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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

Commission file number 001-35108

SERVICESOURCE INTERNATIONAL, INC.
(Exact name of registrant as specified in our charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**No. 81-0578975** (I.R.S. Employer Identification No.)
634 Second Street **San Francisco, California** (Address of Principal Executive Offices)	**94107** (Zip Code)

(415) 901-6030
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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. (Check one):

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

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

Indicate number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Class	Outstanding as of April 30, 2012
Common Stock	74,423,920

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PART I FINANCIAL INFORMATION

Item 1. ***Financial Statements***

SERVICESOURCE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 56,105	$ 65,983
Short-term investments	44,784	42,882
Accounts receivable, net	59,374	54,095
Current portion of deferred income taxes	3,585	3,526
Prepaid expenses and other	10,043	7,945
Total current assets	173,891	174,431
Property and equipment, net	29,805	26,840
Deferred debt issuance costs, net	96	123
Deferred income taxes, net of current portion	31,052	30,238
Other assets, net	1,069	995
Goodwill	6,334	6,334
Total assets	$242,247	$ 238,961
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,549	$ 8,617
Accrued taxes	3,700	4,008
Accrued compensation and benefits	12,740	18,665
Other accrued liabilities	8,246	7,639
Obligations under capital leases	708	706
Total current liabilities	30,943	39,635
Obligations under capital leases, net of current portion	892	958
Other long-term liabilities	4,936	1,352
Total liabilities	36,771	41,945
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock; $0.0001 par value; 1,000,000 shares authorized; 74,335 shares issued and 74,214 shares outstanding as of March 31, 2012; 72,688 shares issued and 72,567 shares outstanding as of December 31, 2011	7	7
Treasury stock	(441)	(441)
Additional paid-in capital	187,508	177,796
Retained earnings	18,141	19,416
Accumulated other comprehensive income	261	238
Total stockholders' equity	205,476	197,016
Total liabilities and stockholders' equity	$242,247	$ 238,961

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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SERVICESOURCE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net revenue	$57,574	$ 46,122
Cost of revenue	32,576	26,136
Gross profit	24,998	19,986
Operating expenses:		
Sales and marketing	13,477	11,105
Research and development	4,581	2,713
General and administrative	10,075	7,853
Total operating expenses	28,133	21,671
Loss from operations	(3,135)	(1,685)
Interest expense	(47)	(333)
Other expense, net	(44)	(525)
Loss before income taxes	(3,226)	(2,543)
Income tax benefit	(1,950)	(19,959)
Net income (loss)	$ (1,276)	$ 17,416
Net income (loss) per common share:		
Basic	$ (0.02)	$ 0.30
Diluted	(0.02)	$ 0.28
Weighted-average shares used in computing net income (loss) per common share:		
Basic	73,212	57,797
Diluted	73,212	63,096

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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SERVICESOURCE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net income (loss)	$(1,276)	$17,416
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	(17)	353
Unrealized gain on investments	40	—
Other comprehensive income, net of tax	23	353
Total comprehensive income (loss), net of tax	$(1,253)	$17,769

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

SERVICESOURCE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Cash flows from operating activities		
Net income (loss)	$ (1,276)	$ 17,416
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	2,268	1,945
Loss on disposal of fixed assets	28	—
Amortization of deferred financing costs	27	171
Accretion on premium on short-term investments	154	—
Deferred income taxes	(873)	(20,975)
Stock-based compensation	4,247	2,446
Tax benefit from stock-based compensation	—	(23)
Income tax deficiency from stock-based compensation	362	—
Changes in operating assets and liabilities:		
Accounts receivable	(5,084)	6,370
Prepaid expenses and other	(2,407)	(1,064)
Accounts payable	(1,257)	254
Accrued taxes	(344)	1,225
Accrued compensation and benefits	(5,949)	901
Accrued payables to customers	—	(30,640)
Other accrued liabilities	3,780	481
Net cash used in operating activities	(6,324)	(21,493)
Cash flows from investing activities		
Acquisition of property and equipment	(6,631)	(2,757)
Purchases of marketable securities	(8,390)	—
Sales of marketable securities	1,430	—
Maturities of marketable securities	4,890	—
Net cash used in investing activities	(8,701)	(2,757)
Cash flows from financing activities		
Net proceeds from issuance of common stock in initial public offering	—	90,330
Proceeds from revolving credit facility	—	23,424
Repayment of revolving credit facility	—	(23,424)
Repayment on long-term debt and capital leases	(80)	(15,579)
Payment of deferred debt issuance costs	—	(200)
Proceeds from common stock issuances	5,821	476
Tax benefit from stock-based compensation	—	23
Income tax deficiency from stock-based compensation	(362)	—
Net cash provided by financing activities	5,379	75,050
Net increase (decrease) in cash	(9,646)	50,800
Effect of exchange rate changes on cash and cash equivalents	(232)	431
Cash and cash equivalents at beginning of period	65,983	22,652
Cash and cash equivalents at end of period	$56,105	$ 73,883

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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SERVICESOURCE INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of Business and Basis of Presentation

ServiceSource manages the service contract renewals process of maintenance, support and subscription agreements on behalf of its customers. The Company's integrated solution consists of a suite of cloud applications, dedicated service sales teams working under its customers' brands and a proprietary Service Revenue Intelligence Platform. By integrating software, managed services and data, the Company provides end-to-end management and optimization of the service contract renewals process, including data management, quoting, selling and service revenue business intelligence. The Company's business is built on a pay-for-performance model, whereby customers pay the Company based on renewal sales that the Company generates on the customers' behalf. The Company's corporate headquarters is located in San Francisco, California. The Company has additional offices in Colorado, Tennessee, the United Kingdom, Ireland, Malaysia and Singapore.

The accompanying unaudited interim condensed consolidated financial statements ("condensed consolidated financial statements") include the accounts of ServiceSource International Inc. and its subsidiaries ("SSI" or "Company"). Intercompany accounts and transactions have been eliminated in consolidation.

These condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP" or "GAAP") for interim financial information, rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements, and accounting policies, consistent in all material respects with those applied in preparing our audited annual consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011. These condensed consolidated financial statements and accompanying notes should be read in conjunction with our annual consolidated financial statements and the notes thereto for the year ended December 31, 2011, included in our Annual Report on Form 10-K. In the opinion of management, these condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments, management considers necessary for a fair statement of our financial position, operating results, and cash flows for the interim periods presented. The results for the interim periods are not necessarily indicative of results for the entire year.

The December 31, 2011 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2011 included in the Company's Annual Report on Form 10-K.

