial time, effort and money on our sales efforts without any assurance that our efforts will produce any sales. It is also difficult to predict the level and timing of sales that come from our indirect sales channel of marketing service providers since these resellers do not exclusively sell our solutions. Events affecting our clients' businesses may occur during the sales cycle that could affect the size or timing of a purchase, contributing to more unpredictability in our business and operating results.

***Uncertain or weakened global economic conditions may adversely affect our industry, business and results of operations.***

Our overall performance depends on domestic and worldwide economic conditions, which may remain challenging for the foreseeable future. Financial developments seemingly unrelated to us or to our industry may adversely affect us. The U.S. economy and other key international economies have been impacted by threatened sovereign defaults and ratings downgrades, falling demand for a variety of goods and services, restricted credit, threats to major multinational companies, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty. These conditions affect the rate of information technology spending and could adversely affect our clients' ability or willingness to purchase our suite of cross-channel, interactive marketing SaaS solutions and services, delay prospective clients' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, any of which could adversely affect our operating results. We cannot predict the timing, strength or duration of the economic recovery or any subsequent economic slowdown worldwide, in the United States, or in our industry.

***Any violation of our policies or misuse of our SaaS solutions by our clients could damage our reputation and subject us to liability.***

Our clients could misuse our SaaS solutions by, among other things, transmitting negative messages or website links to harmful applications, sending unsolicited commercial email, reproducing and distributing copyrighted material without permission, reporting inaccurate or fraudulent data and engaging in illegal activity. Any such use of our suite of SaaS solutions could damage our reputation and could subject us to claims for damages, copyright or trademark infringement, defamation,

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negligence or fraud. Moreover, our clients may use our SaaS solutions to promote their products and services in violation of federal, state and foreign laws. We rely on contractual representations made to us by our clients that their use of our SaaS solutions will comply with our policies and applicable law, including, without limitation, our Anti-Spam Policy. Although we retain the right to review customer lists and emails to verify that clients are abiding by our policies, our clients are ultimately responsible for compliance with our policies, and we do not audit our clients to confirm compliance with our policies.

We cannot predict whether the use of our SaaS solutions would expose us to liability under applicable laws or subject us to other regulatory action. Even if claims asserted against us do not result in liability, we may incur substantial costs in investigating and defending against such claims, or our reputation may be damaged. If we are found liable in connection with our clients' activities, we could be required to pay fines or penalties, redesign our SaaS solutions or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability.

***Federal, state and foreign laws regulating email and text messaging marketing practices impose certain obligations on the senders of commercial emails and text messages, which could reduce the effectiveness of our solutions or increase our operating expenses to the extent these laws subject us to financial penalties.***

The Federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the CAN-SPAM Act) regulates commercial email messages and specifies penalties for the transmission of commercial email messages that are intended to deceive the recipient as to source or content. Among other things, the CAN-SPAM Act obligates each sender of commercial emails to allow recipients to opt-out of receiving future emails from the sender. In addition, the CAN-SPAM Act, regulations implemented by the Federal Communications Commission pursuant to the CAN-SPAM Act and the Telephone Consumer Protection Act (also known as the Federal Do-Not-Call law) prohibit companies from sending specified types of commercial text messages unless the recipient has opted in to the receipt of such text messages.

In addition, some states have passed laws regulating commercial email. In some cases, these laws are significantly more punitive and difficult to comply with than the CAN-SPAM Act. For example, Utah and Michigan have enacted do-not-email registries to protect minors from receiving unsolicited commercial email marketing adult content and other products that minors are prohibited from obtaining. Whether such state laws are preempted in whole or in part by the CAN-SPAM Act is uncertain. Furthermore, certain foreign jurisdictions, such as Australia, Canada and the European Union, have also enacted laws that regulate email. Some of these laws are more restrictive than U.S. laws.

As Internet commerce continues to evolve and grow, increasing regulation by federal, state or foreign governments may become more likely. Federal, state or foreign jurisdictions may in the future enact laws or regulations restricting the ability to conduct interactive marketing through mobile, social media and web channels. The cost to comply with such laws or regulations could be significant and would increase our operating expenses. We may be unable to pass along those costs to our clients in the form of increased subscription fees. If such restrictions require us to change one or more aspects of the way we operate our business, it could impair our ability to attract and retain clients or otherwise harm our business.

Noncompliance with any existing or future laws and regulations may subject us to significant financial penalties. If we are found to have violated these laws or regulations or if our clients are found to have violated these laws or regulations, we could be required to pay penalties, which would adversely affect our financial performance and harm our reputation and our business.

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***Regulation of the Internet and the lack of certainty regarding the application of existing laws to the Internet could substantially harm our operating results and business.***

We are subject to laws and regulations applicable to doing business over the Internet. It is often not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet, as these laws have in some cases failed to keep pace with technological change. Recently-enacted laws governing the Internet could also impact our business. For instance, existing and future regulations on taxing Internet use or restricting the exchange of information over the Internet could result in reduced growth or a decline in the use of the Internet and could diminish the viability of our services. Furthermore, it is possible that governments of one or more countries may censor, limit or block certain users' access to websites or other social media services. Changing industry standards and industry self-regulation regarding the collection, use and disclosure of certain data may have similar effects. Any such adverse legal or regulatory developments could substantially harm our operating results and our business.

***If we are unable to protect our proprietary technology and intellectual property, our business could be adversely affected.***

Our success is dependent upon our ability to protect our proprietary technology and intellectual property, which may require us to incur significant costs. We rely on a combination of confidentiality obligations in contracts, patents, copyrights, trademarks, service marks, trade secret laws and other contractual restrictions to establish and protect our proprietary rights. In particular, we enter into confidentiality and invention assignment agreements with all of our employees and consultants and enter into confidentiality agreements with the parties with whom we have business relationships in which they will have access to our confidential information. No assurance can be given that these agreements or other steps we take to protect our intellectual property will be effective in controlling access to and distribution of our solutions and our confidential and proprietary information. 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 uses of our intellectual property. Despite our precautions, it may be possible for third parties to copy our solutions and use information that we regard as proprietary to create products and services that compete with ours. Third parties may also independently develop technologies that are substantially equivalent or superior to our solutions. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our solutions 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 and use of our solutions and proprietary information may increase.

In some cases, litigation may be necessary to enforce our intellectual property rights or to protect our trade secrets. Litigation could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. 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 and exposing us to significant damages or injunctions. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay sales or the implementation of our solutions, impair the functionality of our solutions, delay introductions of new solutions, result in our substituting less-advanced or more-costly technologies into our solutions or harm our reputation. In addition, we may be required to license additional technology from third parties to develop and market new solutions, and we cannot assure you that we could license that technology on commercially reasonable terms or at all.

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*We cannot be certain that any patents will be issued with respect to our current or potential patent applications.*

As of June 30, 2012, we had nine patent applications pending in one or more jurisdictions and no issued patents. We do not know whether any of our patent applications will result in the issuance of patents or whether the examination process will require us to narrow the scope of our claims. To the extent any of our applications proceed to issuance as a patent, any such future patent may be opposed, contested, circumvented, designed around by a third party or found to be invalid or unenforceable. The process of seeking patent protection can be lengthy and expensive. Some of our technology is not covered by any patent or patent application.

*We have entered into a non-exclusive license that allows us to utilize methods covered by a business process patent held by a third party in providing our solutions, and our inability to maintain that license could have a material adverse effect on the functionality of our solutions, which would adversely affect our revenues and results of operations.*

We have entered into a license agreement with Hula Holdings, LLC and Subscribermail, LLC (which was acquired by Harland Clarke Corp. in 2010) under which we have a non-exclusive license to use methods covered by a patent owned by Hula Holdings, LLC and licensed to Subscribermail, LLC for multi-level email methodology. The license will survive for the term of the patent, which will expire in 2021. If we were to lose the license for any reason, the functionality of our solutions may decline, which would have a material adverse effect on our revenue, financial condition and results of operations. Because the license is non-exclusive, our competitors may have access to this methodology.

