

TREMOR VIDEO INC.  
Form 10-Q  
November 09, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from            to

## TREMOR VIDEO, INC.

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-5480343**

(I.R.S. Employer Identification Number)

**1501 Broadway, Suite 801, New York, NY**

(Address of principal executive offices)

**10036**

(Zip Code)

Registrant's telephone number, including area code: **(646) 723-5300**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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)

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

As of November 3, 2016, there were 51,957,394 shares of the registrant's common stock, par value \$0.0001 per share, outstanding.



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**TREMOR VIDEO, INC.**

**FORM 10-Q**

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CERTIFICATIONS

Table of Contents**Part I FINANCIAL INFORMATION****Item 1. Financial Statements****Tremor Video, Inc.****Consolidated Balance Sheets***(in thousands, except share and per share data)*

	September 30, 2016 (unaudited)	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 47,552	\$ 59,887
Accounts receivable, net of allowance for doubtful accounts of \$7 and \$69 as of September 30, 2016 and December 31, 2015, respectively	60,364	70,778
Prepaid expenses and other assets	2,671	3,721
Total current assets	110,587	134,386
Long-term assets:		
Deferred tax assets	3	
Restricted cash	770	600
Property and equipment, net of accumulated depreciation of \$10,134 and \$6,716 as of September 30, 2016 and December 31, 2015, respectively	9,308	10,094
Intangible assets, net of accumulated amortization of \$27,746 and \$24,488 as of September 30, 2016 and December 31, 2015, respectively	8,128	11,469
Goodwill	10,863	10,781
Other assets	1,159	794
Total long-term assets	30,231	33,738
Total assets	\$ 140,818	\$ 168,124
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 49,053	\$ 58,742
Deferred rent, short-term	485	401
Contingent consideration on acquisition, short-term	1,608	987
Deferred revenue	48	108
Total current liabilities	51,194	60,238
Long-term liabilities:		
Deferred rent	6,383	5,237
Contingent consideration on acquisition		443
Deferred tax liabilities	502	510
Other liabilities		264
Total liabilities	58,079	66,692
Commitments and contingencies		
Stockholders equity:		
Common stock, \$0.0001 par value: 250,000,000 shares authorized as of September 30, 2016 and December 31, 2015, respectively; 52,391,921 and 52,214,384 shares issued and	5	5

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outstanding as of September 30, 2016 and December 31, 2015, respectively

Treasury stock, at cost 799,508 and 0 shares, respectively	(1,516)	
Additional paid-in capital	282,630	279,136
Accumulated other comprehensive loss	(180)	(55)
Accumulated deficit	(198,200)	(177,654)
Total stockholders' equity	82,739	101,432
Total liabilities and stockholders' equity	\$ 140,818	\$ 168,124

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

Table of Contents**Tremor Video, Inc.****Consolidated Statements of Operations***(in thousands, except share and per share data)**(unaudited)*

	Three Months Ended September 30,		Nine months Ended September 30,	
	2016	2015	2016	2015
Revenue	\$ 41,281	\$ 41,624	\$ 112,953	\$ 122,080
Cost of revenue	22,698	24,024	60,952	70,277
Gross profit	18,583	17,600	52,001	51,803
<b>Operating expenses:</b>				
Technology and development	4,935	5,147	15,823	14,869
Sales and marketing	11,403	12,112	35,409	35,780
General and administrative	3,609	4,034	12,605	13,083
Depreciation and amortization	2,358	2,322	6,922	6,055
Impairment charges		22,665		22,665
Mark-to-market	6		1,095	
Total operating expenses	22,311	46,280	71,854	92,452
Loss from operations	(3,728)	(28,680)	(19,853)	(40,649)
<b>Interest and other (expense) income, net:</b>				
Interest expense	(4)	(2)	(19)	(7)
Other (expense) income, net	72	79	(213)	102
Total interest and other (expense) income, net	68	77	(232)	95
Loss before provision for income taxes	(3,660)	(28,603)	(20,085)	(40,554)
Provision for income taxes	(43)	19	461	258
Net loss	\$ (3,617)	\$ (28,622)	\$ (20,546)	\$ (40,812)
<b>Net loss per share:</b>				
Basic and diluted	\$ (.07)	\$ (0.55)	\$ (.39)	\$ (0.79)
<b>Weighted-average number of shares of common stock outstanding:</b>				
Basic and diluted	52,473,601	51,875,785	52,493,099	51,515,285

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



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**Tremor Video, Inc.**

**Consolidated Statements of Comprehensive Loss**

*(in thousands)*

*(unaudited)*

	Three Months Ended September 30,		Nine months Ended September 30,	
	2016	2015	2016	2015
Net loss	\$ (3,617)	\$ (28,622)	\$ (20,546)	\$ (40,812)
Other comprehensive loss:				
Foreign currency translation adjustments	(122)	(125)	(125)	(176)
Comprehensive loss	\$ (3,739)	\$ (28,747)	\$ (20,671)	\$ (40,988)

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

Table of Contents**Tremor Video, Inc.****Consolidated Statement of Changes in Stockholders Equity***(in thousands, except share and per share data)**(unaudited)*

	Common Stock Share	Common Stock Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders Equity
Balance as of December 31, 2015	52,214,384	\$ 5	\$	\$ 279,136	\$ (55)	\$ (177,654)	\$ 101,432
Common stock issued for settlement of restricted stock unit awards (RSUs), net of 226,541 shares withheld to satisfy income tax withholding obligations	468,389			(105)			(105)
Common stock issuance in connection with employee stock purchase plan	350,283			500			500
Exercise of stock option awards	158,373			150			150
Treasury stock repurchase of stock	(799,508)		(1,516)				(1,516)
Stock-based compensation expense				2,949			2,949
Net loss						(20,546)	(20,546)
Foreign currency translation adjustment					(125)		(125)
Balance as of September 30, 2016	52,391,921	\$ 5	\$ (1,516)	\$ 282,630	\$ (180)	\$ (198,200)	\$ 82,739

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

Table of Contents**Tremor Video, Inc.****Consolidated Statements of Cash Flows***(in thousands)**(unaudited)*

	<b>Nine months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (20,546)	\$ (40,812)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Impairment charges		22,665
Depreciation and amortization expense	6,922	6,055
Loss from sublease	341	
Bad debt recovery	(61)	(8)
Mark-to-market expense	1,095	
Compensation expense related to the acquisition contingent consideration	2,751	
Stock-based compensation expense	2,949	3,177
Stock-based long-term incentive compensation expense		262
Loss on disposal of property and equipment	23	
Net changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	10,590	(5,476)
Decrease in contingent consideration on acquisition	(3,406)	
Decrease (increase) in prepaid expenses, other current assets and other long-term assets	682	(1,129)
(Decrease) increase in accounts payable and accrued expenses	(9,815)	8,009
Increase in deferred rent and security deposits payable	889	3,763
Decrease in deferred tax liability	(8)	
Increase in restricted cash	(170)	
(Decrease) increase in deferred revenue	(60)	66
Net cash used in operating activities	(7,824)	(3,428)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(2,727)	(7,154)
Acquisition, net of cash acquired		(1,191)
Net cash used in investing activities	(2,727)	(8,345)
<b>Cash flows from financing activities:</b>		
Proceeds from common stock issuance	500	
Decrease in contingent consideration on acquisition	(431)	
Proceeds from the exercise of stock options awards	150	106
Treasury stock repurchase of stock	(1,516)	
Tax withholdings related to net share settlements of restricted stock unit awards (RSUs)	(405)	(463)
Net cash used in financing activities	(1,702)	(357)
Net decrease in cash and cash equivalents	(12,253)	(12,130)
Effect of exchange rate changes in cash and cash equivalents	(82)	(126)
Cash and cash equivalents at beginning of period	59,887	77,787
Cash and cash equivalents at end of period	\$ 47,552	\$ 65,531

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**Supplemental disclosure of cash flow activities:**

Cash paid for income taxes	\$	925	\$	416
Cash paid for interest expense	\$	10	\$	5

**Supplemental disclosure of non-cash investing and financing activities:**

Common stock issued for settlement of RSU s	\$	836	\$	1,107
Contingent consideration on acquisition	\$		\$	956
Purchase of property and equipment in accounts payable and accrued expenses	\$	110	\$	157

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

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**Tremor Video, Inc.**

**Notes to Consolidated Financial Statements**

*(in thousands, except share and per share data)*

*(unaudited)*

**1. Organization and Description of Business**

Tremor Video, Inc. (the Company) is an advertising technology company that provides software for video advertising effectiveness. The Company's buyer and seller platforms enable seamless transactions in a premium video marketplace by offering control and transparency to its clients. The Company's technology optimizes performance of video ad campaigns across all screens, including computers, smartphones, tablets and connected TVs, to make advertising more relevant to consumers and deliver maximum results for buyers and sellers.

On August 3, 2015 (the Acquisition Date), the Company acquired all of the outstanding shares of The Video Network Pty Ltd., an Australian proprietary limited company (TVN). Refer to Note 6 for further discussion.

The Company is headquartered in the State of New York.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited interim consolidated financial statements and footnotes have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) and applicable rules and regulations of the U.S. Securities and Exchange Commission (the SEC) regarding unaudited interim financial information. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's consolidated balance sheets, statements of operations, comprehensive loss and cash flows for the interim periods presented. Operating results for the interim periods presented are not necessarily indicative of the results of operations to be expected for the full year or the results for any future periods due to seasonal and other factors. Certain information and footnote disclosures normally included in the consolidated financial statements in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. Accordingly, these unaudited interim consolidated financial statements and footnotes should be read in conjunction with the consolidated financial statements and accompanying notes thereto included in the Company's Form 10-K for the year ended December 31, 2015 filed with the SEC on March 15, 2016.

***Prior Year Presentation***

As discussed in our Form 10-K for the year ended December 31, 2015, filed with the SEC on March 15, 2016, the previously issued quarterly financial statements for the three and nine months ended September 30, 2015 have been restated to reflect the reporting of revenue attributable to the Company's seller platform on a net instead of a gross basis. The restatement has the effect of decreasing both revenue and cost of revenue in a like amount in such financial statements, and has no impact on reported gross profit and net loss.

***Principles of Consolidation***

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in the accompanying unaudited interim consolidated financial statements.

***Concentrations of Credit Risk***

Financial instruments that subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

All of the Company's cash and cash equivalents are held at financial institutions that management believes to be of high credit quality. The Company's cash and cash equivalents may exceed federally insured limits at times. The Company has not experienced any losses on cash and cash equivalents to date.