Recently Adopted Accounting Pronouncements

Effective January 1, 2012, the Company adopted revised guidance related to the presentation of comprehensive income that increases comparability between U.S. GAAP and International Financial Reporting Standards. This guidance eliminates the current option to report other comprehensive income (OCI) and its components in the statement of changes in stockholders' equity. The Company adopted this guidance during the first quarter of 2012 and elected to disclose OCI as a separate statement during interim reporting periods.

Note 2 — Cash, cash equivalents and short-term investments

Cash equivalents consist of highly liquid fixed-income investments with original maturities of three months or less at the time of purchase, including money market funds. Short-term investments consist of readily marketable securities with a remaining maturity of more than three months from time of purchase. The Company classifies all of its cash equivalents and short-term investments as "available for sale," as these investments are free of trading restrictions. These marketable securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as accumulated other comprehensive income and included as a separate component of stockholders' equity. Gains and losses are recognized when realized. When the Company determines that an other-than-temporary decline in fair value has occurred, the amount of the decline that is related to a credit loss is recognized in earnings. Gains and losses are determined using the specific identification method. The Company's realized gains and losses in the three months ended March 31, 2012 and 2011 were insignificant.

Cash and cash equivalents and short-term investments consisted of the following as of March 31, 2012 and December 31, 2011 (in thousands):

March 31, 2012

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash	$ 50,998	$ —	$ —	$ 50,998
Cash equivalents:				
Money market mutual funds	3,107	—	—	3,107
Commercial paper	2,000	—	—	2,000
Total cash equivalents	5,107	—	—	5,107
Total cash and cash equivalents	56,105	—	—	56,105
Short-term investments:				
Certificate of deposit	750	—	(1)	749
Asset-backed securities	1,000	2	—	1,002
Municipal securities	32,689	42	(2)	32,729
Commercial paper	4,261	1	(2)	4,260
Corporate bonds	6,034	12	(2)	6,044
Total short-term investments	44,734	57	(7)	44,784
Cash, cash equivalents and short-term investments	$100,839	$ 57	$ (7)	$100,889

December 31, 2011

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash	$ 59,033	$ —	$ —	$ 59,033
Cash equivalents:				
Money market mutual funds	4,201	—	—	4,201
Commercial paper	2,749	—	—	2,749
Total cash equivalents	6,950	—	—	6,950
Total cash and cash equivalents	65,983	—	—	65,983
Short-term investments:				
Certificate of deposit	750	—	(4)	746
Municipal securities	33,568	30	(6)	33,592
Commercial paper	3,645	1	(1)	3,645
Corporate bonds	4,910	3	(14)	4,899
Total short-term investments	42,873	34	(25)	42,882
Cash, cash equivalents and short-term investments	$108,856	$ 34	$ (25)	$108,865

The following table summarizes the cost and estimated fair value of short-term fixed income securities classified as short-term investments based on stated maturities as of March 31, 2012:

	Amortized Cost	Estimated Fair Value
Less than 1 year	$35,034	$35,058
Due in 1 to 3 years	9,700	9,726
Total	$44,734	$44,784

As of March 31, 2012, the Company did not consider any of its investments to be other-than-temporarily impaired.

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Note 3 — Fair value of financial instruments

The Company measures certain financial instruments at fair value on a recurring basis. The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are based on inputs that are observable, either directly or indirectly, other than quoted prices included within Level 1. Such inputs used in determining fair value for Level 2 valuations include quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 valuations are based on information that is unobservable and significant to the overall fair value measurement.

All of the Company's cash equivalents and short-term investments are classified within Level 1 or Level 2.

The following table presents information about the Company's financial instruments that are measured at fair value as of March 31, 2012 and indicates the fair value hierarchy of the valuation (in thousands):

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market mutual funds	$ 3,107	$ 3,107	$ —	$ —
Commercial paper	2,000	—	2,000	—
Total cash equivalents	5,107	3,107	2,000	—
Short-term investments:				
Certificate of deposit	749	—	749	—
Asset backed securities	1,002	—	1,002	—
Municipal securities	32,729	—	32,729	—
Commercial paper	4,260	—	4,260	—
Corporate bonds	6,044	—	6,044	—
Total short-term investments	44,784	—	44,784	—
Cash equivalents and short-term investments	$49,891	$ 3,107	$46,784	$ —

The following table presents information about the Company's financial instruments that are measured at fair value as of December 31, 2011 and indicates the fair value hierarchy of the valuation (in thousands):

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market mutual funds	$ 4,201	$ 4,201	$ —	$ —
Commercial paper	2,749	—	2,749	—
Total cash equivalents	6,950	4,201	2,749	—
Short-term investments:				
Certificate of deposit	746	—	746	—
Municipal securities	33,592	—	33,592	—
Commercial paper	3,645	—	3,645	—
Corporate bonds	4,899	—	4,899	—
Total short-term investments	42,882	—	42,882	—
Cash equivalents and short-term investments	$49,832	$ 4,201	$45,631	$ —

The Company did not have any financial liabilities measured at fair value on a recurring basis as of March 31, 2012 or December 31, 2011.

Note 4 — Property and Equipment, Net

Property and equipment balances were comprised of the following (in thousands):

	March 31, 2012	December 31, 2011
Computers and equipment	$ 12,555	$ 11,562
Software	19,740	19,487
Furniture and fixtures	7,096	5,879
Leasehold improvements	7,680	4,957
	47,071	41,885
Less: accumulated depreciation and amortization	(25,020)	(23,187)
	22,051	18,698
Construction in progress	7,754	8,142
	$ 29,805	$ 26,840

Depreciation expense related to property and equipment was $2.3 million and $1.9 million during the three months ended March 31, 2012 and 2011 respectively.

Total property and equipment assets under capital lease at March 31, 2012 and December 31, 2011, was $3.3 million. Accumulated depreciation related to assets under capital lease as of these dates were $1.9 million and $1.7 million, respectively.

The Company capitalized internal-use software development costs of $2.2 million and $1.3 million during the three months ended March 31, 2012 and 2011, respectively. As of March 31, 2012 and December 31, 2011, the carrying value of capitalized costs related to internal-use software was $11.3 million and $9.0 million, respectively. Amortization of capitalized costs related to internal-use software for the three months ended March 31, 2012 and 2011 was $0.6 million and $0.8 million, respectively.