*We may be sued by third parties for alleged infringement of their proprietary rights or for other intellectual property related claims.*

The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual property and proprietary rights. Companies in our industry are often required to defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims or rights against their use. As a result, our success depends upon our not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, we have received threatening letters or notices or may be the subject of claims that our solutions and underlying technology infringe or violate the intellectual property rights of others, and we may be found to be infringing upon such rights. For example, one company with which we have a license has asserted that it may be a violation of a sublicensing prohibition contained in that license for us to use our platform to provide services to customers through our reseller and agency partners.

Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our solutions or require that we comply with other unfavorable terms. Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results.

*Indemnity provisions in our subscription agreements potentially expose us to substantial liability for intellectual property infringement and other losses.*

In our subscription agreements with our clients, we agree to indemnify our clients against any losses or costs incurred in connection with claims by a third party alleging that a client's use of our

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services infringes the intellectual property rights of the third party. Companies in the software industry, including those that provide SaaS solutions, frequently face infringement threats from non-practicing organizations (sometimes referred to as patent trolls ) filing lawsuits for patent infringement. Six of our clients have notified us of claims brought against them for infringement by such a patent troll and five have requested indemnification or indicated that they may seek redress from us under the indemnification provisions of our contracts with them. Other clients facing infringement claims who are accused of infringement may in the future seek indemnification from us under the terms of our contracts. If such claims are successful, or if we are required to indemnify or defend our clients from these or other claims, these matters could be disruptive to our business and management and have a material adverse effect on our business, operating results and financial condition.

***We use open source software in our solutions, which may subject us to litigation or other actions that could adversely affect our business.***

We use open source software in our solutions and may use more open source software in the future. In the past, companies that incorporate open source software into their products have faced claims challenging the ownership of open source software or compliance with open source license terms. Therefore, we could be subject to suits by parties claiming ownership of what we believe to be open source software or claiming noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavorable terms or at no cost. If we were to use open source software subject to such licenses, we could be required to release our proprietary source code, pay damages, re-engineer our applications, discontinue sales or take other remedial action, any of which could adversely affect our business.

***If we are unable to integrate our SaaS solutions with certain third-party applications, the functionality of our solutions could be adversely affected.***

The functionality of our solutions depends on our ability to integrate them with third-party applications and data management systems used by our clients to obtain consumer data. In addition, we rely on access to third-party APIs to provide our social media channel offerings through social media platforms. Third-party providers of marketing applications and APIs may change the features of their applications and platforms, restrict our access to their applications and platforms or alter the terms governing use of their applications and APIs and access to those applications and platforms in a manner adverse to us, including by charging higher fees. Such changes could limit our ability to integrate or could prevent us from integrating our software with these third-party applications and platforms, which could impair the functionality of our software and harm our business. Further, if we fail to integrate our software with new third-party applications and platforms that our clients use for marketing purposes, or if we fail to adapt to the data transfer requirements of such third-party applications and platforms, demand for our solutions could decrease, which would harm our business and operating results.

***The market forecasts included in this prospectus may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, we cannot assure you that our business will grow at similar rates, or at all.***

The market forecasts included in this prospectus, including the forecasts by Forrester and Gartner, Inc. ( Gartner ), are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. This risk also applies to forecasts of anticipated spending on interactive marketing channels. Market data and forecasts relating to international spending on interactive marketing are even more limited than data for the U.S. market. If the forecasts of market

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growth or anticipated spending prove to be inaccurate, our business and growth prospects could be adversely affected. Even if the forecasted growth occurs, our business may not grow at a similar rate, or at all. Our future growth is subject to many factors, including our ability to successfully implement our business strategy, which itself is subject to many risks and uncertainties. Accordingly, the forecasts and market data in this prospectus should not be taken as indicative of our future growth.

***We may not be able to utilize a significant portion of our net operating loss carry-forwards, which could adversely affect our operating results and cash flows.***

As of June 30, 2012, we had \$74.0 million of net operating loss carry-forwards and \$10.2 million of net operating loss carry-forwards from unrecognized stock option exercise deductions. Utilization of these net operating loss carry-forwards depends on many factors, including our future income, which cannot be assured. Our loss carry-forwards begin to expire in 2029. In addition, Section 382 of the Internal Revenue Code generally imposes an annual limitation on the amount of net operating loss carry-forwards that may be used to offset taxable income when a corporation has undergone significant changes in stock ownership. Although we have undergone one or more ownership changes as a result of prior financings, we believe that any such change in ownership and the corresponding annual limitation likely will not prevent us from using our current net operating losses in any significant or material way. However, future ownership changes or future regulatory changes could limit our ability to utilize our net operating loss carry-forwards. To the extent we are not be able to offset our future income against our net operating loss carry-forwards, this would adversely affect our cash flows.

***Tax laws or regulations could be enacted or existing laws could be applied to us or our clients, which could increase the costs of our solutions and adversely impact our business.***

The application of federal, state, local and international tax laws to services and products provided electronically is evolving. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time (possibly with retroactive effect), and could be applied solely or disproportionately to services and products provided over the Internet or via email, which could discourage the use of the Internet and email as a means of commercial marketing, adversely affecting the viability of our solutions. These enactments could adversely affect our sales activity due to the inherent cost increase the taxes would represent and ultimately result in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us (possibly with retroactive effect), which could require us or our clients to pay additional tax amounts, as well as require us or our clients to pay fines or penalties and interest for past amounts. For example, if tax authorities reclassify as employees the third-party professional services consultants we engage as independent contractors, we may be subject to retroactive taxes and penalties for failure to withhold federal or state income tax or Federal Insurance Contributions Act payments, and failure to provide workers' compensation insurance with respect to such third-party professional services consultants. In addition, if we are unsuccessful in collecting required taxes from our clients, we could be held liable for such costs, thereby adversely impacting our operating results and cash flows.

***As a public company, our business is subject to regulations regarding corporate governance, disclosure controls, internal control over financial reporting and other compliance areas that increase both our costs and the risk of noncompliance with applicable laws.***

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

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and the rules and regulations of the New York Stock Exchange ( NYSE ). Being subject to these rules and regulations has increased our legal, accounting and financial compliance costs, made some activities more difficult, time-consuming and costly and also placed significant additional strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending December 31, 2013, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management and, if we are no longer an emerging growth company under the JOBS Act, our independent registered public accounting firm, to report on the effectiveness of our internal controls over financial reporting in our Form 10-K filing for such year, as required by Section 404 of the Sarbanes-Oxley Act. This will require us to incur substantial accounting expense and expend significant management efforts. We have never been required to test our internal controls within a specified period, and, as a result, we may experience difficulty in meeting these reporting requirements in a timely manner, particularly if material weaknesses or significant deficiencies are found.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, the market price of our stock could decline and we could be subject to sanctions or investigations by the NYSE, the SEC or other regulatory authorities.

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

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

Implementing any required changes to our disclosure controls or internal controls may require specific compliance training of our directors, officers and employees, entail substantial costs to modify our existing accounting systems and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our controls. Failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations. In the event that our disclosure controls or internal controls are perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results which could cause our stock price to decline.

***Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported results of operations.***

Financial accounting standards may change or their interpretation may change. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change becomes effective. Changes to existing rules or the re-examining of current practices may adversely affect our reported financial results or the way we conduct our business. Accounting for revenue from sales of our solutions is particularly complex, is often the subject of intense scrutiny by the SEC, and will evolve as the Financial Accounting Standards Board (the FASB ) continues to consider applicable accounting standards in this area.



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*We may not be able to secure sufficient additional financing on favorable terms, or at all, to meet our future capital needs.*

In the future, we may require additional capital to pursue business opportunities or acquisitions or respond to challenges and unforeseen circumstances. We may also decide to engage in equity or debt financings or enter into credit facilities for other reasons. We may not be able to secure additional debt or equity financing in a timely manner, on favorable terms, or at all. Any debt financing we obtain in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Immediately after this offering, the holders of an aggregate of 32,752,765 shares of our common stock outstanding as of June 30, 2012 will have rights, subject to some conditions, to require us to include their shares in registration statements that we may file for ourselves or our stockholders. If these holders exercise such registration rights and require us to include their shares in a registration statement that we propose to file, and the managing underwriter advises us that the inclusion of all shares requested by the holders would interfere with the successful marketing of the securities in such registration, the securities to be included in such registration are to be allocated to the holders first and the number of shares we propose to sell would be reduced.