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**Tremor Video, Inc.**

**Notes to Consolidated Financial Statements**

*(in thousands, except share and per share data)*

*(unaudited)*

**2. Summary of Significant Accounting Policies (Continued)**

The Company determines collectability by performing ongoing credit evaluations and monitoring its customers' accounts receivable balances. For new customers and their agents, which may be advertising agencies or other third parties, the Company performs a credit check with an independent credit agency and may check credit references to determine creditworthiness. The Company only recognizes revenue when collection is reasonably assured.

During the three and nine months ended September 30, 2016 and 2015, there were no advertisers that accounted for more than 10% of revenue. At September 30, 2016 and December 31, 2015, there were no advertisers that accounted for more than 10% of outstanding accounts receivable.

***Recently Issued Accounting Pronouncements***

*FASB Accounting Standards Update No. 2016-15 Classification of Certain Cash Receipts and Cash Payments*

In August 2016, the FASB issued Accounting Standards Update (ASU), which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. This update is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact that the update will have on its consolidated financial statements and related disclosures.

*FASB Accounting Standards Update No. 2016-09 Compensation - Stock Compensation (Topic 718)*

In March 2016, the FASB issued Accounting Standards Update (ASU), which identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This update is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period, with early adoption permitted. The Company is currently evaluating the impact that the update will have on its consolidated financial statements and related disclosures.

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### *FASB Accounting Standards Update No. 2016-02 Leases (Topic 842)*

In February 2016, the FASB issued an ASU, which clarifies and improves existing authoritative guidance related to leasing transactions. This update will require the recognition of lease assets and lease liabilities on the balance sheet and disclosing information about material leasing arrangements. This update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact that the update will have on its consolidated financial statements and related disclosures.

### *FASB Accounting Standards Update No. 2015-17 Income Taxes ( Topic 740 ): Balance Sheet Classification of Deferred Taxes*

In November 2015, the FASB issued an ASU, which requires deferred tax assets and liabilities be classified and presented as non-current on the balance sheet. This update is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company adopted this update in the fourth quarter of 2015 on a prospective basis. All prior year balances were not retrospectively adjusted. The adoption of this update did not have a material impact on the Company's consolidated financial statements and related disclosures.

### *FASB Accounting Standards Update No. 2015-16 Business Combinations ( Topic 805 ): Simplifying the Accounting for Measurement-Period Adjustments*

In September 2015, the FASB issued an ASU, which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Pursuant to this update, acquirers must recognize measurement-period adjustments in the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. This guidance is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact that the update will have on its consolidated financial statements and related disclosures.

### *FASB Accounting Standards Update No. 2014-09 Revenue from Contracts with Customers*

In May 2014, the FASB issued an ASU that provides a comprehensive model for recognizing revenue with customers. This update clarifies and replaces most existing revenue recognition guidance within U.S. GAAP and may be adopted retrospectively for all periods presented or adopted using a modified retrospective approach. This update is effective for annual and interim periods beginning after December 15, 2016. In July 2015, FASB deferred the effective date by one year to December 15, 2017 (beginning



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**Tremor Video, Inc.**

**Notes to Consolidated Financial Statements**

*(in thousands, except share and per share data)*

*(unaudited)*

**2. Summary of Significant Accounting Policies (Continued)**

with the Company's first quarter in 2018) and permitting early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the adoption method to apply and the impact that the update will have on its consolidated financial statements and related disclosures.

*FASB Accounting Standards Update No. 2014-15 Presentation of Financial Statements Going Concern*

In August 2014, the FASB issued an ASU that provides accounting guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This update is effective for annual and interim periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company is currently evaluating the adoption method to apply and the impact that the update will have on its consolidated financial statements and related disclosures.

**3. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs when determining fair value. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation. The three-tiers are defined as follows:

- **Level 1.** Observable inputs based on unadjusted quoted prices in active markets for identical assets or liabilities;
- **Level 2.** Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

- **Level 3.** Unobservable inputs for which there is little or no market data requiring the Company to develop its own assumptions.

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

	September 30, 2016 (unaudited)				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Money market funds(1)	\$ 33,675	\$	\$	\$ 33,675	\$ 41,584	\$	\$	\$ 41,584
Total assets	\$ 33,675	\$	\$	\$ 33,675	\$ 41,584	\$	\$	\$ 41,584
<b>Liabilities:</b>								
Contingent consideration on acquisition liability(2)	\$	\$	\$ 1,608	\$ 1,608	\$	\$	\$ 1,430	\$ 1,430
Total liabilities	\$	\$	\$ 1,608	\$ 1,608	\$	\$	\$ 1,430	\$ 1,430

(1) Money market funds are included within cash and cash equivalents in the Company's consolidated balance sheets. As short-term, highly liquid investments readily convertible to known amounts of cash, the Company's money market funds have carrying values that approximate their fair value. Amounts above do not include \$13,877 and \$18,303 of operating cash balances as of September 30, 2016 and December 31, 2015, respectively.

Table of Contents**Tremor Video, Inc.****Notes to Consolidated Financial Statements***(in thousands, except share and per share data)**(unaudited)***3. Fair Value Measurements (Continued)**

(2) On the Acquisition Date, the Company acquired all of the outstanding shares of TVN. In connection with the acquisition, the former stockholders of TVN ( TVN Sellers ) are eligible to receive future cash payments over a term of two years contingent on the operating performance of TVN in reaching certain financial milestones in each of the periods from July 1, 2015 to June 30, 2016 (the Year 1 Earn-Out Period ) and the period from July 1, 2016 to June 30, 2017 (the Year 2 Earn-Out Period ), a portion of which is also contingent on continued employment of certain TVN Sellers (the TVN Employee Sellers ) by the Company. In estimating the fair value of the contingent consideration, the Company used a Monte-Carlo valuation model based on future expectations on reaching financial milestones, other management assumptions (including operating results, business plans, anticipated future cash flows, and marketplace data), and the weighted-probabilities of possible payments. These assumptions were based on significant inputs not observed in the market and, therefore, represent a Level 3 measurement. Subsequent to the date of acquisition, the Company re-measured the estimated fair value of the contingent consideration at each reporting date with any changes in fair value recorded in the Company's statements of operations. Any changes in the unobservable inputs could significantly impact the estimated fair value of the contingent consideration.

***Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)***

The following table represents the changes in the Company's Level 3 instruments measured at fair value on a recurring basis for the nine months ended September 30, 2016:

	<b>2016</b>	
Beginning balance at January 1, 2016	\$	1,430
Compensation expense(1)		2,751
Mark-to-market expense(2)		1,095
Contingent consideration payments(3)		(3,837)
Foreign currency translation adjustment		169
Ending balance at September 30, 2016	\$	1,608

(1) Represents contingent consideration attributable to the TVN Employee Sellers that has been recorded during the nine months ended September 30, 2016. As of September 30, 2016, the Company estimated the fair value of the

remaining contingent consideration that may become due to the TVN Employee Sellers based on the performance of TVN during the Year 2 Earn-Out Period to be \$3,250 Australian Dollars. The Company is recording this expense over the twelve month period ending June 30, 2017 and has recorded \$813 Australian Dollars (\$616 U.S. Dollars) for the three and nine month periods ended September 30, 2016 for the Year 2 Earn-Out Period. Refer to the table above regarding assumptions used for Level 3 instruments, and note 6 for further discussion of contingent consideration payments owed in connection with the Company's acquisition of TVN.

(2) Reflects expense incurred based on the Company's re-measurement, at September 30, 2016, of the estimated fair value of the contingent consideration relating to the TVN Sellers that are not required to remain employed with the Company as a condition to earning such contingent consideration. Amounts recorded as mark-to-market expense relating to Level 3 instruments are recorded in operating expense. Refer to the table above regarding assumptions used for Level 3 instruments, and note 6 for further discussion of contingent consideration payments owed in connection with the Company's acquisition of TVN.

(3) During the three months ended September 30, 2016, the Company paid the TVN Employee Sellers and other TVN Sellers, \$2,741 and \$1,096, respectively, based on the performance of TVN during the Year 1 Earn-Out Period.

Table of Contents**Tremor Video, Inc.****Notes to Consolidated Financial Statements***(in thousands, except share and per share data)**(unaudited)***4. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of:

	<b>September 30, 2016 (unaudited)</b>	<b>December 31, 2015</b>
Prepaid expenses and other current assets	\$ 1,400	\$ 2,790
Prepaid rent	20	165
Leasehold improvement incentives(1)	1,251	766
Total prepaid expenses and other current assets	\$ 2,671	\$ 3,721

(1) This item represents amounts due to the Company related to its office lease for its new principal executive offices, with a corresponding amount recorded as part of deferred rent liability.

**5. Property and Equipment, Net**

Property and equipment, net consisted of:

	<b>September 30, 2016 (unaudited)</b>	<b>December 31, 2015</b>
Computer hardware	\$ 7,754	\$ 6,774
Furniture and fixtures	1,649	1,636
Leasehold improvements	8,441	6,863
Computer software	1,397	1,344
Office equipment	201	193
Total property and equipment	19,442	16,810
Less: accumulated depreciation	(10,134)	(6,716)
Total property and equipment, net of accumulated depreciation	\$ 9,308	\$ 10,094

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The depreciation expense related to property and equipment was \$1,213 and \$1,036 for the three months ended September 30, 2016 and 2015, respectively, and \$3,508 and \$2,351 for the nine months ended September 30, 2016 and 2015, respectively.

For the three and nine months ended September 30, 2016, the Company recorded a net loss of \$0 and \$341, respectively on the subleasing of office space included within other (expense) income, net in the Company's consolidated statements of operations.

The Company recorded a \$566 (includes disposal costs of \$22) impairment charge during the three and nine months ended September 30, 2015. This impairment charge represents the remaining net carrying value related to certain property and equipment located at its former headquarters, which were vacated in the second quarter of 2015, that were impaired during the third quarter of 2015 based on changes in expected use of the asset that indicated the carrying amount may not be recoverable. Accordingly, the Company recorded a reduction of \$2,251 to the cost and \$1,707 to the accumulated depreciation balances.

### **6. Acquisition**

On the Acquisition Date, the Company acquired all of the outstanding shares of TVN. As consideration for the acquisition of the equity of TVN, the Company made an initial payment to the TVN Sellers of \$3,040 Australian dollars (\$2,217 U.S. dollars based on the currency exchange rate on the Acquisition Date), subject to certain adjustments as set forth in the acquisition agreement, and is required to make payments of \$380 Australian dollars on each of the first and second anniversary of the closing, respectively. Subsequent to the Acquisition Date, the Company paid an additional \$661 Australian dollars (\$482 U.S. dollars based on the currency exchange rate on the payment date) to the TVN Sellers for certain working capital adjustments.