Note 5 — Other Accrued Liabilities

Other accrued liabilities balances were comprised of the following (in thousands):

	March 31, 2012	December 31, 2011
Accrued professional fees	$ 1,390	$ 944
Amounts refundable to end customers	533	582
Deferred revenue	528	593
Deferred rent obligations	707	734
Employee related	329	379
Other (includes ESPP contributions of $437 and $1,106 at March 31, 2012 and December 31, 2011, respectively)	4,759	4,407
	$ 8,246	$ 7,639

Note 6 — Credit Facility and Capital Leases

Revolving Credit Facility

At March 31, 2012, the Company had a revolving credit facility which expires in February 2013 and provides borrowings of up to $20 million including amounts under letters of credit. Amounts outstanding on the facility at March 31, 2012 consisted of a letter of credit of $1.1 million as required under an operating lease agreement for office space. The Facility has a non-use fee of 0.50% per annum based on the average monthly available borrowing base. Borrowings on the facility, including amounts outstanding under letter of credit, bear interest at either: (i) the LIBOR Rate plus an additional margin; or (ii) the Base Rate (i.e., prime rate) plus an additional margin. At March 31, 2012 the interest rate for borrowings under the facility was 5.0 %.

The revolving credit facility provides the Company the option to terminate the facility at no cost; prior to February 25, 2012, the Company was subject to an early termination fee of $0.2 million.

The credit facility is collateralized by substantially all of the Company's assets and has certain financial covenants which include a maximum consolidated leverage ratio and a minimum liquidity ratio. At March 31, 2012, the Company was in compliance with its borrowing covenants.

Capital Leases

The Company has capital lease agreements that are collateralized by the underlying property and equipment and expire through September 2019. The weighted-average imputed interest rates for the capital lease agreements were 3.62% and 2.86 % at March 31, 2012 and 2011, respectively.

Future minimum annual payments under capital lease obligations as of March 31, 2012 were as follows (in thousands):

	March 31, 2012
Years Ending December 31,	
2012 (remaining nine months)	$ 646
2013	326
2014	267
2015	74
2016	76
Thereafter	211
	$ 1,600

Note 7 — Commitments and Contingencies

Operating Leases

The Company leases its office space and certain equipment under noncancelable operating lease agreements with various expiration dates through June 2019. Rent expense for the three months ended March 31, 2012 and 2011 was $2.3 million and $1.5 million, respectively. The Company recognizes rent expense on a straight-line basis over the lease period and accrues for rent expense incurred but not paid.

Future annual minimum lease payments under all noncancelable operating leases as of March 31, 2012 were as follows (in thousands):

	March 31, 2012
Years Ending December 31,	
2012 (remaining nine months).	$ 5,911
2013	7,278
2014	6,320
2015	4,754
2016	3,330
Thereafter	7,190
	$34,783

Other Matters

The Company may be subject to litigation or other claims in the normal course of business. In the opinion of management, the Company's ultimate liability, if any, related to any currently pending or threatened litigation or claims would not materially affect its consolidated financial position, results of operations or cash flows.

Note 8 — Stockholders' Equity

Stock Option Plans

The Company maintained the following stock plans: the 2011 Equity Incentive Plan (the "2011 Plan"), and the 2011 Employee Stock Purchase Plan. The Company's board of directors and, as delegated to its compensation committee, administers the 2011 Plan and has authority to determine the directors, officers, employees and consultants to whom options or restricted stock may be granted, the option price or restricted stock purchase price, the timing of when each share is exercisable and the duration of the exercise period and the nature of any restrictions or vesting periods applicable to an option or restricted stock grant

Under the 2011 Plan, options granted are generally subject to a four-year vesting period whereby options become 25% vested after a one-year period and the remainder then vests monthly through the end of the vesting period. Vested options may be exercised up to ten years from the vesting commencement date, as defined in the 2011 Plan. Vested but unexercised options expire three months after termination of employment with the Company. The restricted stock units typically vest over four years with a yearly cliff contingent upon employment with the Company on the dates of vest.

The Company has elected to recognize the compensation cost of all stock-based awards on a straight-line basis over the vesting period of the award. Further, the Company applied an estimated forfeiture rate to unvested awards when computing the share compensation expenses. The Company estimated the forfeiture rate for unvested awards based on its historical experience on employee turnover behavior and other factors.

On February 8, 2012, the Company issued 200,000 performance-based equity awards to an executive which vest upon the achievement of certain financial performance goals, including revenue and an internal metric that is used for measuring customer contract commitments based on a net recurring revenue amount in which the Company measures customer revenue gains offset by losses during the measurement period. Determining the appropriate amount to expense based on the anticipated achievement of the stated goals requires judgment, including forecasting future financial results. The estimate of the timing of the expense recognition is revised periodically based on the probability of achieving the required performance targets and adjustments are made as appropriate. The cumulative impact of any revision is reflected in the period of the change. If the financial performance goals are not met, the award does not vest, no compensation cost is recognized and any previously stock-recognized stock-based compensation expense is reversed. No expense was recorded for the performance –based equity award during the three months ended March 31, 2012.

At the end of each fiscal year, the share reserve under the 2011 Plan will increase automatically by an amount equal to 4% outstanding shares as of the end of that most recently completed fiscal year or 3,840,000 shares, whichever is less. On January 1, 2012, 2.9 million additional shares were reserved under the 2011 Equity Incentive Plan pursuant to the automatic increase.

Determining Fair Value of Stock Options

The Company estimates the fair value of stock option awards at the date of grant using the Black-Scholes option-pricing model. Options are granted with an exercise price equal to the fair value of the common stock as of the date of grant. Compensation expense is amortized net of estimated forfeitures on a straight-line basis over the requisite service period of the options, which is generally four years. Restricted stock, upon vesting entitles the holder to one share of common stock for each restricted stock and has an exercise price of $0.0001 per share, which is equal to the par value of the Company's common stock, and vests over four years. The fair value of the restricted stock is based on the Company's closing stock price on the date of grant, and compensation expense, net of estimated forfeitures, is recognized on a straight-line basis over the vesting period.

The weighted average Black-Scholes model assumptions for the three months ended March 31, 2012 and 2011 were as follows:

	Three Months Ended March 31,	
	2012	2011
Expected term (in years)	5.1	5.4
Expected volatility	45%	54%
Risk-free interest rate	0.82%	2.33%
Expected dividend yield	—	—

Option and restricted stock activity under the 2011 Plan for the three months ended March 31, 2012 were as follows (shares in thousands):

	Shares and Units Available for Grant	Options Outstanding Number of Shares	Options Outstanding Weighted-Average Exercise Price	Restricted Stock Outstanding Number of Shares
Outstanding — December 31, 2012	6,409	15,335	$ 5.70	802
Additional shares reserved under the 2011 equity incentive plan	2,903	—	—	—
Granted	(2,367)	1,314	17.36	1,053
Options exercised/ Restricted stock released	—	(1,147)	3.89	(20)
Forfeited	394	(337)	6.87	(57)
Outstanding — March 31, 2012	7,339	15,165	6.82	1,778

The weighted average grant-date fair value of employee stock options granted was $7.04 and $5.56 during the three months ended March 31, 2012 and 2011, respectively.