*Catastrophic events may disrupt our business.*

We rely heavily on our network infrastructure and information technology systems for our business operations. A disruption or failure of these systems in the event of a tornado, earthquake, fire, cyber-attack, terrorist attack, power loss, telecommunications failure or other similar catastrophic event could cause system interruptions, delays in the delivery of our clients' interactive marketing communications, reputational harm and loss of critical data or could prevent us from providing our interactive marketing solutions to our clients. Our system hardware is co-located in three data centers operated by third parties in Indianapolis, Indiana and Las Vegas, Nevada. A catastrophic event that results in the destruction or disruption of any of these data centers, or our network infrastructure or information technology systems, could affect our ability to conduct normal business operations and adversely affect our operating results.

## **Risks Related to this Offering and Ownership of Our Common Stock**

*Our stock price may be volatile or may decline regardless of our operating performance and you may not be able to resell your shares at or above the public offering price.*

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control. In addition to the other risk factors described herein, these factors include:

actual or anticipated fluctuations in our revenue and other operating results;

the financial guidance we may provide to the public, any changes in such guidance, our failure to meet any such guidance or any changes in analysts' recommendations;

announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;

changes in operating performance and stock market valuations of software or other technology companies, particularly companies in our industry;

the addition or loss of significant clients;

fluctuations in the trading volume of our common stock or the size of our public float;



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announcements by us with regard to the effectiveness of our internal controls and our ability to accurately report our financial results;

price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;

general economic, legal, regulatory and market conditions unrelated to our performance;

lawsuits threatened or filed against us; and

other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

If the market price of our common stock after this offering does not exceed the public offering price, you may not realize any return on your investment in our common stock and may lose some or all of your investment. In addition, the stock markets have experienced extreme fluctuations in price and trading volume that have caused and will likely continue to cause the stock prices of many technology companies to fluctuate in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of declining stock prices. If we were to become involved in securities litigation, we could face substantial costs and be forced to divert resources and the attention of management from our business, which could adversely affect our business.

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

The trading market for our common stock depends on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts only recently began to cover us and may cease to do so. If securities or industry analysts cease to cover our company, the trading price of our stock could decline. A downgrade of our stock or the publication of inaccurate or unfavorable research about our business would likely cause our stock price to decline. If one or more of these analysts cease to cover our company or fail to publish reports about us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

***Sales of substantial amounts of our common stock in the public market, or the perception that they might occur, could reduce the price that our common stock might otherwise attain.***

The price of our common stock could decline if there are substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, or if there is a large number of shares of our common stock available for sale. We have a small public float relative to the total number of shares of our common stock that are issued and outstanding, and a substantial majority of our issued and outstanding shares are currently restricted as a result of securities laws, lock-up agreements or other contractual provisions that restrict transfers.

After this offering, there will be outstanding 66,038,276 shares of our common stock, based on the number of shares outstanding as of June 30, 2012. This includes the 6,500,000 shares that the selling stockholders are selling in this offering and the 9,775,000 shares sold in our initial public offering, all of which may be resold in the public market on the NYSE.

All of the remaining 49,763,276 outstanding shares after this offering are subject to lock-up agreements entered into in connection with our initial public offering. The lock-up period under these agreements expires on September 17, 2012, but remains subject to extension in some circumstances.

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In addition, shares owned by our executive officers and directors and the selling stockholders will be subject to lock-up agreements restricting the sale of such shares for a period of 90 days after the date of this prospectus. J.P. Morgan Securities LLC, Deutsche Bank Securities Inc. and Stifel, Nicolaus & Company, Incorporated acting together may, in their sole discretion, permit our officers, directors, employees and current stockholders who are subject to the contractual lock-up to sell shares prior to the expiration of the applicable lock-up agreements. See Underwriting for more information.

Shares held by directors, executive officers and other affiliates will be subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended (the Securities Act), and various vesting agreements in some cases.

In addition, the holders of an aggregate of 32,752,765 shares of our common stock outstanding as of June 30, 2012 will have rights immediately after this offering, 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 our stockholders. For a more detailed description of these registration rights, see Description of Capital Stock Registration Rights.

Sales of substantial amounts of our common stock in the public market following the release of lock-up periods or otherwise, or the perception that these sales could occur, could cause the market price of our common stock to decline.

***We may in the future issue additional equity securities, which may have a dilutive effect on your investment.***

We may issue shares of our common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments or otherwise. Any such issuance could result in ownership dilution to our existing stockholders and cause the trading price of our common stock to decline. Moreover, any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock.

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

We are an emerging growth company, as defined in the JOBS Act, and we will take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of 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 of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years from March 21, 2012, the date of our initial public offering, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) the date that we become a large accelerated filer as defined in Rule 12b-2 under the Exchange Act, which would occur at the end of the fiscal year during which the market value of our common stock that is held by non-affiliates is at least \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period. We cannot predict if investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result of such exemptions, there may be a less active trading market for our common stock and our stock price and trading volume may decline.

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Under Section 107(b) of the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we are subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

*Delaware law and our amended and restated certificate of incorporation and bylaws contain provisions that could delay or discourage takeover attempts that our stockholders may consider favorable.*

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

our board of directors is divided into three classes serving staggered three-year terms;

our board of directors has the right to elect a director to fill a vacancy created by the expansion of the board of directors or due to the resignation or departure of an existing board member;

our directors are not elected by cumulative voting; cumulative voting would allow less than a majority of stockholders to elect director candidates;

advance notice of nominations for election to the board of directors or for proposing matters that can be acted upon at a stockholders meeting is required;

our board of directors may alter our bylaws without obtaining stockholder approval;

our board of directors may issue, without stockholder approval, up to 10,000,000 shares of preferred stock with terms set by the board of directors, certain rights of which could be senior to those of our common stock;

stockholders do not have the right to call a special meeting of stockholders and to take action by written consent in lieu of a meeting;

approval of at least two thirds of the shares entitled to vote at an election of directors is required to amend or repeal, or adopt any provision inconsistent with, our amended and restated bylaws or the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors; and

directors may be removed from office only for cause.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"). In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for three years following the time that such stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns, or did own, within three years prior to the determination of interested stockholder status, 15% or more of a corporation's voting stock.

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These provisions may prohibit large stockholders, particularly those owning 15% or more of our outstanding voting stock, from merging or combining with us. These provisions in our amended and restated certificate of incorporation and our amended and restated bylaws and the DGCL could discourage potential takeover attempts, could reduce the price that investors are willing to pay for shares of our common stock in the future and could potentially result in the market price of our common stock being lower than it otherwise would be.

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***Our directors, executive officers and principal stockholders will collectively own approximately 53% of our outstanding common stock after this offering and will continue to have substantial control over the company.***

Upon completion of this offering, our directors, executive officers and holders of more than 5% of our common stock, together with their affiliates, will beneficially own, in the aggregate, approximately 53% of our outstanding common stock. As a result, these stockholders, acting together, would have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, would have the ability to control our management and affairs. Accordingly, this concentration of ownership might harm the market price of our common stock by:

delaying, deferring or preventing a change in control of the company;

impeding a merger, consolidation, takeover or other business combination involving us; or

discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the company.

***We do not intend to pay dividends for the foreseeable future.***

We have never declared or paid cash dividends on our common stock. Our existing credit facilities prohibit us from paying dividends, and any future financing agreements may also restrict our ability to pay dividends. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements within the meaning of Section 21E of the Exchange Act. All statements contained in this prospectus are forward-looking statements, except for statements of historical fact, including statements regarding our future results of operations and financial position, and statements that address activities, events or developments that we expect, believe or anticipate will exist or may occur in the future. In some cases, forward-looking statements can be identified by various forms of words such as believe, may, might, could, will, should, seek, estimate, continue, anticipate, project, intend, deliver, expect, forecast, goals, objectives, scheduled or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations, objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under Risk Factors. Moreover, we operate in a very competitive and rapidly changing environment where new risks emerge from time to time. Our management cannot predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In addition to causing our actual results to differ, such risks and factors may cause our intentions to change from those statements of intention set forth in this prospectus. Such changes in our intentions may also cause our results to differ. We may change our intentions at any time and without notice based upon changes in such factors, our assumptions or otherwise. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Given the uncertainties and risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement, we caution investors not to unduly rely on our forward-looking statements. Forward-looking statements speak only as of the date they are made. We disclaim any obligation to and do not intend to update any forward-looking statements or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.