In addition, the TVN Sellers are eligible to receive future cash payments of up to \$10,470 Australian Dollars over a term of two years contingent on the operating performance of TVN in reaching certain financial milestones in each of the Year 1 Earn-Out Period and Year 2 Earn-Out Period. As of the Acquisition Date, the Company estimated the fair value of the contingent consideration to be \$2,822. During the three months ended September 30, 2016 the Company paid the TVN Sellers \$4,990 Australian Dollars (\$3,837 U.S. Dollars based on the currency exchange rate on the date of payment, August 16, 2016) based on the performance of TVN during the Year 1 Earn-Out Period.

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**Tremor Video, Inc.**

**Notes to Consolidated Financial Statements**

*(in thousands, except share and per share data)*

*(unaudited)*

**6. Acquisition (Continued)**

As of September 30, 2016, the Company re-measured the fair value of the contingent consideration for the Year 2 Earn-Out Period to be \$4,550 Australian Dollars (\$3,464 U.S. Dollars). Refer to note 3 for further discussion on assumptions used to estimate the fair value of the contingent consideration.

For the TVN Employee Sellers, the payment of the contingent cash consideration is dependent upon continued employment through the date of payment. As a result, the fair value of the contingent cash consideration relating to such TVN Sellers was not recorded within goodwill and intangible assets as part of the purchase accounting; instead, such amounts have been or will be recorded within sales and marketing expenses over the Earn-Out Period. For the TVN Sellers that are not required to maintain continued employment in order to earn contingent consideration, the Company recorded the contingent consideration as part of goodwill and intangible assets based on the fair value of the contingent consideration on the date of acquisition and subsequent changes in fair value are recorded as mark-to-market expense in the Company's consolidated statements of operations. Refer to note 3 above.

The total consideration transferred in the acquisition is allocated to the tangible and intangible assets acquired and liabilities assumed at the Acquisition Date, and are subject to adjustment during a measurement period of up to one year from the Acquisition Date. The measurement period provides the Company with the ability to adjust the fair values of acquired assets and liabilities assumed for new information that is obtained about events and circumstances that existed as of the Acquisition Date. Goodwill recognized in the TVN acquisition is not deductible for tax purposes.

The results of operations of TVN have been included in the Company's consolidated statements of operations since the Acquisition Date.

**7. Goodwill and Intangible Assets, Net**

During the three months ended September 30, 2015, based on a decrease in the Company's market capitalization below the carrying value of its net assets, the Company determined that an impairment indicator was present. The Company performed an interim impairment test on its assets and, based on such test, recorded a goodwill impairment charge of \$20,890 and an intangible asset impairment charge of \$1,209 for the three and nine months ended September 30, 2015.

**8. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consisted of:

	September 30, 2016 (unaudited)	December 31, 2015
Trade accounts payable	\$ 37,900	\$ 42,692
Accrued compensation, benefits and payroll taxes(1)	4,597	8,423
Accrued cost of sales	5,370	5,127
Other payables and accrued expenses	1,186	2,500
Total accounts payable and accrued expenses	\$ 49,053	\$ 58,742

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(1) At December 31, 2015, accrued compensation, benefits and payroll taxes includes \$491 of stock-based long-term incentive compensation expense related to the Company's long-term sales incentive compensation plan for the 2015 plan year. Payments earned under the plan for the 2015 plan year were made in stock-based awards to participants that were employed with the Company at June 30, 2016. This amount was paid in August 2016.



Table of Contents**Tremor Video, Inc.****Notes to Consolidated Financial Statements***(in thousands, except share and per share data)**(unaudited)***8. Accounts Payable and Accrued Expenses (Continued)**

If any participant in the Company's long-term sales incentive compensation plan was not employed on June 30, 2016, such participant forfeited any rights to receive payments under the plan for the 2015 plan year. The Company terminated its long-term sales incentive compensation plan effective January 1, 2016.

**9. Changes in Accumulated Other Comprehensive (Loss) Income**

The following tables provide the components of accumulated other comprehensive (loss) income:

	<b>Foreign Currency Translation Adjustment</b>		<b>Total</b>
Beginning balance at July 1, 2016	(58)	\$	(58)
Other comprehensive loss(1)	(122)		(122)
Ending balance at September 30, 2016	\$ (180)	\$	(180)

	<b>Foreign Currency Translation Adjustment</b>		<b>Total</b>
Beginning balance at July 1, 2015	\$ 47	\$	47
Other comprehensive loss(1)	(125)		(125)
Ending balance at September 30, 2015	\$ (78)	\$	(78)

	<b>Foreign Currency Translation Adjustment</b>		<b>Total</b>
Beginning balance at January 1, 2016	\$ (55)	\$	(55)
Other comprehensive loss(1)	(125)		(125)
Ending balance at September 30, 2016	\$ (180)	\$	(180)

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	<b>Foreign Currency Translation Adjustment</b>	<b>Total</b>
Beginning balance at January 1, 2015	\$ 98	\$ 98
Other comprehensive loss(1)	(176)	(176)
Ending balance at September 30, 2015	\$ (78)	\$ (78)

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(1) For the three and nine months ended September 30, 2016 and 2015, there were no reclassifications to or from accumulated other comprehensive (loss) income.

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**Tremor Video, Inc.**

**Notes to Consolidated Financial Statements**

*(in thousands, except share and per share data)*

*(unaudited)*

**10. Commitments and Contingencies**

***Legal Contingencies***

The Company is occasionally involved with various claims and litigation during the normal course of business. Reserves are established in connection with such matters when a loss is probable and the amount of such loss can be reasonably estimated. As of September 30, 2016 and December 31, 2015, no reserves were recorded. The determination of probability and the estimation of the actual amount of any such loss are inherently unpredictable, and it is therefore possible that the eventual outcome of such claims and litigation could exceed the estimated reserves, if any. Based upon the Company's experience, current information and applicable law, it generally does not believe it is reasonably probable that any proceedings or possible related claims will have a material effect on its financial statements.

Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

In November 2013, a putative class action lawsuit was filed in the United States District Court for the Southern District of New York (the District Court) against the Company, its directors and certain of its executive officers, alleging certain misrepresentations by the Company in connection with its initial public offering concerning its business and prospects. On March 5, 2015, the District Court granted the Company's motion to dismiss the lawsuit and entered judgment in the Company's favor and on February 8, 2016, the United States Court of Appeals for the Second Circuit confirmed the judgment of the District Court.

**11. Stock-Based Compensation**

The Company included stock-based compensation expense related to its stock-based awards in various operating expense categories for the three and nine months ended September 30, 2016 and 2015 as follows:

Three Months Ended September 30,		Nine months Ended September 30,	
2016	2015	2016	2015

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	(unaudited)							
Technology and development	\$	237	\$	209	\$	699	\$	641
Sales and marketing(1)		325		376		1,092		1,179
General and administrative		398		337		1,158		1,357
Total stock-based compensation expense	\$	960	\$	922	\$	2,949	\$	3,177

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(1) Includes \$5 in stock-based compensation expense related to a non-employee consultant, which was settled in cash in lieu of stock during the nine months ended September 30, 2015.

Table of Contents**Tremor Video, Inc.****Notes to Consolidated Financial Statements***(in thousands, except share and per share data)**(unaudited)***11. Stock-Based Compensation (continued)*****Stock Option Awards Outstanding***

The following table presents summary information of the Company's stock option awards outstanding and exercisable under all plans as of September 30, 2016:

	<b>Number of Stock Option Awards Outstanding</b>	<b>Weighted Average Exercise Price Per Share</b>
Stock option awards outstanding as of December 31, 2015(1)	7,006,472	\$ 3.79
Stock option awards granted(2)	325,000	1.69
Stock option awards forfeited	(538,272)	4.57
Stock option awards exercised	(158,373)	0.95
Stock option awards outstanding as of September 30, 2016	6,634,827	3.69
Stock option awards vested and exercisable as of September 30, 2016	5,068,777	4.04

(1) Includes employment inducement awards granted to the Company's newly appointed Chief Financial Officer ( CFO ), and Chief Technology Officer ( CTO ), on September 8, 2015 and October 20, 2015, respectively. These awards were comprised of stock option awards issued to the CFO and CTO to purchase 570,000 shares of the Company's common stock at an exercise price of \$1.94 per share and 350,000 shares of the Company's common stock at an exercise price of \$1.90 per share, respectively. These awards were issued outside of the Company's stockholder approved equity compensation plans, but are generally subject to the same terms and conditions as applied to awards granted under the Company's 2013 Plan.

(2) Includes employment inducement awards granted to the Company's newly appointed Chief Marketing Officer ( CMO ) on September 26, 2016. These awards were comprised of stock option awards issued to the CMO to purchase 125,000 shares of the Company's common stock at an exercise price of \$1.59 per share. These awards were issued outside of the Company's stockholder approved equity compensation plans, but are generally subject to the same terms and conditions as applied to awards granted under the Company's 2013 Plan.

Stock option awards are generally granted at the fair market value of the Company's common stock on the date of grant, generally vest over periods up to four years, have a one year cliff with monthly vesting thereafter, and have terms not to exceed 10 years.

Table of Contents**Tremor Video, Inc.****Notes to Consolidated Financial Statements***(in thousands, except share and per share data)**(unaudited)***11. Stock-Based Compensation (Continued)**

Other selected information is as follows:

	2016	Nine months Ended September 30, (unaudited)	2015
Aggregate intrinsic value of stock option awards exercised	\$	149	311
Weighted-average grant-date fair value per share of stock option awards granted		.57	.84
Cash proceeds received from stock option awards exercised		150	106

The fair value for stock option awards granted under all plans was estimated at the date of grant using a Black-Scholes option pricing model. Calculating the fair value of the stock option awards requires subjective assumptions, including, but not limited to, the expected term of the stock option awards and stock price volatility. The Company estimates the expected life of stock option awards granted based on the simplified method, which the Company believes is representative of the actual characteristics of the awards. The Company estimates the volatility of its common stock on the date of grant based on the historic volatility of comparable companies in its industry. Risk-free interest rates are based on yields from United States Treasury zero-coupon issues with a term consistent with the expected term of the awards in effect at the time of grant. Estimated forfeitures are based on actual historical pre-vesting forfeitures. The Company has never declared or paid any cash dividends and has no current plan to do so. Consequently, it used an expected dividend yield of zero.

There was \$1,404 of total unrecognized compensation cost related to non-vested stock option awards granted under the Company's equity incentive plans as of September 30, 2016. This cost is expected to be recognized over a weighted-average period of 2.74 years.