The Company accounts for all stock-based compensation to employees and directors as stock-based compensation expense in the condensed consolidated financial statements based on the fair value measured as of the date of grant. These costs are recognized as an expense in the Condensed Consolidated Statements of Operations over the requisite service period and as an increase in additional paid-in capital.

The following table summarizes the consolidated stock-based compensation expense included in the condensed consolidated statements of operations (in thousands):

	March 31, 2012	March 31, 2011
Cost of revenue	$ 572	$ 369
Sales and marketing	1,674	921
Research and development	363	268
General and administrative	1,638	888
Total stock-based compensation	$4,247	$2,446

Employee Stock Purchase Plan

The Company's 2011 Employee Stock Purchase Plan (the "ESPP") is intended to qualify under Section 423 of the Internal Revenue Code of 1986. Under the ESPP, employees are eligible to purchase common stock through payroll deductions of up to 10% of their eligible compensation, subject to any plan limitations. The purchase price of the shares on each purchase date is equal to 85% of the lower of the fair market value of the Company's common stock on the first and last trading days of each six-month offering period.

The Company estimates the fair value of purchase rights under the ESPP using the Black-Scholes valuation model. The fair value of each purchase right under the ESPP was estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach with the following weighted-average assumptions:

	Three Months Ended March 31, 2012	Period from March 24, 2011 to March 31, 2011
Expected term (in years)	0.50	0.39
Expected volatility	45%	36%
Risk-free interest rate	0.13%	0.18%
Expected dividend yield	—	—

The ESPP provides that additional shares are reserved under the plan annually on the first day of each fiscal year in an amount equal to the lesser of (i) 1.5 million shares, (ii) one percent of the outstanding shares of common stock on the last day of the immediately preceding fiscal year, or (iii) an amount determined by the board of directors and/or the compensation committee of the board of directors. As of March 31, 2012, 190,292 shares had been issued under the ESPP and 1,435,382 shares were available for future issuance.

Note 9 — Income Taxes

The Company files U.S. federal and state and foreign income tax returns in jurisdictions with varying statutes of limitations. In the normal course of business the Company is subject to examination by taxing authorities throughout the world. These audits include questioning the timing and amount of deductions, the allocation of income among various tax jurisdictions and compliance with federal, state, local and foreign tax laws. The Company is not currently undergoing any examination of its income tax returns. The 2007 through 2011 tax years generally remain subject to examination by federal, state and foreign tax authorities. The Company's gross amount of unrecognized tax benefits increased from zero as of December 31, 2011 to $0.4 million as of March 31, 2012, all of which, if recognized, would affect the company's effective tax rate. It is difficult to predict the final timing and resolution of any particular uncertain tax position. Based on the Company's assessment of many factors, the Company does not expect that changes in the liability for unrecognized tax benefits for the next twelve months will have a significant impact on the Company's consolidated financial position or results of operations.

Management assessed the realizability of deferred tax assets and determined that based on the available evidence, including a history of taxable income and estimates of future taxable income, it is more likely than not that the deferred tax assets will be realized. Management believes that, with the exception of losses incurred in its Singapore subsidiary, it is more likely than not that the deferred tax assets will be realized. The Company will continue to evaluate its ability to realize deferred tax assets on a quarterly basis. Significant management judgment is required in determining the provision for income taxes and deferred tax assets and liabilities. In the event that actual results differ from these estimates the Company will adjust these estimates in future periods and, the Company may need to adjust the effective tax rate for the current year.

Note 10 — Reportable Segments

The Company's operations are principally managed on a geographic basis and are comprised of three reportable and operating segments: NALA, EMEA, and APJ, as defined below.

The Company reports segment information based on the management approach. The management approach designates the internal reporting used by the Company's Chief Operating Decision Maker ("CODM"), for making decisions and assessing performance as the source of the Company's reportable segments. The CODM is the Company's Chief Executive Officer. The CODM allocates resources to and assesses the performance of each of the operating segment using information about its revenue and direct profit contribution, which is management's measure of segment profitability. Management has determined that the Company's reportable and operating segments are as follows, based on the information used by the CODM:

NALA — Includes operations from offices in San Francisco, California; Denver, Colorado and Nashville, Tennessee related primarily to end customer in North America.

EMEA — Includes operations from offices in Liverpool, United Kingdom and Dublin, Ireland related primarily to end customers in Europe.

APJ — Includes operations from offices in Kuala Lumpur, Malaysia and Singapore related primarily to end customers in Asia Pacific and Japan.

The Company does not allocate sales and marketing, research and development, or general and administrative expenses to its geographic regions because management does not include the information in its measurement of the performance of the operating segments. The Company excludes certain items such as stock-based compensation, overhead allocations and other items from direct profit contribution. Revenue for a particular geography reflects fees the Company earns from its customers for sales and renewals of maintenance, support and subscription contracts on their behalf and managed from the Company's sales center in that geography.

Summarized financial information by geographic location based on the Company's internal management reporting and as utilized by the Company's CODM, is as follows (in thousands):

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net revenue		
NALA	$ 36,112	$ 27,746
EMEA	15,748	14,993
APJ	5,714	3,383
Total net revenue	$ 57,574	$ 46,122
Direct profit contribution		
NALA	$ 19,255	$ 14,803
EMEA	8,884	7,442
APJ	426	20
Total direct profit contribution	28,565	22,265
Adjustments:		
Stock-based compensation	(572)	(369)
Overhead allocations	(5,344)	(4,066)
Other, net	2,349	2,156
Gross profit	$ 24,998	$ 19,986

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2011.

This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. These forward-looking statements include, but are not limited to, statements related to changes in market conditions that impact our ability to generate service revenue on our customers' behalf; errors in estimates as to the service revenue we can generate for our customers; risks associated with material defects or errors in our software or the effect of data security breaches; our ability to adapt our solution to changes in the market or new competition; our ability to improve our customers' renewal rates, margins and profitability; our ability to increase our revenue and contribution margin over time from new and existing customers; the potential effect of mergers and acquisitions on our customer base; business strategies; technology development; protection of our intellectual property; investment and financing plans; liquidity; competitive position; the effects of competition; industry environment; and potential growth opportunities. Forward-looking statements are also often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "seek," "should," "target," "will," "would," and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section of this Quarterly Report on Form 10-Q titled "Risk Factors." 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.

All dollar amounts expressed as numbers in this MD&A (except per share amounts) are in millions.

OVERVIEW

We manage the service contract renewals process for renewals of maintenance, support and subscription agreements on behalf of our customers. Our integrated solution consists of a suite of cloud applications, dedicated service sales teams working under our customers' brands and a proprietary Service Revenue Intelligence Platform. By integrating software, managed services and data, we address the critical steps of the renewals process including data management, quoting, selling and service revenue business intelligence. Our business is built on our pay-for-performance model, whereby our revenues are based on the service renewals customers achieve with our solution.