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**INDUSTRY AND MARKET DATA**

This prospectus contains estimates and information concerning our industry, including market position, market size and growth rates of the markets in which we participate, that are based on industry publications and reports, including those generated by Forrester, the Direct Marketing Association and Gartner. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates as there is no assurance that any of them will be achieved. Although we have not independently verified the accuracy or completeness of the data contained in these industry publications and reports, based on our industry experience we believe that the publications and reports are reliable and that the conclusions contained in the publications and reports are reasonable. A variety of factors, including those described under Risk Factors, could cause results to differ materially from those expressed in these publications and reports.

The statement in this prospectus attributable to Gartner represents data published as part of a syndicated subscription service, by Gartner, and is not a representation of fact. Such statement speaks as of its original publication date (and not as of the date of this prospectus), and the opinions expressed in Gartner publications are subject to change without notice.

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**USE OF PROCEEDS**

We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

**DIVIDEND POLICY**

We have never declared or paid cash dividends on our common stock. We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any dividends in the foreseeable future. Any future determination to pay dividends on our capital stock will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors considers relevant.

**MARKET PRICE OF OUR COMMON STOCK**

Our common stock has been trading on the NYSE under the symbol ET since March 22, 2012. Prior to that date, there was no public trading market for our common stock. Our initial public offering was priced at \$19.00 per share on March 21, 2012. The following table sets forth for the periods indicated the high and low sales prices of our common stock on the NYSE.

	<b>High</b>	<b>Low</b>
<b>2012</b>		
Third Quarter (through September 6, 2012)	\$ 24.88	\$ 19.87
Second Quarter	27.91	18.53
First Quarter (beginning March 22, 2012)	29.88	22.50

On September 6, 2012, the last reported sale price of our common stock on the NYSE was \$21.85 per share. As of September 5, 2012, there were 202 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

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The following table sets forth our capitalization as of June 30, 2012:

You should read this table in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	<b>As of June 30, 2012 (unaudited) (in thousands, except shares)</b>
<b>Cash and cash equivalents</b>	<b>\$ 211,555</b>
<b>Stockholders' equity:</b>	
Common stock; \$0.0005 par value: 300,000,000 shares authorized and 66,038,276 shares issued and outstanding	33
Additional paid-in capital	420,377
Accumulated other comprehensive loss	(1,413)
Accumulated deficit	(153,423)
<b>Total stockholders' equity</b>	<b>265,574</b>
<b>Total capitalization</b>	<b>\$ 265,574</b>

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**SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated financial data included in this section are not intended to replace our consolidated financial statements and the related notes included elsewhere in this prospectus.

The consolidated statements of operations and comprehensive loss data for the years ended December 31, 2009, 2010 and 2011, and the consolidated balance sheet data as of December 31, 2010 and 2011, were derived from our audited consolidated financial statements that are included elsewhere in this prospectus. The consolidated statements of operations and comprehensive income (loss) data for the years ended December 31, 2007 and 2008, and the consolidated balance sheet data as of December 31, 2007, 2008 and 2009, were derived from our audited consolidated financial statements not included in this prospectus. The unaudited consolidated statements of operations and comprehensive loss data for the six months ended June 30, 2011 and 2012, and the unaudited consolidated balance sheet data as of June 30, 2012, were derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited consolidated financial statements on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of our future results, and our interim results are not necessarily indicative of the results to be expected for the full fiscal year or for any other period.

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	2007	Year Ended December 31,				Six Months Ended	
		2008	2009	2010	2011	2011	2012
(in thousands, except share and per share data)							
<b>Consolidated Statements of Operations and Comprehensive Income (Loss) Data:</b>							
Revenue	\$ 48,005	\$ 72,342	\$ 95,443	\$ 134,267	\$ 207,493	\$ 92,862	\$ 133,375
Cost of revenue(1)	12,236	20,094	30,772	43,894	70,195	31,284	47,649
Gross profit	35,769	52,248	64,671	90,373	137,298	61,578	85,726
Operating expenses:							
Sales and marketing(1)	19,991	28,397	39,276	63,978	93,559	42,587	52,580
Research and development(1)	8,114	9,901	14,845	27,400	41,390	18,391	22,833
General and administrative(1)	3,662	7,436	13,397	17,159	25,985	11,181	17,246
Total operating expenses	31,767	45,734	67,518	108,537	160,934	72,159	92,659
Operating income (loss)	4,002	6,514	(2,847)	(18,164)	(23,636)	(10,581)	(6,933)
Other income (expense), net	151	34	75	(53)	(1,001)	(589)	(352)
Income (loss) before taxes	4,153	6,548	(2,772)	(18,217)	(24,637)	(11,170)	(7,285)
Income tax expense (benefit)	1,691	2,989	(777)	(6,127)	10,798	(4,202)	
Net income (loss)	2,462	3,559	(1,995)	(12,090)	(35,435)	(6,968)	(7,285)
Adjustment for redemption of preferred stock	(88)		(58,601)				
Preferred stock dividend	(224)		(490)				
Net income (loss) available to common stockholders	\$ 2,150	\$ 3,559	\$ (61,086)	\$ (12,090)	\$ (35,435)	\$ (6,968)	\$ (7,285)
Other comprehensive income (loss):							
Foreign currency translation adjustment			(86)	(17)	(948)	262	(362)
Comprehensive income (loss)	\$ 2,150	\$ 3,559	\$ (61,172)	\$ (12,107)	\$ (36,383)	\$ (6,706)	\$ (7,647)
Net income (loss) per common share:							
Basic	\$ 0.21	\$ 0.33	\$ (5.86)	\$ (1.52)	\$ (4.05)	\$ (0.81)	\$ (0.18)
Diluted	\$ 0.06	\$ 0.09	\$ (5.86)	\$ (1.52)	\$ (4.05)	\$ (0.81)	\$ (0.18)
Weighted average number of common shares outstanding basic	10,326,744	10,468,926	10,417,392	7,978,304	8,750,540	8,612,684	40,345,884
Weighted average number of common shares outstanding diluted	40,338,714	40,719,294	10,417,392	7,978,304	8,750,540	8,612,684	40,345,884

(1) Cost of revenue and operating expenses include the following amounts related to stock-based compensation:

	2007	Year Ended December 31,				Six Months Ended June 30,	
		2008	2009	2010	2011	2011	2012
(in thousands)							
Cost of revenue	\$ 57	\$ 215	\$ 416	\$ 664	\$ 1,055	\$ 493	\$ 672
Sales and marketing	79	320	813	1,413	2,265	1,000	1,548
Research and development	149	257	528	1,147	1,511	673	780
General and administrative	64	191	1,589	1,201	2,123	846	1,953

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Total stock-based compensation	\$	349	\$	983	\$	3,346	\$	4,425	\$	6,954	\$	3,012	\$	4,953
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	2007	2008	As of December 31,			2011	As of June 30,					
			2009	2010		2012	(unaudited)					
	(in thousands)											
<b>Consolidated Balance Sheet Data:</b>												
Cash and cash equivalents	\$	4,246	\$	4,968	\$	34,342	\$	22,804	\$	60,705	\$	211,555
Working capital (deficit)		(1,233)		(2,425)		26,027		305		38,195		191,183
Total assets		32,459		43,171		94,326		122,957		193,284		346,811
Total liabilities		22,351		26,659		39,256		66,554		95,543		81,237
Redeemable convertible preferred stock		11,760		11,760		33,038		33,038		63,000		
Total stockholders equity (deficit)		(1,652)		4,752		22,032		23,365		34,741		265,574

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

*You should read the following discussion in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause our actual results to differ materially from our expectations. Factors that could cause such differences include those described in Risk Factors and elsewhere in this prospectus. Unless otherwise indicated, all references to 2009, 2010 and 2011 mean our fiscal year ended December 31, 2009, 2010 and 2011, as applicable.*

**Overview**

We are a leading global provider of cross-channel, interactive marketing SaaS solutions that empower organizations of all sizes to communicate with their customers through the interactive channels they use most – email, mobile, social media and websites. Our solutions provide marketers with a broad and powerful suite of integrated applications to plan, automate, deliver and optimize data-driven interactive marketing campaigns and real-time communications to drive customer engagement, increase sales and improve their return on marketing investment. Our direct client base consists of organizations ranging from enterprises to small businesses in numerous industries, including retail and e-commerce, media and entertainment, travel and hospitality, financial services and insurance, technology, daily-deal and flash-sale and marketing service providers. Our direct client base includes marketing service providers that extend our global sales distribution by reselling our solutions to several thousand additional organizations.