***Non-vested Restricted Stock Units (RSU) Awards Outstanding***

The following table presents a summary of the Company's non-vested restricted stock unit award activity under all plans and related information for the nine months ended September 30, 2016:

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	Number of Shares of Restricted Stock Unit Awards	Weighted Average Grant Date Fair Value Per Share
Non-vested restricted stock unit awards outstanding as of December 31, 2015	2,370,803	\$ 2.66
Restricted stock unit awards granted	2,764,731	1.81
Restricted stock unit awards forfeited	(762,977)	2.22
Restricted stock unit awards vested	(694,930)	2.41
Non-vested restricted stock unit awards outstanding as of September 30, 2016	3,677,627	2.09

There was \$6,286 of total unrecognized compensation cost related to non-vested restricted stock unit awards granted under the Company's equity incentive plans as of September 30, 2016. This cost is expected to be recognized over a weighted-average period of 3.17 years.

***Employee Stock Purchase Plan***

In April 2014, the Company's board of directors adopted the 2014 Employee Stock Purchase Plan ( 2014 ESPP ), which was approved by the Company's stockholders at the 2014 annual meeting of stockholders. The 2014 ESPP allows eligible participants to purchase shares of the Company's common stock generally at six-month intervals, or offering periods, at a price equal to 85% of the lower of (i) the fair market value at the beginning of the offering period or (ii) the fair market value at the end of the offering period, or the purchase date. The Company's current offering period commenced in February 2016 and will end in August 2016.



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**Tremor Video, Inc.**

**Notes to Consolidated Financial Statements**

*(in thousands, except share and per share data)*

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**11. Stock-Based Compensation (Continued)**

Employees purchase shares of common stock through payroll deductions, which may not exceed 15% of their total base salary. The 2014 ESPP imposes certain limitations upon an employee's right to purchase shares, including the following: (1) no employee may purchase more than 5,000 shares on any one purchase date and (2) no employee may purchase shares with a fair market value in excess of \$25 in any calendar year.

During the nine months ended September 30, 2016, employees participated in two ESPP offerings for the six months ending in February and August. As part of these offerings, employees purchased 173,726 and 176,557 shares of common stock pursuant to the ESPP at an exercise price of \$1.40 and \$1.44 per share, respectively. No more than 2,000,000 shares of common stock are reserved for future issuance under the 2014 ESPP.

The fair value for each award under the 2014 ESPP is estimated at the date of grant, at the beginning of the offering period, using a Black-Scholes option pricing model. Calculating the fair value of the ESPP awards requires subjective assumptions, including, but not limited to, the expected term of the ESPP award and stock price volatility. The Company estimates the expected life of the awards granted under the 2014 ESPP based on the duration of the offering periods, which is six months. The Company estimates the volatility of its common stock on the date of grant based on the historic volatility of comparable companies in its industry. Risk-free interest rates are based on yields from United States Treasury zero-coupon issues with a term consistent with the expected term of the awards in effect at the time of grant. The Company has never declared or paid any cash dividends and has no current plan to do so. Consequently, it used an expected dividend yield of zero.

There was \$62 of total unrecognized compensation cost related to awards under the 2014 ESPP as of September 30, 2016. This cost is expected to be recognized over a weighted-average period of less than one year.

**12. Stock Repurchases**

On March 29, 2016 the Company announced that the Company's Board of Directors approved a share repurchase program, under which the Company is authorized to purchase up to \$15,000 of common stock over an eighteen month period commencing March 25, 2016. The repurchases may be made, from time to time, in the open market or by privately negotiated transactions, and are expected to be funded from cash on hand. The share repurchase program may be suspended, modified or discontinued at any time. During the three and nine months ending September 30, 2016, the Company has made open-market purchases totaling 621,528 and 799,508 shares of common stock, respectively for an aggregate purchase price of \$1,183 and \$1,516 respectively.

13. Net Loss Per Share of Common Stock

	Three Months Ended September 30,		Nine months Ended September 30,	
	2016	2015	2016	2015
	(unaudited)			
<b>Numerator:</b>				
Net loss	\$ (3,617)	\$ (28,622)	\$ (20,546)	\$ (40,812)
<b>Denominator:</b>				
Weighted-average number of shares of common stock outstanding for basic and diluted net loss per share	52,473,601	51,875,785	52,493,099	51,515,285
Basic and diluted net loss per share	\$ (.07)	\$ (0.55)	\$ (.39)	\$ (0.79)

Table of Contents**Tremor Video, Inc.****Notes to Consolidated Financial Statements***(in thousands, except share and per share data)**(unaudited)***13. Net Loss Per Share of Common Stock (Continued)**

The following securities were outstanding during the periods presented below and have been excluded from the calculation of diluted net loss per share of common stock because the effect is anti-dilutive:

	<b>Three Months Ended September 30,</b>		<b>Nine months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
		<b>(unaudited)</b>		
Warrants to purchase common stock	31,130	39,824	31,130	39,824
Stock option awards	6,634,827	6,790,097	6,634,827	6,790,097
Restricted stock unit awards	3,677,627	1,985,949	3,677,627	1,985,949
Total anti-dilutive securities	10,343,584	8,815,870	10,343,584	8,815,870

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with (1) the unaudited interim consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and (2) the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2015 included in the Annual Report on Form 10-K filed with the SEC on March 15, 2016. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as anticipate, believe, continue, could, estimate, expect, intend, may, plan, project, will, would or the negative or plural of these words or similar expressions or variations. Such forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled Risk Factors, set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings, including our Annual Report on Form 10-K filed with the SEC on March 15, 2016. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. We will disclose material non-public information through one or more of the following channels: our investor relations website (<http://investor.tremorvideo.com>), the social media channels identified on our investor relations website, press releases, SEC filings, public conference calls and webcasts.*

**Overview**

Tremor Video, Inc., we or us, provides software for video advertising effectiveness. Our buyer and seller platforms enable seamless transactions in a premium video marketplace by offering control and transparency to our clients. Our technology optimizes performance of video ad campaigns across all screens, including computers, smartphones, tablets and connected TVs, to make advertising more relevant for consumers and deliver maximum results for buyers and sellers of video advertising.

Our buyer platform enables advertisers, agencies and other buyers of advertising, which we collectively refer to as buyers, to discover, buy, optimize and measure the effectiveness of their video ad campaigns. Our proprietary technology analyzes video content, detects viewer and system attributes, and leverages our large repository of stored and integrated third-party data to optimize the delivery of ad campaigns to achieve a broad spectrum of marketing goals from targeted audience reach to more sophisticated goals such as engagement, brand lift and viewability. Through our All-Screen optimization solution, buyers are able to choose a single campaign goal and our technology will optimize delivery of the campaign across a broad inventory pool to find the right viewer wherever they may be watching video, eliminating the need to allocate campaign budgets to a specific screen or device. Our advanced analytics suite enables buyers to gain a deep understanding of the drivers of campaign performance and obtain reporting on key brand performance metrics such as viewability, as well as TV-like metrics that measure reach and frequency of viewing by a particular audience.

We empower video ad buying however a buyer wants to transact. Buyers can purchase advertising on our buyer platform on a guaranteed and fully managed basis through the use of insertion orders. For these campaigns, our team of specialists manages the delivery of the campaign according to an agreed set of objectives at a pre-negotiated fixed price, and we are required to secure all inventory to fulfill the campaign. In addition, buyers can transact directly on our buyer platform through the Tremor Video DSP, an intuitive and customizable user interface that allows them to actively manage the execution of their campaigns on a programmatic basis. Campaigns run through the Tremor Video DSP are

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typically non-guaranteed and utilize our real-time bidding and optimization technology to maximize a buyer's campaign spend for delivery against a given campaign objective. The Tremor Video DSP is directly integrated with a number of video inventory sources, enabling buyers to dynamically purchase ad impressions through a robust auction environment as well as through private marketplaces that connect buyers directly to selected sellers. The Tremor Video DSP can be accessed on a self-service basis or at varying levels of managed service, depending on the preferences of the buyer.

To better align our solutions with the brand performance needs of buyers on a given campaign, we offer a number of different pricing models through our buyer platform, including proprietary outcome-based pricing models such as cost per-engagement, or CPE, pricing where we are compensated only when viewers actively engage with buyers' campaigns, or cost per brand-shift, or CPS, pricing, where we are compensated only when a campaign results in a positive shift in the consumer's favorability or intent towards a brand. Our outcome-based pricing models typically generate higher gross margins than other campaigns running through our buyer platform that are based on more traditional CPM (cost per thousand impressions) pricing models because we are often able to serve our clients' outcome-based goals with a lower number of purchased impressions.

We also offer a seller platform, the Tremor Video SSP, which helps suppliers of video advertising inventory, or sellers, improve yield and maximize the value of their video inventory by enabling their programmatic sales efforts. Sellers on the Tremor Video SSP can make inventory available to buyers through an open exchange where buyers bid on inventory in a robust auction environment, or through

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private marketplaces so that only a specific buyer or group of invited buyers have the opportunity to purchase inventory. Through the Tremor Video SSP, we provide sellers with the tools and controls to manage their inventory across multiple devices and platforms and offer real-time reporting that allows sellers to effectively monitor bidding activity. Buyers connect to sellers on the Tremor Video SSP through third-party demand side platforms that are integrated directly with our seller platform. These server-to-server integrations significantly reduce latency and bid response time. In addition, the Tremor Video SSP is one of many inventory sources that is connected to the Tremor Video DSP; accordingly, buyers on the Tremor Video DSP are able to dynamically purchase advertising inventory on the Tremor Video SSP.

In the first quarter of 2016, we determined, based on our review of relevant accounting guidance, that revenue attributable to the Tremor Video SSP should be reported net of costs of inventory rather than on a gross basis as had previously been reported. As a result, we concluded that our previously issued quarterly financial statements as of and for each of the quarterly periods ending March 31, June 30, and September 30, 2015, should not be relied upon and should be restated to reflect the reporting of revenue attributable to the Tremor Video SSP on a net instead of a gross basis. This correction had the effect of decreasing both revenue and cost of revenue in the same amount in our quarterly financial statements for each such period. The restatement had no impact on our reported gross profit, net loss or Adjusted EBITDA for any period. Our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 15, 2016, included restated financial statements for each of the relevant periods and the financial statements included in this Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2015 reflect the restatement.

Advertising spend transacted on our platforms has grown significantly. During the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, total spend (refer to Key Metrics-Total spend ) increased 28.8%, from \$49.3 million to \$63.5 million. Over the same period, our revenue decreased slightly from \$41.6 million to \$41.3 million, while our gross margin increased from 42.3% to 45.0%. During the three months ended September 30, 2016, as compared to the three months ended September 30, 2015, our net loss decreased from \$28.6 million to \$3.6 and our Adjusted EBITDA (refer to Key Metrics-Adjusted EBITDA ) increased from a loss of \$1.5 million to a gain of \$.03 million.