We are currently in the midst of a significant investment cycle in which we have taken steps designed to drive our future growth and profitability. We plan to further build out our infrastructure, develop our technology, offer additional cloud based applications and hire additional sales, service sales and other personnel. These steps impacted our expenses in recent periods and are expected to continue to impact our profitability in future periods.

Factors Affecting our Performance

Sales Cycle. We sell our integrated solution through our sales organization. At the beginning of the sales process, our quota-carrying sales representatives contact prospective customers and educate them about our offerings. Educating prospective customers about the benefits of our solution can take time, as many of these prospects have not historically relied upon integrated solutions like ours for service revenue management, nor have they typically put out a formal request for proposal or otherwise made a decision to focus on this area. As part of the education process, we utilize our solutions design team to perform a Service Performance Analysis ("SPA") of our prospect's service revenue. The SPA includes an analysis of best practices and benchmarks the prospect's service revenue against industry peers. Through the SPA process, which typically takes several weeks, we are able to assess the characteristics and size of the prospect's service revenue, identify potential areas of performance improvement, and formulate our proposal for managing the prospect's service revenue. The length of our sales cycle for a new customer, inclusive of the SPA process and measured from our first formal discussion with the customer until execution of a new customer contract, is typically longer than six months.

We generally contract with new customers to manage a specified portion of their service revenue opportunity, such as the opportunity associated with a particular product line or technology, contract type or geography. We negotiate the customized terms of our customer contracts, including commission rates, based on the output of the SPA, including the areas identified for improvement.

Once we demonstrate success to a customer with respect to the opportunity under contract, we seek to expand the scope of our engagement to include other opportunities with the customer. For some customers, we manage all or substantially all of their service contract renewals.

Implementation Cycle. After entering into an engagement with a new customer, and to a lesser extent after adding an engagement with an existing customer, we incur sales and marketing expenses related to the commissions owed to our sales personnel. The commissions are based on the estimated total contract value, a material portion of which is expensed upfront and the remaining portion of which is expensed over a period of eight to fourteen months, including commissions paid on multi-year contracts. We also make upfront investments in technology and personnel to support the engagement. These expenses are typically incurred one to three months before we begin generating sales and recognizing revenue. Accordingly, in a given quarter, an increase in new customers, and, to a lesser extent, an increase in engagements with existing customers, or a significant increase in the contract value associated with such new customers and engagements, will negatively impact our gross margin and operating margins until we begin to achieve anticipated sales levels associated with the new engagements.

Although we expect new customer engagements to contribute to our operating profitability over time, in the initial periods of a customer relationship, the near term impact on our profitability can be negative due to upfront costs we incur, the lower initial level of associated service sales team productivity and lack of mature data and technology integration with the customer. As a result, an increase in the mix of new customers as a percentage of total customers may initially have a negative impact on our operating results. Similarly, a decline in the ratio of new customers to total customers may positively impact our operating results.

Contract Terms. Substantially all of our revenue comes from our pay-for-performance model. Under our pay-for-performance model, we earn commissions based on the value of service contracts we sell on behalf of our customers. In some cases, we earn additional performance-based commissions for exceeding pre-determined service renewal targets.

Since 2009, our new customer contracts have typically had a term of approximately 36 months, although we sometimes have contract terms of up to 60 months. Our contracts generally require our customers to deliver a minimum value of qualifying service revenue contracts for us to renew on their behalf during a specified period. To the extent that our customers do not meet their minimum contractual commitments over a specified period, they may be subject to fees for the shortfall. Our customer contracts are cancelable on relatively short notice, subject in most cases to the payment of an early termination fee by the customer. The amount of this fee is based on the length of the remaining term and value of the contract.

We invoice our customers on a monthly basis based on commissions we earn during the prior month, and with respect to performance-based commissions, on a quarterly basis based on our overall performance during the prior quarter. Amounts invoiced to our customers are recognized as revenue in the period in which our services are performed or, in the case of performance commissions, when the performance condition is determinable. Because the invoicing for our services generally coincides with or immediately follows the sale of service contracts on behalf of our customers, we do not generate or report a significant deferred revenue balance. However, the combination of minimum contractual commitments, combined with our success in generating improved renewal rates for our customers, and our customers' historical renewal rates, provides us with revenue visibility. In addition, the performance improvement potential identified by our SPA process provides us with revenue visibility for new customers.

M&A Activity. Our customers, particularly those in the technology sector, participate in an active environment for mergers and acquisitions. Large technology companies have maintained active acquisition programs to increase the breadth and depth of their product and service offerings and small and mid-sized companies have combined to better compete with large technology companies. A number of our customers have merged, purchased other companies or been acquired by other companies. We expect merger and acquisition activity to continue to occur in the future.

The impact of these transactions on our business can vary. Acquisitions of other companies by our customers can provide us with the opportunity to pursue additional business to the extent the acquired company is not already one of our customers. Similarly, when a customer is acquired, we may be able to use our relationship with the acquired company to build a relationship with the acquirer. In some cases we have been able to maintain our relationship with an acquired customer even where the acquiring company handles its other service contract renewals through internal resources. In other cases, however, acquirers have elected to terminate or not renew our contract with the acquired company. For example, Oracle terminated our contracts with Sun Microsystems effective as of September 30, 2010 and had previously terminated our contract with another customer, BEA Systems, in April 2008.

Economic Conditions. An improving economic outlook generally has a positive, but mixed, impact on our business. As with most businesses, improved economic conditions can lead to increased end customer demand and sales. In particular, within the technology sector, we believe that the recent economic downturn led many companies to cut their expenses by choosing to let their existing maintenance, support and subscription agreements lapse. An improving economy may have the converse effect.

However, an improving economy may also cause companies to purchase new hardware, software and other technology products, which we generally do not sell on behalf of our customers, instead of purchasing maintenance, support and subscription services for existing products. To the extent this occurs, it would have a negative impact on our opportunities in the near term that would partially offset the benefits of an improving economy.

Adoption of "Software-as-a-Service" Solutions. Within the software industry, there is a growing trend toward providing software to customers using a software-as-a-service model. Under this model, software-as-a-service companies provide access to software applications to customers on a remote basis, and provide their customers with a subscription to use the software, rather than licensing software to their customers. Software-as-a-service companies face a distinct set of challenges with respect to customer renewals, given the potentially lower switching costs for customers utilizing their solutions, and are more reliant on renewals for their long-term revenues than traditional software companies. Given the strategic importance of renewals to their model, software-as-a-service companies may be less inclined than traditional software companies to rely on third-party solutions such as ours to manage the sale of renewals of subscription contracts. We have tailored our solution to address the needs of software-as-a-service companies in this area and expect to continue to develop and enhance our solution as this market grows.