We provide our solutions primarily through annual and multi-year subscriptions based on the volume of contracted utilization, level of functionality, number of interactive marketing channels, number of users and level of customer support. Clients are charged additional usage-based fees for utilization above the contracted level. Our subscription-based model and track record of long-term client relationships have allowed us to achieve dollar-based subscription revenue renewal rates of over 100% in 2009, 2010, 2011 and for the six months ended June 30, 2012 over the prior year period and provide us significant revenue visibility.

We believe that the demand for cross-channel, interactive marketing SaaS solutions is significant and growing, driven by organizations' desire to develop a unified, cross-channel view of their customers to drive real-time, relevant engagement through email, mobile, social media and websites. We anticipate that organizations will continue to increase their use of cross-channel marketing SaaS solutions to plan, automate, deliver and optimize data-driven interactive marketing campaigns and real-time communications. We believe the market for our suite of cross-channel, interactive marketing SaaS solutions will become larger as organizations adopt cross-channel, interactive marketing. We also believe significant opportunity exists in new markets worldwide that are unserved or underserved by existing providers. We intend to increase our direct global presence in international markets to serve our multinational clients and win new clients in these markets. We also believe opportunities to acquire companies and technologies to expand the functionality of our solutions will emerge, providing access to new clients or markets, or both.

We face a number of risks in the execution of our strategy, including our potential failure to manage our domestic and international growth effectively, inability to attract new clients and retain existing clients, inability to achieve and sustain profitability and the overall impact of uncertain economic conditions. Due to the size and expected growth of the market opportunity, we recognize that we may face increased competition from established vendors and potential new entrants in our

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markets. We believe the expansion of our suite of cross-channel, interactive marketing SaaS solutions have been important in winning new clients and cross selling into our existing client base. While email continues to be the primary interactive marketing channel for our clients and represents a substantial majority of our total revenue, revenue from our mobile, social media and sites solutions is growing at a faster pace than email.

We were founded in December 2000, and initially focused on providing email marketing solutions to small and medium-sized clients. Since that time, we have expanded our solutions offerings to serve the enterprise market. In 2007, we broadened our product strategy to expand beyond email into emerging cross-channel, interactive marketing technologies such as mobile, landing pages and microsites. In 2010, we further expanded our cross-channel, interactive marketing capabilities with the acquisition of the enterprise social media management platform, SocialEngage (formerly CoTweet Enterprise). Additionally, we continued to develop and improve our proprietary, cloud-based platform, expanding our integration framework to enable third-party marketing technology providers to embed our technology into their solutions and build applications on our platform. In 2011, we made our Interactive Marketing Hub generally available to clients, providing a broad and powerful suite of cross-channel, interactive marketing SaaS solutions to plan, automate, deliver and optimize data-driven interactive marketing campaigns and real-time communications.

We have achieved 46 consecutive quarters of sequential revenue growth since our inception in December 2000. In 2009, 2010, 2011 and the six months ended June 30, 2012, our revenue was \$95.4 million, \$134.3 million, \$207.5 million and \$133.4 million, respectively, representing period-over-period growth of 32%, 41%, 55% and 44%, respectively. We were profitable for the first time during the year ended December 31, 2006 and recorded operating income between 8% and 9% of revenue each year from 2006 through 2008. In 2009, we raised significant private capital and implemented a strategy focused on increased investments in sales, marketing, research and development activities and international expansion. This investment strategy has accelerated our revenue growth and has also resulted in operating losses. We have established a direct presence in international markets through acquisitions of resellers in the United Kingdom, Australia and Brazil, and subsequent investments in each of these operations. In August 2009, we acquired a reseller in the United Kingdom, allowing us to directly support clients in Europe including many of our U.S.-headquartered clients doing business in the region. In August 2010, we acquired an Australian reseller to extend our ability to support multinational clients in the Asia-Pacific region. In August 2011, we acquired a reseller in Sao Paulo, Brazil, to support clients in Latin America and to expand our sales in the region. Most recently, in the first quarter of 2012, we established a direct presence in Germany by opening a sales and professional services office in Munich. Revenue from outside the United States as a percentage of total revenue was 6%, 8%, 14% and 18% in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. As a result of our increased investment strategy initiated in 2009, our cash flows from operations decreased from \$6.7 million in 2009 to \$3.6 million in 2010 and we used \$2.8 million of cash for operations in 2011. For the six months ended June 30, 2012, our cash flows from operations increased to \$8.0 million. We intend to continue to expand our direct and indirect sales channels, expand our global reach, extend our suite of cross-channel, interactive marketing SaaS solutions and increase revenue from new and existing clients.





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accompanying reconciliations to corresponding GAAP financial measures, provides a more complete understanding of factors and trends affecting our business. For a reconciliation from net income (loss) to Adjusted EBITDA, see Prospectus Summary Summary Consolidated Financial Data.

**Components of Results of Operations****Revenue**

We generate revenue through the sale of subscriptions to our suite of cross-channel, interactive marketing SaaS solutions and the delivery of professional services. More than 80% of our revenue in each of 2010 and 2011 and for the six months ended June 30, 2012 was derived from our enterprise, medium-sized and small business clients, with the balance attributable to marketing service providers that resell our solutions to thousands of their customers. We serve a wide range of clients across many industries and sizes, and our revenue is not concentrated within any single client or small group of clients. In each of 2009, 2010 and 2011, and for the six months ended June 30, 2012, no single client represented more than 5% of our revenue, and our largest ten clients accounted for less than 20% of our revenue in the aggregate.

Clients are typically invoiced in advance on an annual, quarterly or monthly basis, with payment due upon receipt of the invoice. Invoiced amounts are reflected on the balance sheet as accounts receivable or as cash when collected and as deferred revenue until earned and recognized as revenue ratably over the performance period. Accordingly, deferred revenue represents the amount billed to clients that has not yet been earned or recognized as revenue, pursuant to agreements entered into in current and prior periods, and does not reflect that portion of a contract to be invoiced to clients on a periodic basis for which payment is not yet due. In recent periods, more of our clients have requested monthly instead of quarterly or annual billing terms. As a result, we believe that the proportion of aggregate contract value reflected on the balance sheet as deferred revenue may continue to decrease if this trend continues.

**Subscription Revenue.** Our subscriptions are based on volume of contracted utilization, level of functionality, number of interactive marketing channels, number of users and level of customer support. Utilization levels are based on the volume of email messages, short message service ( SMS ) messages, website impressions and other activities. If clients exceed the specified volume of utilization, additional fees are billed for the excess volume, generally at rates equal to or greater than the contracted minimum per-utilization fee, and are included in subscription revenue. If clients use less than the minimum contracted utilization, no rollover credit or refunds are given. Subscription agreements with our clients typically are not cancellable for a minimum period, generally one year but ranging up to three years. Our subscription revenue as a percentage of our total revenue was as follows for the periods presented:

	2009	Year Ended December 31, 2010	2011	Six Months Ended June 30, 2011 (unaudited)	2012
Subscription revenue	87%	86%	82%	84%	80%

We recognize the aggregate minimum subscription fee ratably on a straight-line basis over the subscription term, provided that an enforceable contract has been signed by both parties, access to our SaaS solutions has been granted to the client, the fee for the subscription is fixed or determinable and collection is reasonably assured. Revenue from utilization above the contracted level is recognized in the period in which the utilization occurs. As a result of new client additions and expansion of our overall client base, we believe revenue attributable to utilization above the contracted level may continue to grow in absolute dollars.