During the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, total spend (refer to Key Metrics-Total spend ) increased 24.7%, from \$135.9 million to \$169.4 million. Over the same period, our revenue decreased from \$122.1 million to \$113.0 million, while our gross margin increased from 42.4% to 46.0%. During the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, our net loss decreased from \$40.8 million to \$20.5 million, and our Adjusted EBITDA increased from a loss of \$6.8 million to a loss of \$5.4 million.

The decrease in our revenue and increase in our gross margin during the three and nine months ended September 30, 2016, compared to the three and nine months ended September 30, 2015, primarily reflects the change in the relative mix of the total spend being transacted through our buyer platform and our seller platform, the Tremor Video SSP. As noted above, revenue from the Tremor Video SSP is booked net of inventory costs, compared to revenue from our buyer platform, which we report on a gross basis. For the three and nine months ended September 30, 2015, our net loss included \$22.7 million of non-cash impairment charges to goodwill, and certain intangible assets and property and equipment.

**Key Metrics**

We monitor the key metrics set forth in the table below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess our operational efficiencies. Total spend and Adjusted EBITDA are discussed immediately following the table below. Revenue, gross margin and net loss are discussed under the headings Components of our Results of Operations.

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	Three Months Ended September 30,		Nine months Ended September 30,	
	2016	2015	2016	2015
	(dollars in thousands) (unaudited)			
Revenue	\$ 41,281	\$ 41,624	\$ 112,953	\$ 122,080
Gross margin	45.0%	42.3%	46.0%	42.4%
Net loss	\$ (3,617)	\$ (28,622)	\$ (20,546)	\$ (40,812)
Total spend	\$ 63,474	\$ 49,273	\$ 169,373	\$ 135,948
Adjusted EBITDA	\$ 35	\$ (1,515)	\$ (5,427)	\$ (6,767)

Table of Contents**Total spend**

We define total spend as the aggregate gross spend transacted through our platforms. Total spend does not represent revenue earned by us and is a non-GAAP financial measure. We believe total spend is a meaningful measurement of our operating performance because it represents the total dollar volume being spent through our platforms, and our ability to increase gross profit and cash flow is strongly correlated to our ability to increase total spend. Total spend is a key measure used by management to assess our market share and scale, and is used to evaluate operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. However, use of total spend has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. One of the limitations of total spend is that other companies, including companies in our industry, may calculate total spend or similarly titled measures differently, which reduces its usefulness as a measure of comparison to other companies in our industry.

The following table presents a reconciliation of revenue to total spend, the most directly comparable U.S. GAAP measure, for each of the periods indicated:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Revenue	\$ 41,281	\$ 41,624	\$ 112,953	\$ 122,080
Add: Seller platform inventory costs(1)	22,193	7,649	56,420	13,868
Total spend	\$ 63,474	\$ 49,273	\$ 169,373	\$ 135,948

(1) We record revenue from our buyer platform on a gross basis, including costs of inventory. Accordingly, for revenue generated from our buyer platform, total spend is equivalent to revenue. We record revenue from our seller platform, the Tremor Video SSP net of inventory costs. Total spend through the Tremor Video SSP is equal to the revenue generated from the Tremor Video SSP plus associated costs of inventory.

Within total spend, we closely monitor the percentage contributions among the following operational metrics: programmatic; non-programmatic higher function; and non-programmatic media. Programmatic includes all spend attributable to the Tremor Video SSP, Tremor Video DSP and agency trading desks. We define non-programmatic higher-function as non-programmatic spend running through our buyer platform that utilizes our higher-function products, including our all-screen optimization solution, advanced data targeting solutions, and our proprietary outcome-based pricing models. We define non-programmatic media as non-programmatic spend running through our buyer platform that is purchased without any of our higher-function products. We track these operational metrics in order to better understand how our clients are transacting on our platforms, which informs decisions as to the allocation of resources and capital. The table below shows the dollar and percentage contribution to total spend from each of programmatic; non-programmatic higher-function; and non-programmatic media.

	Three Months Ended September 30,		Nine months Ended September 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Programmatic spend	35,490	17,019	88,667	\$ 38,270
Non-programmatic higher-function spend	22,239	22,372	65,050	62,125



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Non-programmatic media spend		5,745		9,882		15,656		35,553
Total spend	\$	63,474	\$	49,273	\$	169,373	\$	135,948

Total spend increased 28.8%, from \$49.3 million during the three months ended September 30, 2015 to \$63.5 million during the three months ended September 30, 2016, and increased 24.6% from \$135.9 million during the nine months ended September 30, 2015 to \$169.3 million during the nine months ended September 30, 2016. The increase in total spend was primarily driven by an increase in programmatic spend, which was partially offset by a decrease in non-programmatic media spend. Within programmatic spend, there was a substantial increase in spend running through our seller platform, which was partially offset by a decrease in programmatic spend from agency trading desks using our buyer platform on a managed service basis through insertion orders. We believe that programmatic spend will continue to increase in future periods, driven primarily by increases in spend from the Tremor SSP, partially offset by a decrease in spend from agency trading desks using our buyer platform on a managed service basis. We believe that total spend from

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non-programmatic media will continue to decline as a percentage of our total spend, as buyers continue to look towards automated solutions for the buying and selling of video advertising.

### **Adjusted EBITDA**

Adjusted EBITDA represents our net loss before interest and other (income) expense, net, provision for income taxes, depreciation and amortization expense, and adjusted to eliminate the impact of non-cash stock-based compensation expense, non-cash stock-based long-term incentive compensation expense, impairment charges, executive severance costs, acquisition-related costs, litigation costs associated with class action securities litigation, mark-to-market expense and other adjustments. Adjusted EBITDA is a key measure used by management to evaluate operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis and excludes items that we do not consider to be indicative of our core operating performance.

Adjusted EBITDA is a non-GAAP financial measure. Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under U.S. GAAP. Some of these limitations are: (a) although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash and capital expenditure requirements for such replacements or for new capital expenditure requirements; (b) Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (c) Adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (d) Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; (e) Adjusted EBITDA does not reflect litigation costs associated with class action securities litigation, executive severance costs, non-cash impairment charges, or costs related to other adjustments; and (f) other companies, including companies in our industry, may calculate Adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure. Because of these and other limitations, you should consider Adjusted EBITDA alongside our other U.S. GAAP-based financial performance measures, net loss and our other U.S. GAAP financial results. The following table presents a reconciliation of Adjusted EBITDA to net loss, the most directly comparable U.S. GAAP measure, for each of the periods indicated:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
	(unaudited)			
Net loss	\$ (3,617)	\$ (28,622)	\$ (20,546)	\$ (40,812)
Adjustments:				
Impairment charges(1)		22,665		22,665
Depreciation and amortization expense	2,358	2,322	6,922	6,055
Stock-based compensation expense	960	922	2,949	3,177
Executive severance costs(2)	(9)	508	163	870
Other adjustments(3)			520	
Acquisition-related costs(4)	616	337	2,764	559
Provision for income taxes	(43)	19	461	258
Mark-to-market expense(5)	6		1,095	
Litigation costs	13	226	194	294
Stock-based long-term incentive compensation(6)	(183)	185	(183)	262
Total interest and other expense (income), net	(68)	(77)	232	(95)
Total net adjustments	3,650	27,107	15,117	34,045
Adjusted EBITDA	\$ 33	\$ (1,515)	\$ (5,429)	\$ (6,767)

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- (1) Reflects \$22.7 million of non-cash impairment charges to goodwill, and certain intangible assets and property and equipment.
  - (2) Reflects severance costs related to the termination of certain executives.
  - (3) Reflects amounts accrued in connection with a one-time change in our employee vacation policy.
  - (4) Reflects acquisition-related costs incurred in connection with our acquisition of The Video Network Pty Ltd. ( TVN ). Includes \$616 and \$2,751 for the three and nine months ended September 30, 2016, respectively of compensation-related expenses related to contingent consideration payments that have been paid or may become due to certain TVN sellers that are subject to continued employment. Refer to notes 3 and 6 in notes to consolidated financial statements.

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- (5) Reflects expense incurred based on the Company's re-measurement, at September 30, 2016, of the estimated fair value of contingent consideration payments that have been paid or may become due in connection with the acquisition of TVN and which are not conditioned on continued employment with the Company. Refer to notes 3 and 6 in notes to consolidated financial statements.
- (6) Reflects amounts accrued for the 2015 plan year, net of forfeitures.

**Components of Operating Results**

We operate in one segment, online video advertising services. The key elements of our operating results include:

***Revenue***

We generate revenue from buyers and sellers who use our platforms for the purchase and sale of video advertising inventory.

Through our buyer platform, we generate revenue by delivering video advertising campaigns for buyers. We offer a number of different pricing models for buyers, including outcome-based pricing models where we are compensated only when viewers take certain actions or when certain campaign results are achieved, CPM-based pricing models based on the total number of ad impressions delivered, and campaigns priced with a guaranteed demographic reach, or demo guarantees, where a buyer pays based on the number of ad impressions delivered to a specific demographic. For campaigns sold on a CPM-basis we recognize revenue upon delivery of impressions, and for campaigns priced with demo guarantees we recognize revenue upon delivery of impressions to a specific target demographic. With respect to our outcome-based pricing models, we recognize revenue only when the specified action is taken or campaign result is achieved. Revenue generated from our buyer platform is reported on a gross basis, based primarily on our determination that we act as the primary obligor in the delivery of advertising campaigns for buyers on our buyer platform.

Through our seller platform, which was launched in 2015, we generate revenue by providing sellers with programmatic tools to improve yield and maximize the value of their video inventory. For transactions executed through our seller platform, we act as the agent on behalf of the seller that is making its inventory available to buyers. Revenue is recognized when the buyer purchases video advertising inventory from the seller on our seller platform. Revenue generated from the Tremor Video SSP is reported net of inventory costs that we remit to sellers.

In prior periods we also generated revenue through the licensing of our analytics. The license fees for our licensed analytics solutions were based on the number of impressions being analyzed in a given month. We have discontinued selling our licensed analytics solutions as of December 31, 2015.

***Cost of Revenue, Gross Profit and Gross Margin***

Our cost of revenue primarily represents video advertising inventory costs, research costs, third-party hosting fees, and third-party serving fees incurred to deliver video ads. Cost of revenue also includes costs from our licenses from third-party data providers utilized in our platforms. We recognize cost of revenue on a seller-by-seller basis upon delivery of an ad impression. Substantially all of our cost of revenue for our buyer platform is attributable to video advertising inventory costs under seller contracts. Cost of revenue from our seller platform primarily consists of third party hosting fees.