Basis of Presentation

Net Revenue

Substantially all of our net revenue is attributable to commissions we earn from the sale of renewals of maintenance, support and subscription agreements on behalf of our customers. We generally invoice our customers for our services in arrears on a monthly basis for sales commissions, and on a quarterly basis for certain performance sales commissions; accordingly, we typically have no deferred revenue related to these services. We do not set the price, terms or scope of services in the service contracts with end customers and do not have any obligations related to the underlying service contracts between our customers and their end customers.

We also earn revenue from the sale of subscriptions to our cloud based applications. To date, subscription revenue has been insignificant. Subscription fees are accounted for separately from commissions and they are billed on either a monthly or quarterly basis in advance and revenue is recognized ratably over the related subscription term.

We have generated a significant portion of our revenue from a limited number of customers. For the three months ended March 31, 2012 and 2011, our top ten customers in each period accounted for 51% and 52% of our net revenue, respectively.

Our business is geographically diversified. During the first quarter of 2012, 63% of our net revenue was earned in North America and Latin America ("NALA"), 27% in Europe, Middle East and Africa ("EMEA") and 10% in Asia Pacific-Japan ("APJ"). Net revenue for a particular geography generally reflects commissions earned from sales of service contracts managed from our sales centers in that geography. Predominantly all of the service contracts sold and managed by our sales centers relate to end customers located in the same geography.

Cost of Revenue and Gross Profit

Our cost of revenue expenses include compensation, technology costs, including those related to the delivery of our cloud-based solutions, and allocated overhead costs. Compensation includes salary, bonus, benefits and stock-based compensation for our dedicated service sales teams. Our allocated overhead includes costs for facilities, information technology and depreciation, including amortization of internal-use software associated with our service revenue technology platform and cloud applications. Allocated costs for facilities consist of rent, maintenance and compensation of personnel in our facilities departments. Our allocated costs for information technology include costs associated with a third-party data center where we maintain our data servers, compensation of our information technology personnel and the cost of support and maintenance contracts associated with computer hardware and software. Our overhead costs are allocated to all departments based on headcount. To the extent our customer base or opportunity under management expands, we may need to hire additional service sales personnel and invest in infrastructure to support such growth. We currently expect that our cost of revenue will fluctuate significantly and may increase on an absolute basis and as a percentage of revenue in the near term, including for the reasons discussed above under "—Factors Affecting Our Performance—Implementation Cycle."

Operating Expenses

Sales and Marketing. Sales and marketing expenses are the largest component of our operating expenses and consist primarily of compensation and sales commissions for our sales and marketing staff, allocated expenses and marketing programs and events. We sell our solutions through our global sales organization, which is organized across three geographic regions: NALA, EMEA and APJ. Our commission plans provide that payment of commissions to our sales representatives is contingent on their continued employment, and we recognize expense over a period that is generally between twelve and fourteen months following the execution of the applicable contract. We currently expect sales and marketing expense to increase on an absolute basis and as a percentage of revenue in the near term based on commissions earned on customer contracts entered into in prior periods, as well as continued investments in sales and marketing personnel and programs as we expand our business domestically and internationally.

Research and Development. Research and development expenses consist primarily of compensation, allocated costs and the cost of third-party service providers. We focus our research and development efforts on developing new products and adding new features to our existing technology platform. In addition, we capitalize certain expenditures related to the development and enhancement of internal-use software related to our technology platform. We expect research and development spending, and the related expenses and capitalized costs, to increase on an absolute basis as a percentage of revenue in the near term as we continue to invest in our next-generation technology platform and cloud applications.

General and Administrative. General and administrative expenses consist primarily of compensation for our executive, human resources, finance and legal functions, and related expenses for professional fees for accounting, tax and legal services, as well as allocated expenses. We expect that our general and administrative expenses will increase on an absolute basis and as a percentage of revenue in the near term as our operations continue to expand and as a result of incremental personnel, informational technology and other costs associated with being a publicly-traded company.

Other Income (Expense)

Other income (expense) consists primarily of interest expense associated with borrowings under our credit facility and foreign exchange transaction gains and losses, partially offset by interest income.

Income Tax (Benefit) Provision

We account for income taxes using an asset and liability method, which requires the recognition of taxes payable or refundable for the current year and deferred tax assets and liabilities for the expected future tax consequences of temporary differences that currently exist between the tax basis and the financial reporting basis of our taxable subsidiaries' assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in operations in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

We account for unrecognized tax benefits using a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. We record an income tax liability, if any, for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on our tax returns. To the extent that the assessment of such tax positions change, the change in estimate is recorded in the period in which the determination is made. The reserves are adjusted in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

Results of Operations

The table below sets forth our consolidated results of operations for the periods presented. The period-to-period comparison of financial results presented below is not necessarily indicative of financial results to be achieved in future periods.

	Three Months Ended March 31,	
	2012	2011
	(in thousands)	
Net revenue	$57,574	$ 46,122
Cost of revenue	32,576	26,136
Gross profit	24,998	19,986
Operating expenses:		
Sales and marketing	13,477	11,105
Research and development	4,581	2,713
General and administrative	10,075	7,853
Total operating expenses	28,133	21,671
Loss from operations	(3,135)	(1,685)
Other expense, net	(91)	(858)
Loss before income taxes	(3,226)	(2,543)
Income tax benefit	(1,950)	(19,959)
Net income (loss)	$ (1,276)	$ 17,416
Includes stock-based compensation of:		
Cost of revenue	$ 572	$ 369
Sales and marketing	1,674	921
Research and development	363	268
General and administrative	1,638	888
Total stock-based compensation	$ 4,247	$ 2,446

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The following table sets forth our operating results as a percentage of net revenue:

	Three Months Ended March 31, 2012	2011
	(as % of net revenue)	
Net revenue	100%	100%
Cost of revenue	57%	57%
Gross profit	43%	43%
Operating expenses:		
Sales and marketing	23%	24%
Research and development	8%	6%
General and administrative	17%	17%
Total operating expenses	48%	47%
Loss from operations	(5)%	(4)%

Net Revenue

	Three Months Ended March 31, 2012 Amount	2012 % of Net Revenue	2011 Amount	2011 % of Net Revenue	Change	% Change
	(in thousands)					
Net revenue by geography:						
NALA	$36,112	63%	$27,746	60%	$ 8,366	30%
EMEA	15,748	27%	14,993	33%	755	5%
APJ	5,714	10%	3,383	7%	2,331	69%
Total net revenue	$57,574	100%	$46,122	100%	$11,452	25%

Net revenue increased $11.4 million, or 25%, for the first quarter of 2012, compared to the first quarter of 2011. The increase in net revenue reflects an increase in the number and value of service contracts sold on behalf of our customers and the ramp of new engagements entered into in 2011.