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*Professional Services Revenue.* Professional services revenue consists primarily of fees associated with training, implementation, integration, deliverability, campaign services and strategic consulting. Our professional services are not required for clients to utilize our suite of cross-channel, interactive marketing SaaS solutions. Depending upon the nature of the engagement, we may provide professional services over the term of the SaaS subscription or in connection with discrete projects. Revenue for our professional services engagements is recognized over the period of performance and is typically contracted on a fixed-fee basis. Our professional services revenue as a percentage of our total revenue was as follows for the periods presented:

	2009	Year Ended December 31, 2010	2011	Six Months Ended June 30, 2011 (unaudited)	2012
Professional services revenue	13%	14%	18%	16%	20%

**Cost of Revenue**

We allocate certain overhead expenses, such as rent, utilities, office supplies and depreciation of general office assets to cost of revenue categories based on related headcount. As a result, an overhead expense allocation is reflected in each cost of revenue category.

*Cost of Subscription Revenue.* Cost of subscription revenue consists primarily of wages and benefits for software operations personnel, as well as depreciation, licensing, maintenance and support for hardware and software used in production, and co-location facilities, bandwidth and infrastructure expenses. The expenses related to co-location, bandwidth and infrastructure are affected by the number of clients using our suite of cross-channel, interactive marketing SaaS solutions, the complexity and frequency of their use, the level of utilization and the amount of stored data. In addition, these expenses are affected by our requirement to maintain high application availability. Our system hardware is co-located in two third-party operated hosting facilities in Indianapolis, Indiana and one in Las Vegas, Nevada. We expect to make further significant capital investments in the expansion and operation of our data centers and to continue to expand our business, which will increase our cost of subscription revenue in absolute dollars.

*Cost of Professional Services Revenue.* Cost of professional services revenue primarily consists of wages and benefits for services personnel and related costs. Our cost of professional services revenue is significantly higher as a percentage of associated revenue than our cost of subscription revenue due to the labor costs associated with providing professional services. As it takes several months to ramp up a professional services consultant to full productivity, we generally increase our professional services capacity ahead of the recognition of associated professional services revenue, which can result in lower margins in a period of significant hiring. We expect the number of professional services personnel to increase in the future as we continue to serve more enterprise clients, resulting in higher cost of professional services revenue in absolute dollars.

**Operating Expenses**

We allocate certain overhead expenses, such as rent, utilities, office supplies and depreciation of general office assets to operating expense categories based on related headcount. As a result, an overhead expense allocation is reflected in each operating expense category.

*Sales and Marketing.* Sales and marketing expenses consist primarily of wages and benefits for sales and marketing personnel, sales commissions, travel and meeting expenses and lead-generation marketing programs. All sales and marketing costs are expensed as incurred. In particular, sales bonuses are expensed in the period of contract signing and commissions are expensed upon contract billing. Our sales and marketing expenditures have historically been highest in the last two quarters of

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each year, which are periods of increased sales and marketing activity. In order to continue to grow our business and increase our brand awareness, we expect to continue investing substantial resources in our sales and marketing efforts. As a result, we expect sales and marketing expenses to increase as we invest to acquire new clients and retain and grow revenue from existing clients.

*Research and Development.* Research and development expenses consist primarily of wages and benefits for product strategy, product architecture, product design, development and quality assurance personnel, and the costs of third-party development contractors. We focus our research and development efforts on usability, application performance, new features and functionality and development of emerging cross-channel marketing technologies. We expense research and development costs as incurred due to our relatively short development cycle. We expect research and development expenses to increase as we continue to enhance our product offerings.

*General and Administrative.* General and administrative expenses consist primarily of wages and benefits for executive, finance and accounting, legal, human resources, internal information technology support and administrative personnel. In addition, general and administrative expenses include professional services fees, bad debt expenses and other corporate expenses. We expect that general and administrative expenses will increase as we continue to add personnel to support our growth. We also anticipate that we will continue to incur additional costs for personnel and for professional services including auditing and legal services, insurance and other corporate governance-related costs related to operating as a public company.

### ***Provision for Income Taxes***

We are subject to taxes in the United States as well as other tax jurisdictions in which we conduct business. Earnings from our non-U.S. activities are subject to local income tax and may be subject to current U.S. income tax.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We record a valuation allowance to reduce deferred tax assets to an amount whose realization is more likely than not.

We recognize tax benefits from uncertain tax positions when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. We record interest and penalties related to unrecognized tax benefits in our provision for income taxes.

As of June 30, 2012, we had recorded a full valuation allowance on our deferred tax assets. In the third quarter of 2011, we decided to explore the opportunity to launch an initial public offering and, as a result, we determined that it was no longer more likely than not that our deferred tax assets would be realized due to continued planned business investment with the proceeds of our initial public offering. We previously overcame the negative evidence provided by our recent losses by demonstrating that we had generated income in 2006, 2007 and 2008 and using that information to show our ability to generate taxable income from existing client contracts if our planned investments were not made. In making such determination, we considered all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

**Table of Contents****Adjustment for Redemption of Preferred Stock**

Adjustment for redemption of preferred stock represents the impact on earnings of the redemption of a portion of our Series A and Series B preferred stock and all of our Series C preferred stock using a portion of the proceeds from the issuance of our Series D preferred stock in 2009. When preferred stock is redeemed, the excess fair value of the consideration paid to holders of preferred stock over the carrying amount of the preferred stock (excess consideration) represents a return to the preferred stockholders. Net income used in the calculation of both basic and diluted earnings per share excludes the adjustment for redemption of preferred stock. The effect of the assumed conversion of preferred stock used in the calculation of diluted earnings per share excludes the impact of the redemption of those shares of our Series A, Series B and Series C preferred stock as their effect was anti-dilutive.

**Results of Operations**

The following tables set forth selected consolidated statements of operations and comprehensive loss data for each of the periods indicated and as a percentage of total revenue.

	2009	Year Ended December 31, 2010	2011	Six Months Ended June 30, 2011      2012 (unaudited)	
	(in thousands)				
<b>Consolidated Statements of Operations and Comprehensive Loss Data:</b>					
<b>Revenue:</b>					
Subscription revenue	\$ 83,134	\$ 115,553	\$ 170,696	\$ 77,800	\$ 106,250
Professional services revenue	12,309	18,714	36,797	15,062	27,125
Total revenue	95,443	134,267	207,493	92,862	133,375
<b>Cost of revenue:</b>					
Cost of subscription revenue	18,791	25,882	40,333	18,001	25,430
Cost of professional services revenue	11,981	18,012	29,862	13,283	22,219
Total cost of revenue(1)	30,772	43,894	70,195	31,284	47,649
Gross profit	64,671	90,373	137,298	61,578	85,726
<b>Operating expenses:</b>					
Sales and marketing(1)	39,276	63,978	93,559	42,587	52,580
Research and development(1)	14,845	27,400	41,390	18,391	22,833
General and administrative(1)	13,397	17,159	25,985	11,181	17,246
Total operating expenses	67,518	108,537	160,934	72,159	92,659
Operating loss	(2,847)	(18,164)	(23,636)	(10,581)	(6,933)
Other income (expense), net	75	(53)	(1,001)	(589)	(352)
Loss before taxes	(2,772)	(18,217)	(24,637)	(11,170)	(7,285)
Income tax expense (benefit)	(777)	(6,127)	10,798	(4,202)	
Net loss	(1,995)	(12,090)	(35,435)	(6,968)	(7,285)
Adjustment for redemption of preferred stock	(58,601)				
Preferred stock dividend	(490)				

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Net loss available to common stockholders	\$ (61,086)	\$ (12,090)	\$ (35,435)	\$ (6,968)	\$ (7,285)
<b>Other comprehensive loss:</b>					
Foreign currency translation adjustment	(86)	(17)	(948)	262	(362)
<b>Comprehensive loss</b>	<b>\$ (61,172)</b>	<b>\$ (12,107)</b>	<b>\$ (36,383)</b>	<b>\$ (6,706)</b>	<b>\$ (7,647)</b>