Certain of our contracts with sellers contain minimum percentage fill rates on qualified video ad requests, which effectively means that we must purchase this inventory from our exclusive publishers even if we lack a video advertising campaign to deliver. We recognize the difference between our contractually required fill rate and the number of video ads actually delivered by us on the seller's website, if any, as a cost of revenue as of the end of each applicable monthly period. Historically, the impact of the difference between the contractually required fill rate and the number of ads delivered has not been material. Costs owed to sellers but not yet paid are recorded in our consolidated balance sheets and included as part of accounts payable and accrued expenses.

Gross margin is our gross profit expressed as a percentage of our total revenue. For our buyer platform, our gross margin is primarily impacted by video advertising inventory costs associated with delivering our advertiser's campaigns relative to the revenue we generate from delivering such campaigns. Historically our gross margin on our buyer platform has been positively affected by the relative contribution to our revenue from non-programmatic higher-function campaigns compared to non-programmatic media campaigns, which are purchased on a CPM or demo guaranteed basis. Because we book campaigns from our seller platform net of inventory costs, campaigns running through the Tremor Video SSP generate substantially higher margins than campaigns running through our buyer platform, which is reported on a gross basis. As a result, our gross margin is significantly influenced by the relative mix of revenue from

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our seller platform and buyer platform.

***Operating Expenses***

Operating expenses consist of technology and development, sales and marketing, general and administrative, and depreciation and amortization expenses. Salaries, incentive compensation, stock-based compensation and other personnel-related costs are the most significant components of each of these expense categories other than depreciation and amortization expenses. We include stock-based compensation expense in connection with the grant of stock option awards or restricted stock unit awards in the applicable operating expense category based on the respective equity award recipient's function.

*Technology and Development Expense.* Technology and development expense primarily consists of salaries, incentive compensation, stock-based compensation and other personnel-related costs for development, network operations and engineering personnel. Additional expenses in this category include costs related to the development, quality assurance and testing of new technology and maintenance and enhancement of existing technology and infrastructure as well as consulting, travel and other related overhead. We engage third-party consulting firms for various technology and development efforts, such as documentation, quality assurance and support. Due to the rapid development and changes in our business, we have expensed technology and development expenses in the same period that the costs are incurred. We intend to continue to invest in our technology and development efforts, by strategically hiring additional personnel and by using outside consulting firms for various initiatives. We believe continuing to invest in technology and development efforts is essential to maintaining our competitive position.

*Sales and Marketing Expense.* Sales and marketing expense primarily consists of salaries, incentive compensation, stock-based compensation and other personnel-related costs for our marketing, creative and sales and sales support employees. Additional expenses in this category include marketing programs, consulting, travel and other related overhead. We expect our sales and marketing expense to increase in the foreseeable future to support our continued growth.

*General and Administrative Expense.* General and administrative expense primarily consists of salaries, incentive compensation, stock-based compensation and other personnel-related costs for business operations, administration, finance and accounting, legal, information systems and human resources employees. Included in general and administrative expenses are consulting and professional fees, including legal, accounting and investor relations fees, insurance, and costs associated with compliance with the Sarbanes-Oxley Act and other public company corporate expenses, travel and other related overhead. We expect our general and administrative expenses to increase in absolute dollars as a result of the continuing growth of our business.

*Depreciation and Amortization Expense.* Depreciation and amortization expense primarily consists of our depreciation

expense related to investments in property, equipment and software as well as the amortization of certain intangible assets.

*Mark-to-Market Expense.* Mark-to-market expense consists primarily of expense related to contingent consideration incurred in connection with our acquisition of TVN in August 2015 (refer to notes 3 and 6 in notes to consolidated financial statements).

*Impairment Charges.* Impairment charges consist of write downs to goodwill and intangible assets recorded in connection with interim impairment testing conducted on our goodwill and intangible asset balance during the three months ended September 30, 2015, as a result of certain interim impairment indicators that were present, as well as charges recorded in connection with the impairment of certain property and equipment located at our former headquarters that we vacated (refer to notes 5 and 7 in notes to consolidated financial statements).

***Interest and Other (Expense) Income, Net***

Interest and other (expense) income, net consist primarily of interest income, interest expense, and foreign exchange transaction gains and losses. Interest income is derived from interest received on our cash and cash equivalents. Interest expense consists primarily of the interest incurred on our then-outstanding borrowings under our credit facility. As of September 30, 2016 and 2015, we did not have any outstanding borrowings under our credit facility.

***Provision for Income Taxes***

Provision for income taxes consists of minimum U.S. state and local taxes, income taxes in foreign jurisdictions in which we conduct business and deferred income taxes.

Table of Contents**Results of Operations**

The following table is a summary of our consolidated statements of operations data for each of the periods indicated. The period-to-period comparisons of the results are not necessarily indicative of our results for future periods.

	Three Months Ended September 30,				Nine months Ended September 30,			
	2016		2015		2016		2015	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue
<b>Consolidated Statements of Operations Data:</b>								
Revenue	\$ 41,281	100.0%	\$ 41,624	100.0%	\$ 112,953	100.0%	\$ 122,080	100.0%
Cost of revenue	22,698	55.0	24,024	57.7	60,952	54.0	70,277	57.6
Gross profit	18,583	45.0	17,600	42.3	52,001	46.0	51,803	42.4
Operating expenses:								
Technology and development	4,935	12.0	5,147	12.4	15,823	14.0	14,869	12.2
Sales and marketing	11,403	27.6	12,112	29.1	35,409	31.3	35,780	29.3
General and administrative	3,609	8.7	4,034	9.7	12,605	11.2	13,083	10.7
Depreciation and amortization	2,358	5.7	2,322	5.6	6,922	6.1	6,055	5.0
Mark-to-market	6				1,095	1.0		
Impairment Charges			22,665	54.5			22,665	18.6
Total operating expenses	22,311	54.0	46,280	111.2	71,854	63.6	92,452	75.7
Loss from operations	(3,728)	(9.0)	(28,680)	(68.9)	(19,853)	(17.6)	(40,649)	(33.3)
Total interest and other (expense) income, net	68	0.1	77	0.2	(232)	(.2)	95	0.1
Loss before provision for income taxes	(3,660)	(8.9)	(28,603)	(68.7)	(20,085)	(17.8)	(40,554)	(33.2)
Provision for income taxes	(43)	(0.1)	19	0.1	461	0.4	258	0.2
Net loss	\$ (3,617)	(8.8)%	\$ (28,622)	(68.8)%	\$ (20,546)	(18.2)%	\$ (40,812)	(33.4)%

**Comparison for the Three and Nine months Ended September 30, 2016 and 2015**

	Three Months Ended September 30,		Change Increase/ (Decrease)		Nine months Ended September 30,		Change Increase/ (Decrease)	
	2016	2015	Amount	Percentage	2016	2015	Amount	Percentage
<b>(dollars in thousands)</b>								
Revenue	\$ 41,281	\$ 41,624	\$ (343)	(.8)%	\$ 112,953	\$ 122,080	\$ (9,127)	(7.5)%

**Revenue**

Our revenue during the three months ended September 30, 2016 decreased to \$41.3 million from \$41.6 million for the same period in 2015, despite an increase in total spend during the three months ended September 30, 2016 to \$63.5 million from \$49.3 million for the same period in 2015. Refer to Key Metrics-Total Spend .



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Our revenue during the nine months ended September 30, 2016 decreased to \$113.0 million from \$122.1 million for the same period in 2015, despite an increase in total spend during the nine months ended September 30, 2016 to \$169.4 million from \$136.0 million for the same period in 2015. Refer to Key Metrics-Total spend .

The decrease in our revenue for the three and nine months ended September 30, 2016, compared to the three and nine months ended September 30, 2015, was primarily attributable to a change in the relative mix of the total spend being transacted through our buyer platform and the Tremor Video SSP. Revenue from the Tremor Video SSP is booked net of inventory costs, compared to revenue from our buyer platform, which we report on a gross basis. Accordingly, each dollar spent through our buyer platform equates to a dollar of recognized revenue, while for our seller platform only a fraction of each dollar spent is recognized as revenue.

	Three Months Ended		Change		Nine months Ended		Change	
	September 30, 2016	2015	Increase / (Decrease) Amount	Percentage	September 30, 2016	2015	Increase / (Decrease) Amount	Percentage
	(dollars in thousands)							
Cost of revenue	\$ 22,698	\$ 24,024	\$ (1,326)	(5.5)%	\$ 60,952	\$ 70,277	(9,325)	(13.3)%
Gross profit	18,583	17,600	983	5.6%	52,001	51,803	198	0.4%
Gross margin	45.0%	42.3%			46.0%	42.4%		

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*Cost of Revenue, Gross Profit and Gross Margin*

Our cost of revenue during the three months ended September 30, 2016 decreased to \$22.7 million from \$24.0 million for the same period in 2015. The decrease reflects a \$3.3 million reduction in video advertising inventory costs, which were partially offset by a \$1.9 million increase in costs related to data, ad serving, hosting and research driven by an increase in the total spend being transacted through our platform. Our gross profit increased by \$1.0 million compared to the prior year period, reflecting a decrease in our cost of revenue of \$1.3, million which was partially offset by a decrease in revenue of \$0.3 million year-over-year.

Our cost of revenue during the nine months ended September 30, 2016 decreased to \$61.0 million from \$70.3 million for the same period in 2015. The decrease reflects a \$12.2 million reduction in video advertising inventory costs, which were partially offset by a \$2.9 million increase in costs related to data, ad serving, hosting and research driven by an increase in the total spend being transacted through our platform. Our gross profit increased by \$0.2 million compared to the prior year period, reflecting a decrease in our cost of revenue of \$9.3 million which was partially offset by a decrease in revenue of \$9.1 million year-over-year

Our gross margin increased to 45.0 % for the three months ended September 30, 2016 from 42.3% for the three months ended September 30, 2015, and increased to 46.0 % for the nine months ended September 30, 2016 from 42.4 % for the nine months ended September 30, 2015. The increase in our gross margin is largely due to a change in the relative mix of the total spend being transacted through our buyer platform and the Tremor Video SSP compared to the prior year period. Revenue from the Tremor Video SSP generates substantially higher gross margins than our buyer platform since it is recorded net of inventory costs.

	Three Months Ended September 30,		Change Increase / (Decrease)		Nine months Ended September 30,		Change Increase / (Decrease)	
	2016	2015	Amount	Percentage	2016	2015	Amount	Percentage
	(dollars in thousands)							
Technology and development expense	\$ 4,935	\$ 5,147	\$ (212)	(4.1)%	\$ 15,823	\$ 14,869	\$ 954	6.4%
% of total revenue	12.0%	12.4%			14.0%	12.2%		

*Technology and Development Expense*

The decrease in technology and development expense during the three months ended September 30, 2016, compared to the three months ended September 30, 2015, was primarily attributable to a \$0.2 million decrease in salaries, incentive compensation, stock-based compensation, overhead costs and other personnel-related costs.