Cost of Revenue and Gross Profit

	Three Months Ended March 31, 2012	2011	Change	% Change
	(in thousands)			
Cost of revenue	$ 32,576	$ 26,136	$6,440	25%
Includes stock-based compensation of:	572	369	203	
Gross profit	24,998	19,986	5,012	25%
Gross profit percentage	43%	43%		0%

The 25% increase in our cost of revenue in the first quarter of 2012 reflected an increase in the number of service sales personnel, primarily in APJ and NALA, resulting in a $3.9 million increase in compensation and a $1.3 million increase in allocated

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costs for facilities, information technology and depreciation. Gross profit percentage in the first quarter of 2012 remained unchanged compared to the first quarter of 2011, which benefited from one-time settlement revenue of $1.8 million from Oracle/Sun Microsystems in the quarter which had no direct costs associated with it.

Operating Expenses

	Three Months Ended March 31, 2012		2011			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Change	% Change
			(in thousands)			
Operating expenses:						
Sales and marketing	$13,477	23%	$11,105	24%	$2,372	21%
Research and development	4,581	8%	2,713	6%	1,868	69%
General and administrative	10,075	17%	7,853	17%	2,222	27%
Total operating expenses	$28,133	48%	$21,671	47%	$6,462	29%
Includes stock-based compensation of:						
Sales and marketing	$ 1,674		$ 921		$ 753	
Research and development	363		268		95	
General and administrative	1,638		888		750	
Total	$ 3,675		$ 2,077		$1,598	

Sales and marketing expenses

The 21% increase in sales and marketing expenses in the first quarter of 2012 resulted primarily from a $1.4 million increase in marketing expenses as a result of additional investments in brand development to heighten awareness and maximize the strength of our brand. Expense growth also resulted from a $0.6 million increase in allocations for facilities and IT due to an increase in the number of sales and marketing personnel, primarily in NALA, resulting in higher compensation expense, including stock based compensation. These increases were partially offset by lower commission expense due to the timing of signing new customer contracts.

Research and development expenses

The increase in research and development expense in the first quarter of 2012 reflected an increase in the number of research and development personnel primarily in NALA, resulting in a $0.4 million increase in compensation, a $1.1 million increase in outside consulting services related to contract research and development services and a $0.4 million increase in allocated costs. The increase in our spending on research in development reflects our continued investment in the development of additional cloud-based applications designed to enable greater operational efficiencies and enhanced functionality for our customers. These increases were partially offset by capitalization of $1.9 million of internal labor and third-party costs for development of our internal-use software in the first quarter of 2012 as compared to $1.1 million of capitalized costs in the first quarter of 2011.

General and administrative expenses

The 27% increase in general and administrative expense in the first quarter of 2012 as compared to the first quarter of 2011 reflected a $3.0 million increase in compensation, including stock-based compensation, due to an increase in headcount in the general and administrative function across all geographic segments, partially offset by $0.7 million decrease in professional fees primarily related to expenses incurred in connection with our initial public offering in the first quarter of 2011.

Other Expense, Net

	Three Months Ended March 31, 2012		2011			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Change	% Change
			(in thousands)			
Other expense, net	$ 91	0%	$ 858	2%	$(767)	(89)%

The decrease in other expense in the first quarter of 2012 primarily resulted from a $0.3 million decrease in interest expense due to the repayment of outstanding balances on our term loan and borrowings under our revolving credit in March 2011. Also contributing to the decrease in the first quarter of 2012 was the $0.3 million in gains on foreign exchange transactions in EMEA and APJ due to the strengthening of the US dollar.

Income Tax Benefit

	March 31,			%
	2012	2011	Change	Change
	(in thousands)			
Income tax benefit	$(1,950)	$(19,959)	$18,009	(90)%

In the first quarter of 2012, we recorded a one-time tax benefit of $1.3 million, resulting from identification of US Federal and California research credits recoverable for prior years. There were also one-time charges of $0.1 million arising from revisions of estimated tax expense in prior periods. Excluding the impact of these items, our effective tax rate for the three months ended March 31, 2012 was 24.7%. The computation of the effective tax rate does not include losses incurred by our Singapore subsidiary, which are offset by a full valuation allowance. The effective rate for this quarter differs from the effective rate of 82% recorded in March 31, 2011 due to a number of factors, including inclusion of results of the parent entity, which results were excluded for the first two months of 2011 due to its status as a nontaxable LLC; increased state tax benefit due to state tax credits; and a reduction in foreign tax benefit due to non-deductibility of stock option compensation in certain foreign jurisdictions, as well as losses incurred in low-tax rate jurisdictions.

Liquidity and Capital Resources

At March 31, 2012, we had cash, cash equivalents and short-term investments of $100.9 million, which primarily consisted of municipal securities, corporate bonds and commercial paper held by financial institutions. In addition we had a $20.0 million revolving credit facility. Our primary source of cash is receipts from revenue. The primary uses of cash are payroll-related expenses and general operating expenses including facilities, information technology, travel and marketing. Other sources of cash are proceeds from exercises of employee stock options and proceeds from our employee stock purchase plan. Historically, we have financed our operations principally from cash provided by our operating activities and to a lesser extent from borrowings under various credit facilities. We believe our existing cash, cash equivalents and short-term investments and our currently available credit facility will be sufficient to meet our working capital and capital expenditure needs for at least the next twelve months.

Credit Facility

At March 31, 2012, we had a revolving credit facility which expires in February 2013 and provides borrowings of up to $20 million including amounts under letters of credit. Amounts outstanding on the facility at March 31, 2012 consisted of a letter of credit of $1.1 million as required under an operating lease agreement for office space. At March 31, 2012 the interest rate for borrowings under the facility was 5.0 %.

The revolving credit facility provides us the option to terminate the facility at no cost; prior to February 25, 2012, we were subject to an early termination fee of $0.2 million.

The credit facility is collateralized by substantially all of our assets and has certain financial covenants which include a maximum consolidated leverage ratio and a minimum liquidity requirement. At March 31, 2012 we were in compliance with our borrowing covenants.

Summary Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2012	2011
Net cash used in operating activities	$(6,324)	$(21,493)
Net cash used in investing activities	(8,701)	(2,757)
Net cash provided by financing activities	5,379	75,050
Net increase in cash and cash equivalents, net of impact of foreign exchange changes on cash	$(9,878)	$ 51,231

Operating Activities

Net cash used in operating activities was $6.3 million during the three months ended March 31, 2012. Our net loss during the period was $1.3 million adjusted by non-cash charges of $2.3 million for depreciation and amortization and $4.2 million for stock-based compensation. Cash used for operations during the three months ended March 31, 2012 resulted from changes in our working capital including a $6.0 million decrease in accrued compensation and benefits, a $5.1 million increase in accounts receivable, a $2.4 million increase in prepaid expenses and other and a $1.3 million decrease in accounts payable. Source of cash were related to a $3.8 million increase in other accrued liabilities.