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(1) Total cost of revenue and operating expenses include the following amounts related to stock-based compensation:

	2009	Year Ended December 31, 2010	2011	Six Months Ended June 30, 2011 (unaudited)	2012
	(in thousands)				
Cost of revenue subscription	\$ 130	\$ 218	\$ 351	\$ 167	\$ 205
Cost of revenue professional services	286	446	704	326	467
Sales and marketing	813	1,413	2,265	1,000	1,548
Research and development	528	1,147	1,511	673	780
General and administrative	1,589	1,201	2,123	846	1,953
Total stock-based compensation	\$ 3,346	\$ 4,425	\$ 6,954	\$ 3,012	\$ 4,953

	2009	Year Ended December 31, 2010	2011	Six Months Ended June 30, 2011 (unaudited)	2012
<b>Consolidated Statements of Operations Data as a Percentage of Total Revenue(2):</b>					
<b>Revenue:</b>					
Subscription revenue	87%	86%	82%	84%	80%
Professional services revenue	13	14	18	16	20
Total revenue	100	100	100	100	100
<b>Cost of revenue:</b>					
Cost of subscription revenue	20	19	19	19	19
Cost of professional services revenue	13	13	14	14	17
Total cost of revenue	32	33	34	34	36
Gross profit	68	67	66	66	64
<b>Operating expenses:</b>					
Sales and marketing	41	48	45	46	39
Research and development	16	20	20	20	17
General and administrative	14	13	13	12	13
Total operating expenses	71	81	78	78	69
Operating loss	(3)	(14)	(11)	(11)	(5)
Other income (expense), net				(1)	
Loss before taxes	(3)	(14)	(12)	(12)	(5)
Income tax expense (benefit)	(1)	(5)	5	(5)	
Net loss	(2)	(9)	(17)	(8)	(5)
Adjustment for redemption of preferred stock	(61)				
Preferred stock dividend	(1)				
Net loss available to common stockholders	(64)%	(9)%	(17)%	(8)%	(5)%

(2) Due to rounding, totals may not equal the sum of the line items in the table.



**Table of Contents****Six Months Ended June 30, 2011 and 2012****Revenue**

	Six Months Ended June 30,		
	2011	2012 (unaudited) (in thousands, except percentages)	% Change
Subscription revenue	\$ 77,800	\$ 106,250	37%
Professional services revenue	15,062	27,125	80%
<b>Total revenue</b>	<b>\$ 92,862</b>	<b>\$ 133,375</b>	<b>44%</b>

The \$28.5 million of growth in subscription revenue was attributable to an increase in revenue from new direct clients and the full period impact of recognition of revenue from new clients added during the prior period. A larger base of renewal clients was partly driven by growth in our international operations, which benefited from increased sales and marketing investments in the United Kingdom, Australia and Brazil. Subscription revenue recognized from international clients increased by \$9.9 million, or 116%, to \$18.4 million for the six months ended June 30, 2012 from \$8.5 million for the six months ended June 30, 2011. Revenue from utilization above the contracted level decreased to \$2.1 million for the six months ended June 30, 2012 from \$5.4 million for the six months ended June 30, 2011 due to more renewal clients renewing at higher contracted utilization volumes.

The \$12.1 million of growth in professional services revenue was attributable to an increased number of enterprise and medium-sized clients with complex interactive marketing programs utilizing our professional services, and the acceleration of new direct client additions utilizing implementation, integration and other services. Growth in our international operations increased professional services revenue by \$3.1 million or 165%.

**Cost of Revenue**

	Six Months Ended June 30,				
	2011	2012		%	
	Amount	% of Cost of Revenue	Amount (unaudited)	% of Cost of Revenue	% Change
(in thousands, except percentages)					
Cost of subscription revenue	\$ 18,001	58%	\$ 25,430	53%	41%
Cost of professional services revenue	13,283	42%	22,219	47%	67%
<b>Total cost of revenue</b>	<b>\$ 31,284</b>	<b>100%</b>	<b>\$ 47,649</b>	<b>100%</b>	<b>52%</b>

The \$7.4 million increase in cost of subscription revenue was due in part to a \$3.0 million increase in employee-related costs, primarily in our customer support and software operations team to support our larger base of clients and our international expansion. Cost of subscription revenue also increased due to a \$2.5 million increase in depreciation and amortization costs related to equipment and software in our data centers, a \$1.2 million increase in operating costs related to enhancing and expanding our infrastructure and a \$0.6 million increase in purchases of third-party partner applications and products for resale to our clients.

The \$8.9 million increase in cost of professional services revenue was primarily due to a \$4.7 million increase in employee-related costs to support higher professional services revenue. Cost



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of professional services revenue also increased due to a \$2.4 million increase in payments to third-party professional services consultants and a \$1.1 million increase related to travel and meeting expenses due to the increase in professional services personnel to support our larger base of clients and international expansion.

**Gross Profit**

	2011		Six Months Ended June 30, 2012		% Change
	Amount	% of Associated Revenue	Amount (unaudited)	% of Associated Revenue	
	(in thousands, except percentages)				
Subscription revenue gross profit	\$ 59,799	77%	\$ 80,820	76%	35%
Professional services revenue gross profit	1,779	12%	4,906	18%	176%
<b>Total gross profit</b>	<b>\$ 61,578</b>	<b>66%</b>	<b>\$ 85,726</b>	<b>64%</b>	<b>39%</b>

Our subscription revenue gross profit increased \$21.0 million in absolute dollars and decreased less than 1 percentage point as a percentage of associated revenue. The increase in the dollar amount of gross profit is attributable to the growth in the number of clients and our ability to grow revenues while controlling costs as a percentage of revenue.

The \$3.1 million increase in professional services revenue gross profit was due in part to the growth in the number of clients using our professional services as well as the prior year adoption of a new accounting standard for revenue recognition of multiple deliverable arrangements on a prospective basis. The accounting standard specifically impacts timing of revenue recognized for professional services contracts. Revenue from professional services is now recognized using a proportional performance model based on services performed. For contracts entered into prior to January 1, 2011, professional services revenue was recognized ratably over the subscription term. This prospective accounting change, along with increased revenue in U.S. and international locations and leveraging the prior year investment made in our professional services headcount, resulted in a 176% increase in professional services gross profit.

**Sales and Marketing Expenses**

	Six Months Ended June 30,		% Change
	2011	2012 (unaudited)	
	(in thousands, except percentages)		
Sales and marketing	\$ 42,587	\$ 52,580	23%
Percentage of total revenue	46%	39%	

The \$10.0 million increase in sales and marketing expenses was primarily due to a \$6.2 million increase in employee-related costs and a \$0.8 million increase in sales commissions and bonuses as a result of increased revenue and performance that exceeded our sales targets. It also reflects an increase in travel and meeting expenses of \$1.5 million and an increase in marketing program and event expenses of \$0.8 million. Our sales and marketing headcount increased as we continued to invest in expanding our domestic and international presence. As a percentage of total revenue, sales and marketing expenses decreased 7 percentage points due to revenue growing at a faster rate than expenses during the period.

**Table of Contents****Research and Development Expenses**

	Six Months Ended June 30,		%
	2011	2012	Change
	(unaudited)		
	(in thousands, except percentages)		
Research and development	\$ 18,391	\$ 22,833	24%
Percentage of total revenue	20%	17%	

The \$4.4 million increase in research and development expenses was primarily due to a \$1.8 million increase in employee-related costs, a \$1.5 million increase in third-party development contractor resources and an increase of \$1.2 million in software support costs. Our research and development spending increased as we accelerated the development of our suite of cross-channel, interactive marketing SaaS solutions. As a percentage of total revenue, research and development expenses decreased 3 percentage points due to revenue growing at a faster rate than expenses during the period.