The increase in technology and development expense during the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, was primarily attributable to a \$0.9 million increase in salaries, incentive compensation, stock-based compensation, overhead costs and other personnel-related costs, as well as an increase of \$0.1 million in outside professional and consulting services, as we continued to invest in technology and development efforts.

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	Three Months Ended September 30,		Change Increase / (Decrease)		Nine months Ended September 30,		Change Increase / (Decrease)	
	2016	2015	Amount	Percentage (dollars in thousands)	2016	2015	Amount	Percentage
Sales and marketing expense	\$ 11,403	\$ 12,112	\$ (709)	(5.9)%	\$ 35,409	\$ 35,780	\$ (371)	(1.0)%
% of total revenue	27.6%	29.1%			31.3%	29.3%		

*Sales and Marketing Expense*

The decrease in sales and marketing expense during the three months ended September 30, 2016, compared to the three months ended September 30, 2015, was attributable to a \$0.4 million decrease in marketing costs, a \$0.9 million decrease in salaries, incentive compensation, stock-based compensation, overhead costs and other personnel-related costs, partially offset by an increase of \$0.4 million of expenses related to contingent consideration that may become due in connection with our acquisition of TVN to former Employee Sellers of TVN (refer to notes 3 and 6 in notes to consolidated financial statements) and \$0.2 million increase in professional and consulting services.

The decrease in sales and marketing expense during the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, was attributable to a \$1.0 million decrease in marketing costs and a \$0.4 million decrease in research costs which were partially offset by \$0.5 million increase in salaries, incentive compensation, stock-based compensation, overhead costs and other

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personnel-related costs and a \$0.5 million increase in professional and consulting services. The increase in personnel-related costs was primarily attributable to \$2.6 million of acquisition expenses related to contingent consideration payments that were paid or which may become due in connection with our acquisition of TVN to TVN Employee Sellers (refer to notes 3 and 6 in notes to consolidated financial statements).

	Three Months Ended September 30,		Change Increase / (Decrease)		Nine months Ended September 30,		Change Increase / (Decrease)	
	2016	2015	Amount	Percentage	2016	2015	Amount	Percentage
	(dollars in thousands)							
General and administrative expense	\$ 3,609	\$ 4,034	\$ (425)	(10.5)%	\$ 12,605	\$ 13,083	\$ (478)	(3.7)%
% of total revenue	8.7%	9.7%			11.2%	10.7%		

*General and Administrative Expense*

The decrease in general and administrative expense during the three months ended September 30, 2016, compared to the three months ended September 30, 2015, was primarily attributable to a decrease of \$0.3 million in professional, consulting and recruiting fees.

The decrease in general and administrative expense during the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, was primarily attributable to a decrease of \$0.5 million in salaries, incentive compensation, stock-based compensation and other personnel-related costs.

	Three Months Ended September 30,		Change Increase / (Decrease)		Nine months Ended September 30,		Change Increase / (Decrease)	
	2016	2015	Amount	Percentage	2016	2015	Amount	Percentage
	(dollars in thousands)							
Depreciation and amortization expense	\$ 2,358	\$ 2,322	\$ 36	1.6%	\$ 6,922	\$ 6,055	\$ 867	14.3%
% of total revenue	5.7%	5.7%			6.1%	5.0%		

*Depreciation and Amortization Expense*

The increase in depreciation and amortization expense during the three and nine months ended September 30, 2016, compared to the three and nine months ended September 30, 2015, was primarily attributable to additional leasehold improvements to our office spaces and purchases of computer hardware and software related to our third-party data center hosting facilities.

	Three Months Ended September 30,		Change Increase / (Decrease)		Nine months Ended September 30,		Change Increase / (Decrease)	
	2016	2015	Amount	Percentage	2016	2015	Amount	Percentage
	(dollars in thousands)							
Mark-to-market expense	\$ 6	\$ 6	\$ 6	100%	\$ 1,095	\$ 1,095	\$ 1,095	100%



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During the three months ended September 30, 2015, we determined that an impairment indicator was present based on a decrease in our market capitalization below the carrying value of our net assets. We performed an interim impairment test on our net assets and, based on such test, we recorded a goodwill impairment charge of \$20.9 million and an intangible asset impairment charge of \$1.2 million for the three and nine months ended September 30, 2015 (refer to notes 5 and 7 in notes to consolidated financial statements).

In addition to the goodwill and intangible asset impairment charges, we recorded an impairment charge of \$0.6 million related to certain property and equipment at our former headquarters, that we vacated during the second quarter of 2015, that were impaired during the third quarter of 2015 based on changes in expected use of the asset that indicated the carry amount may not be recoverable (refer to notes 5 and 7 in notes to consolidated financial statements).

	Three Months Ended		Change		Nine months Ended		Change	
	September 30, 2016	2015	Increase / (Decrease) Amount	Percentage	September 30, 2016	2015	Increase / (Decrease) Amount	Percentage
	(dollars in thousands)							
Total interest and other (expense) income, net	\$ 68	\$ 77	\$ (9)	(11.7)%	\$ (232)	\$ 95	\$ (327)	(344.2)%
% of total revenue	0.2%	0.2%			(0.2)%	0.1%		

*Interest and Other (Expense) Income, Net*

The decrease in our interest and other (expense) income, net, during the three months ended September 30, 2016, compared to the nine months ended September 30, 2015, was primarily attributable to an increase in unrealized exchange loss.

The decrease in our interest and other (expense) income, net, during the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, was primarily attributable to a net \$0.3 million loss on the subleasing of office.

	Three Months Ended		Change		Nine months Ended		Change	
	September 30, 2016	2015	Increase / (Decrease) Amount	Percentage	September 30, 2016	2015	Increase / (Decrease) Amount	Percentage
	(dollars in thousands)							
Provision for income taxes	\$ (43)	\$ 19	\$ (62)	(326.3)%	\$ 461	\$ 258	\$ 203	78.7%
% of total revenue	(0.1)%	%			0.4%	0.2%		

*Provision for income taxes*

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The decrease in the provision for income taxes during the three months ended September 30, 2016, compared to the three months ended September 30, 2015, was primarily attributable to a change in state apportionments for U.S. state tax purposes.

The increase in the provision for income taxes for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 is primarily due to an increase in estimated taxes and taxes paid in our foreign jurisdictions.

### Liquidity and Capital Resources

#### *Working Capital*

The following table summarizes our cash and cash equivalents, accounts receivable, net of allowance for doubtful accounts and working capital for the periods indicated:

	2016	As of September 30,	2015
		(dollars in thousands)	
Cash and cash equivalents	\$	47,552	\$ 65,531
Accounts receivable, net of allowance for doubtful accounts		60,364	53,577
Working capital		59,396	74,025

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Our cash and cash equivalents at September 30, 2016 were held for working capital purposes. We do not enter into investments for trading or speculative purposes. Our policy is to invest any cash in excess of our immediate requirements in investments designed to preserve the principal balance and provide liquidity. Accordingly, our cash and cash equivalents are invested primarily in demand deposit accounts and money market funds that are currently providing only a minimal return.

*Sources of Liquidity*

*Cash and Cash Equivalents*

Our principal sources of liquidity are our cash and cash equivalents. Cash and cash equivalents consist primarily of cash on deposit with banks and investments in money market funds. Cash and cash equivalents were \$47.6 million and \$59.9 million as of September 30, 2016 and December 31, 2015, respectively.

*Credit Facility*

We are party to a loan and security agreement, which we refer to as our credit facility, with Silicon Valley Bank, which we refer to as our lender. Pursuant to the credit facility, which was amended in October 2014, we can incur revolver borrowings up to the lesser of \$32.5 million and a borrowing base equal to 80.0% of eligible accounts receivable. Any outstanding principal amounts borrowed under the credit facility must be paid at maturity. Interest accrues at a floating rate equal to the lender's prime rate and is payable monthly. We are charged a fee of 0.25% of any unused borrowing capacity. This fee is payable quarterly but no fee is charged for a particular quarter if the average principal amount of borrowings during such quarter is more than \$10.0 million. The credit facility also includes a letter of credit, foreign exchange and cash management facility in an aggregate amount of \$2.5 million. The credit facility matures in December 2016. While we had no outstanding borrowings under the credit facility as of September 30, 2016 and December 31, 2015, our lender has issued standby letters of credit in favor of the landlord of our headquarters totaling \$2.3 million, which can be drawn down from amounts available under the credit facility.



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The credit facility contains customary conditions to borrowings, events of default and negative covenants, including covenants that restrict our ability to dispose of assets, merge with or acquire other entities, incur indebtedness, incur encumbrances, make distributions to holders of our capital stock, make investments or engage in transactions with our affiliates. We are also subject to a financial covenant with respect to minimum monthly working capital levels. Our obligations under the credit facility are secured by substantially all of our assets other than our intellectual property, although we have agreed not to encumber any of our intellectual property without the lender's prior written consent. We are also required to maintain all of our cash and cash equivalents at accounts with the lender, unless we maintain at least \$30.0 million of cash and cash equivalents with the lender, in which case we can maintain the excess with another banking institution. We were in compliance with all covenants as of September 30, 2016 and through the date of this filing.

***Operating and Capital Expenditure Requirements***

We believe our existing cash balances will be sufficient to meet our anticipated cash requirements through at least the next 12 months. If our available cash balances and available borrowings under our credit facility are insufficient to satisfy our liquidity requirements, we will need to raise additional funds to support our operations, and such funding may not be available to us on acceptable terms, or at all. If we are unable to raise additional funds when needed, our operations and ability to execute our business strategy could be adversely affected. We may seek to raise additional funds through equity, equity-linked or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness would have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. Any additional equity financing may be dilutive to our stockholders.

***Share Repurchase Program***

On March 29, 2016, we announced that our Board of Directors approved a share repurchase program, under which we are authorized to purchase up to \$15.0 million of our common stock over an eighteen month period commencing March 25, 2016. The repurchases may be made, from time to time, in the open market or by privately negotiated transactions, and are expected to be funded from cash on hand. The number of shares to be repurchased and the timing of repurchases will depend on a number of factors, including, but not limited to, share price, trading volume and general market conditions, along with working capital requirements, general business conditions and other factors. The share repurchase program may be suspended, modified or discontinued at any time. During the three months ending September 30, 2016, we made open-market purchases totaling 621,528 shares of our common stock for an aggregate purchase price of \$1.2 million. During the nine months ended September 30, 2016, we made open-market purchases totaling 799,508 shares of our common stock for an aggregate purchase price of \$1.5 million.

***Historical Cash Flows***

The following table summarizes our historical cash flows for the periods indicated:

	<b>Nine months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	<b>(dollars in thousands)</b>	
Net cash used in:		

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Operating activities	\$	(7,824)	\$	(3,428)
Investing activities		(2,727)		(8,345)
Financing activities		(1,702)		(357)

*Operating Activities*

Net cash used in operating activities is primarily influenced by the revenue our business generates, video advertising inventory costs and amounts of cash we invest in personnel and infrastructure to support the anticipated growth of our business and the increase in the number of clients using our solutions. Net cash used in operating activities has been used to fund operations through changes in working capital, particularly in the areas of accounts receivable, accounts payable and accrued expenses, adjusted for non-cash expense items such as depreciation, amortization and stock-based compensation expenses.

During the nine months ended September 30, 2016, our net cash used in operating activities was \$7.8 million and consisted of a net loss of \$20.5 million and a \$1.3 million decrease in net cash resulting from changes in working capital, offset by \$14.0 million in adjustments for non-cash items. Adjustments for non-cash items primarily consisted of \$6.9 million in depreciation and amortization expense, \$2.9 million in non-cash stock-based compensation expense, \$3.8 million in expense related to our acquisition of TVN and

\$0.4 million other net adjustments for non-cash items. The decrease in cash resulting from changes in our working capital during the nine months ended September 30, 2016 primarily consisted of a \$9.8 million net decrease in accounts payable and accrued expenses, \$3.4

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million decrease in contingent consideration on our TVN acquisition, which were partially offset by a decrease of \$10.6 million in accounts receivable and \$1.3 net decrease in other changes in our working capital.

During the nine months ended September 30, 2015, our net cash used in operating activities was \$3.4 million and consisted of a net loss of \$40.8 million, offset by \$32.2 million in adjustments for non-cash items a \$5.2 million increase in net cash provided by changes in working capital. Adjustments for non-cash items primarily consisted of \$22.7 million in impairment charges, \$6.1 million in depreciation and amortization expense and \$3.4 million in non-cash stock-based compensation expense. The increase in cash resulting from changes in our working capital during the nine months ended September 30, 2015 primarily consisted of an increase in operating cash flow due to a \$8.0 million increase in accounts payable and accrued expenses and a \$3.8 million increase in deferred rent and security deposits payable as a result of our new headquarters, which were partially offset by a \$5.5 million increase in accounts receivable and a \$1.1 million net decrease in other changes in our working capital.

*Investing Activities*

Our investing activities consist of net cash used for purchases of property and equipment and changes in our restricted cash.

For the nine months ended September 30, 2016 and 2015, our net cash used in investing activities was \$2.7 million and \$8.3 million, respectively. For the nine months ended September 30, 2016, net cash used in investing activities consisted of \$2.7 million used to purchase property and equipment. For the nine months ended September 30, 2015, net cash used in investing activities consisted of \$7.1 million used to purchase property and equipment primarily related to leasehold improvements for the Company's new principal executive office and \$1.2 million used to acquire a business in Australia, net of cash acquired (*refer to note 6 in notes to consolidated financial statements*).

*Financing Activities*

Our financing activities consist of our share repurchase program, net cash used for tax payments on behalf of employees related to net share settlements of restricted stock unit awards and proceeds received from the exercise of stock option awards.

For the nine months ended September 30, 2016, our net cash used in financing activities was \$1.7 million, which consisted of \$1.5 million spent on purchases of the Company's common stock in the open-market under the share repurchase program (refer to note 11 in the notes to consolidated financial statements), \$0.4 million decrease in contingent consideration liability on our TVN acquisition and \$0.4 million in tax payments on behalf of employees related to net share settlements of restricted stock unit awards partially offset by \$0.6 million in proceeds received from the exercise of stock option awards and common shares issued under our ESPP.

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For the nine months ended September 30, 2015, our net cash used in financing activities was \$0.4 million and consisted of \$0.5 million in tax payments on behalf of employees related to net share settlements of restricted stock unit awards, partially offset by \$0.1 million in proceeds received from the exercise of stock option awards.

### *Off-Balance Sheet Arrangements*

During the periods presented, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

### *Critical Accounting Policies and Significant Judgments and Estimates*

We prepare our unaudited interim consolidated financial statements in accordance with U.S. GAAP. The preparation of unaudited interim consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe the estimates, assumptions and judgments involved in revenue recognition and deferred revenue, stock-based compensation expense, and accounting for income taxes have the greatest potential impact on our unaudited interim consolidated financial statements, and consider these to be our critical accounting policies and estimates.

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There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the U.S. Securities and Exchange Commission on March 15, 2016.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk primarily related to changes in interest rates and foreign currency exchange rates. We do not use derivative financial instruments for speculative, hedging or trading purposes, although in the future we may enter into hedging arrangements to manage the risks described below.

***Interest Rate Risk***

We maintain cash and a short-term investment portfolio consisting mainly of highly liquid, short-term money market funds, which we consider to be cash and cash equivalents, respectively. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash and cash equivalents have a relatively short maturity, our portfolio's fair value is relatively insensitive to interest rate changes. These investments earn interest at variable rates and, as a result, decreases in market interest rates would generally result in decreased interest income. A 10% increase or decrease in interest rates occurring January 1, 2016 and sustained through the period ended September 30, 2016, would not have been material. We do not enter into investments for trading or speculative purposes. In future periods, we will continue to evaluate our investment policy relative to our overall objectives.

We were exposed to market risks related to fluctuations in interest rates related to our \$32.5 million credit facility where an increase in interest rates may result in higher borrowing costs. Since we currently do not have any outstanding borrowings under our credit facility, the effect of a hypothetical 10% change in interest rates would not have any impact on our interest expense.

***Foreign Currency Exchange Risk***

Due to our international operations, we are exposed to foreign exchange risk related to foreign denominated revenues and costs, which must be translated into U.S. dollars. Historically, our primary exposures have been related to non-U.S. dollar denominated operating expenses primarily in Canada, Singapore and the United Kingdom. In addition, on August 3, 2015, we acquired a business located in Australia, which exposes us to non-U.S. dollar denominated revenues and costs in Australia. In addition, in connection with the acquisition we owe future payments that are denominated in Australian dollars (refer to notes 3 and 6 in notes to the consolidated financial statements). The effect of a 10% increase or decrease in exchange rates on foreign denominated cash, receivables and payables would not have been material for the periods presented. Substantially all of our advertiser contracts are currently denominated in U.S. dollars. Therefore, we have minimal foreign currency exchange risk with respect to our revenue. These exposures may change over time as our business practices evolve and if our exposure increases, adverse movements in foreign currency exchanges rates could have a material adverse impact on our financial results.

***Inflation Risk***

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. We continue to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

#### **Item 4. Controls and Procedures**

##### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

As described in Item 9A in our Annual Report on Form 10-K for the year ended December 31, 2015, we identified a material weakness in our internal control over financial reporting related to principal-agent considerations around revenue recognition and determined that revenue generated by the Tremor Video SSP should be reported net of inventory costs rather than on a gross basis. As a

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result, we restated our quarterly financial statements for the quarterly periods ending March 31, June 30, and September 30, 2015 to reflect the revenue attributable to the Tremor Video SSP on a net instead of a gross basis and concluded that our internal control over financial reporting was not effective as of December 31, 2015.

To remediate the material weaknesses in our internal control over financial reporting described above, during the first quarter of 2016, we developed enhanced processes and procedures related to the review of principal-agent considerations around revenue. Management is continuing to evaluate the effectiveness of our disclosure controls and procedures, including these enhanced processes and procedures. Such controls have not been in operation for a sufficient period of time to allow management to conclude that, as of September 30, 2016, our disclosure controls and procedures were effective at a reasonable assurance level.

***Changes in Internal Control over Financial Reporting***

Except as noted above, there was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations on Effectiveness of Controls***

While our management, including our Chief Executive Officer and Chief Financial Officer, design our disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance of achieving their objectives, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake and, as discussed above, for the year ended December 31, 2015 we identified a material weakness in our internal control over financial reporting. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Part II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

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In November 2013, a putative class action lawsuit was filed in the United States District Court for the Southern District of New York against us, our directors, and certain of our executive officers, alleging certain misrepresentations by us in connection with our initial public offering concerning our business and prospects. On March 5, 2015, the District Court granted our motion to dismiss the lawsuit and entered judgment in our favor and on February 8, 2016, the United States Court of Appeals for the Second Circuit confirmed the judgment of the District Court.

In addition, from time to time we are involved in legal proceedings or subject to claims arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, except as noted above we do not believe we are a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

### **Item 1A. Risk Factors.**

There have been no material changes to our risk factors as compared to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 15, 2016.



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**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

On March 29, 2016 we announced that our Board of Directors approved a share repurchase program, under which we are authorized to purchase up to \$15.0 million of our common stock over an eighteen month period commencing March 25, 2016. The repurchases may be made, from time to time, in the open market or by privately negotiated transactions, and are expected to be funded from cash on hand. The share repurchase program may be suspended, modified or discontinued at any time.

During the three months ended September 30, 2016, we purchased 621,528 shares of our common stock in open market purchases for an aggregate purchase price of \$1.2 million.

For accounting purposes, common stock repurchased under our stock repurchase program is recorded based upon the purchase date of the applicable trade. Such repurchased shares are held in treasury and are presented using the cost method. The table below is a summary of stock repurchases for the three months ended September 30, 2016.

Period	Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that Remain Eligible for Purchase under the Program (in thousands)
July 1 July 31, 2016	232,121	\$ 1.97	232,121	\$ 14,668
				14,208

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August 1	August 31, 2016	389,407	\$	1.81	389,407	13,509
September 1	September 30, 2016					13,509
Total as of September 30, 2016		621,528	\$	1.86	621,528	13,509

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(1) Average price paid per share does not include broker commissions.

**Item 3. Defaults upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

Not applicable.

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**Item 6. Exhibits.**

(a) List of Exhibits

Exhibit Number	Exhibit Description
31.1+	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a).
31.2+	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a).
32.1++	Certification Pursuant of Principal Executive Officer to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2++	Certification Pursuant of Principal Financial Officer to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

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+ Exhibits marked with a plus sign ( + ) are filed herewith.

++ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed filed for purpose of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

\* Certain portions of this exhibit omitted and filed separately with the U.S. Securities and Exchange Commission pursuant to a request for confidential treatment.



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TREMOR VIDEO, INC.

By: */s/ William Day*  
William Day  
*President and Chief Executive Officer*

Date: November 9, 2016

TREMOR VIDEO, INC.

By: */s/ John S. Rego*  
John S. Rego  
*Senior Vice President and Chief Financial Officer*

Date: November 9, 2016