**General and Administrative Expenses**

	Six Months Ended June 30,		%
	2011	2012	Change
	(unaudited)		
	(in thousands, except percentages)		
General and administrative	\$ 11,181	\$ 17,246	54%
Percentage of total revenue	12%	13%	

The \$6.1 million increase in general and administrative expenses was primarily due to a \$3.8 million increase in employee-related costs, including incentive compensation, in finance and accounting, legal, human resources, talent acquisition and internal information technology resources to support our growth. Expenses incurred for third-party accounting, information technology, insurance and consulting related fees also increased \$1.8 million as the scope of such work grew in connection with our growth and costs of becoming a publicly traded company. As a percentage of total revenue, general and administrative expenses increased 1 percentage point due to increased expenses, primarily as a result of becoming a publicly traded company, increasing at a faster rate than revenue.

**Other Expense, Net**

	Six Months Ended June 30,		%
	2011	2012	Change
	(unaudited)		
	(in thousands, except percentages)		
Other expense, net	\$ (589)	\$ (352)	(40)%

Other expense consists primarily of interest income and expense and foreign exchange gains and losses. The decrease of \$0.2 million is due to less interest expense incurred as a result of terminating our term loan and revolving line of credit in April 2012.

**Table of Contents****Income Tax Benefit**

	Six Months Ended June 30,		
	2011	2012	%
	(unaudited)		Change
	(in thousands, except percentages)		
Income tax benefit	\$ (4,202)	\$	*

\* Not meaningful

Income tax benefit of \$0 in 2012 compared to \$(4.2) million in 2011 is due to our determination in September of 2011 that it was no longer more likely than not that our deferred tax assets would be realized due to continued planned business investment. In making such determination, we considered all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial results. Accordingly, we established a full valuation allowance against the net deferred tax assets in the third quarter of 2011.

**Years Ended December 31, 2009, 2010 and 2011****Revenue**

	Year Ended December 31,			Change	
	2009	2010	2011	2009 to 2010 (%)	2010 to 2011 (%)
	(in thousands, except percentages)				
Subscription revenue	\$ 83,134	\$ 115,553	\$ 170,696	39%	48%
Professional services revenue	12,309	18,714	36,797	52%	97%
Total revenue	\$ 95,443	\$ 134,267	\$ 207,493	41%	55%

*2010 compared to 2011.* The \$55.1 million of growth in subscription revenue was primarily attributable to increased revenue from over 1,280 new direct client additions, including over 410 added outside the United States, the full period impact of recognition of revenue from over 1,200 new clients added during the prior period, a larger base of renewal clients and growth in our international operations resulting from increased sales and marketing investments in the United Kingdom, Australia and Brazil. Subscription revenue recognized from international clients increased by \$13.2 million, or 130%, from \$10.1 million in 2010 to \$23.3 million for 2011. Revenue from utilization above the contracted level increased by \$0.9 million, or 10%, from \$9.1 million in 2010 to \$10.0 million for 2011. Revenue associated with utilization above the contracted level increased in total dollars, but decreased as a percentage of total revenue due to a larger base of renewal clients renewing at higher contracted utilization volumes.

The \$18.1 million of growth in professional services revenue was also attributable to an increase in the number of enterprise and medium-sized clients with complex interactive marketing programs utilizing our professional services, the acceleration of over 620 new direct client additions utilizing implementation, integration and other services and increased revenue from our international operations.

*2009 compared to 2010.* The \$32.4 million of growth in subscription revenue was primarily attributable to increased revenue from over 1,200 new direct client additions, including over 180 added outside the United States, the full period impact of recognition of revenue from new clients added during the prior period, a larger base of renewal clients and growth in our international operations resulting from increased sales and marketing investments in the United Kingdom and Australia. Subscription revenue from international clients increased by \$4.6 million, from \$5.5 million in 2009 to



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\$10.1 million in 2010. Revenue from utilization above the contracted level increased by \$1.2 million, or 15%, from \$7.9 million in 2009 to \$9.1 million in 2010. Revenue associated with utilization above the contracted level increased in total dollars, but decreased as a percentage of total revenue due to a larger base of renewal clients renewing at higher contracted utilization volumes.

The \$6.4 million of growth in professional services revenue was also primarily attributable to an increase in the number of enterprise and medium-sized clients with complex interactive marketing programs and the acceleration of over 580 new direct client additions utilizing our implementation, integration and other services.

**Cost of Revenue**

	2009		Year Ended December 31, 2010		2011		Change 2010	
	Amount	% of Cost of Revenue	Amount	% of Cost of Revenue	Amount	% of Cost of Revenue	2009 to 2010 (%)	to 2011 (%)
	(in thousands, except percentages)							
Cost of subscription revenue	\$ 18,791	61%	\$ 25,882	59%	\$ 40,333	57%	38%	56%
Cost of professional services revenue	11,981	39%	18,012	41%	29,862	43%	50%	66%
Total cost of revenue	\$ 30,772	100%	\$ 43,894	100%	\$ 70,195	100%	43%	60%

*2010 compared to 2011.* The \$14.5 million increase in cost of subscription revenue was due in part to a \$4.7 million increase in employee-related costs due to the net addition of 44 employees from 2010 to 2011, primarily in our customer support and software operations team to support our larger base of clients and our international expansion. Cost of subscription revenue also increased due to a \$3.6 million increase in depreciation and amortization costs related to equipment and software in our data centers, a \$1.8 million increase in operating costs related to enhancing and expanding our infrastructure and a \$2.2 million increase in purchases of third-party partner applications and products for resale to our clients.

The \$11.9 million increase in cost of professional services revenue was primarily due to a \$6.2 million increase in employee-related costs due to the net addition of 114 professional services personnel from 2010 to 2011. Cost of professional services revenue also increased due to a \$2.0 million increase in payments to third-party professional services consultants and a \$1.0 million increase related to travel and meeting expenses due to the increase in professional services personnel to support our larger base of clients and international expansion.

*2009 compared to 2010.* The \$7.1 million increase in cost of subscription revenue was due in part to a \$2.0 million increase in employee-related costs due to the net addition of 29 employees from 2009 to 2010, primarily in our technical support team. Cost of subscription revenue also increased due to a \$1.8 million increase in depreciation and amortization costs related to equipment and software in our data centers and a \$1.9 million increase in operating costs related to enhancing and expanding our data centers.

The \$6.0 million increase in cost of professional services revenue was primarily due to a \$3.2 million increase in employee-related costs due to the net addition of 26 professional services personnel from 2009 to 2010. Cost of professional services revenue also increased due to a \$1.7 million increase in payments to third-party professional services consultants.

**Table of Contents****Gross Profit**

	2009		Year Ended December 31, 2010		2011		Change	
	Amount	% of Associated Revenue	Amount  (in thousands, except percentages)	% of Associated Revenue	Amount	% of Associated Revenue	2009 to 2010 (%)	to 2011 (%)
Subscription revenue gross profit	\$ 64,343	77%	\$ 89,671	78%	\$ 130,363	76%	39%	45%
Professional services revenue gross profit	328	3%	702	4%	6,935	19%	114%	*
<b>Total gross profit</b>	<b>\$ 64,671</b>	<b>68%</b>	<b>\$ 90,373</b>	<b>67%</b>	<b>\$ 137,298</b>	<b>66%</b>	<b>40%</b>	<b>52%</b>

\* Not meaningful

*2010 compared to 2011.* Our subscription revenue gross profit increased \$40.7 million in absolute dollars, but decreased as a percentage of associated revenue. This decrease in gross profit as a percentage of associated revenue, or gross margin, was attributable to the increased use of our solutions and scaling for future growth. This activity resulted in higher third-party data center costs and associated hardware and software costs, along with increased employee-related costs in our customer support and software operations team.

The \$6.2 million increase in professional services revenue gross profit was due in part to the prospective adoption of a new accounting standard for revenue recognition of multiple deliverable arrangements, specifically related to professional services revenue and the growth in the number of clients using our professional services. Revenue from professional services is recognized using a proportional performance model based on services performed. Prior to January 1, 2011, professional services revenue was recognized ratably over the subscription term.

*2009 compared to 2010.* Our subscription revenue gross profit increased in absolute dollars and as a percentage of associated revenue. This increase in gross margin was attributable to the growth of hardware and software costs at a slower rate than subscription revenue in 2010.

Professional services revenue gross profit increased in absolute dollars and as a percentage of associated revenue. This increase in gross margin was attributable to the growth of our professional services personnel costs at a slower rate t