Net cash used in operating activities was $21.5 million during the three months ended March 31, 2011. Our net income during the period was $17.4 million, which reflected a one-time non-cash tax benefit of $21.4 million as a result of recognition of deferred tax assets resulting from our election to be subject to taxation as a corporation. The net income was adjusted by non-cash charges of $1.9 million for depreciation and amortization and $2.4 million for stock-based compensation. Cash used for operations in the first quarter of 2011 principally resulted from $18.1 million in payments to Oracle and the related settlement of accrued payables owed to Oracle/Sun Microsystems and amounts owed to us by Oracle/Sun Microsystems. Additional sources of cash resulted from changes in our working capital, including a $1.1 million decrease in prepaid expenses, a $0.5 million increase in other accrued liabilities, a $0.9 million increase in accrued compensation and benefits, partially offset by a $6.3 million decrease in accounts receivable.

Investing Activities

During the three months ended March 31, 2012 cash used in investing activities was principally for the purchases of property and equipment of $6.6 million, including costs capitalized for development of internal-use software and to a lesser extent for the purchases of short-term investments, net of sales and maturities, of $2.1 million. The $2.8 million of cash used by investing activities during the three months ended March 31, 2011 related to the purchase of property and equipment, including costs capitalized for development of internal-use software.

Financing Activities

Cash provided by financing activities was $5.7 million during the three months ended March 31, 2012 principally resulted from proceeds of $5.8 million from the exercise of common stock options and the purchase of common stock under our employee stock purchase plan.

Cash provided by financing activities was $75.1 million during the three months ended March 31, 2011 comprised primarily of proceeds from our initial public offering, net of issuance costs, of $90.3 million, partially offset by $15.6 million in net payments to payoff our term loan and payment of capital lease obligations.

Off-Balance Sheet Arrangements

We do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special-purpose entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases for office space and computer equipment. At March 31, 2012, the future minimum payments under these commitments were as follows (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Obligations under capital leases	$ 1,600	$ 726	$ 605	$ 155	$ 114
Operating lease obligations	34,783	7,946	17,145	6,714	2,978
	$36,383	$ 8,672	$17,750	$6,869	$ 3,092

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding, which specify significant terms including payment terms, related services and the approximate timing of the transaction. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Critical Accounting Policies and Estimates

Management has determined that our most critical accounting policies are those related to revenue recognition, stock-based compensation, capitalized internal-use software and income taxes. We continue to monitor our accounting policies to ensure proper application of current rules and regulations. There have been no material changes in our critical accounting policies and estimates during the three months ended March 31, 2012 as compared to the critical accounting policies and estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies and Estimates of our Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on March 6, 2012.

Recent Accounting Pronouncements

The information contained in Note 1 to our condensed consolidated financial statements in Item 1 under the heading, "Recently Adopted Accounting Pronouncements," is incorporated by reference into this Item 2.

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

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include foreign currency, interest rate and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To date, we have not used derivative instruments to mitigate the impact of our market-risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes.

Foreign Currency Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the euro, British pound, Singapore dollar and Malaysian Ringgit. To date, we have not entered into any foreign currency hedging contracts, but may consider entering into such contracts in the future. We believe our operating activities act as a natural hedge for a substantial portion of our foreign currency exposure because we typically collect revenue and incur costs in the currency in the location in which we provide our solution from our sales centers. However, our global sales operations center in Kuala Lumpur incurs costs in the Malaysian Ringgit but we do not generate revenue or cash proceeds in this currency and, as a result, have some related foreign currency risk exposure. As our international operations grow, we will continue to reassess our approach to managing our risk relating to fluctuations in currency rates.

Interest Rate Risk

The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing risk. By policy, we do not enter into investments for trading or speculative purposes. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the fair value of the investment to fluctuate. To minimize this risk, we invest in a variety of securities, which primarily consist of money market funds, commercial paper, municipal securities and other debt securities of domestic corporations. Due to the nature of these investments and relatively short duration of the underlying securities, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, will reduce future interest income. A 10% appreciation or depreciation in interest rates in the first quarter of 2012 would not have had a material impact on our interest income or the fair value of our marketable securities.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. Nonetheless, 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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the most recently completed quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

From time to time, we are subject to litigation or threatened litigation in the general nature of business. We do not believe the resolution of these matters will have a material adverse impact on our consolidated results of operations, cash flows or financial position.

Item 1A. *Risk Factors*

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this Quarterly Report on Form 10-Q. If any of such risks actually occur, our business, operating results or financial condition could be adversely affected. In those cases, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business and Industry

Our quarterly results of operations may fluctuate as a result of numerous factors, many of which may be outside of our control.

Our quarterly operating results are likely to fluctuate. Some of the important factors that may cause our revenue, operating results and cash flows to fluctuate from quarter to quarter include:

- our ability to attract new customers and retain existing customers;
- fluctuations in the value of end customer contracts delivered to us;
- fluctuations in close rates;
- changes in our commission rates;
- seasonality;
- loss of customers for any reason including due to acquisition;
- the mix of new customers as compared to existing customers;
- the length of the sales cycle for our solution, and our level of upfront investments prior to the period we begin generating sales associated with such investments;
- the timing of customer payments and payment defaults by customers;
- the amount and timing of operating costs and capital expenditures related to the operations of our business;
- the rate of expansion and productivity of our direct sales force;
- the cost and timing of the introduction of new technologies or new services, including additional investments in our cloud applications;
- general economic conditions;
- technical difficulties or interruptions in delivery of our solution;
- changes in foreign currency exchange rates;
- changes in the effective tax rates;
- regulatory compliance costs, including with respect to data privacy;
- costs associated with acquisitions of companies and technologies;

- extraordinary expenses such as litigation or other dispute-related settlement payments; and
- the impact of new accounting pronouncements.

Many of the above factors are discussed in more detail elsewhere in these Risk Factors. Many of these factors are outside our control, and the variability and unpredictability of such factors could result in our failing to meet our revenue or operating results expectations for a given period. In addition, the occurrence of one or more of these factors might cause our operating results to vary widely which could lead to negative impacts on our margins, short-term liquidity or ability to retain or attract key personnel, and could cause other unanticipated issues. Accordingly, we believe that quarter-to-quarter comparisons of our revenue, operating results and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

The market for our solution is relatively undeveloped and may not grow.

The market for service revenue management is still relatively undeveloped, has not yet achieved widespread acceptance and may not grow quickly or at all. Our success will depend to a substantial extent on the willingness of companies to engage a third party such as us to manage the sales of their support, maintenance and subscription contracts. Many companies have invested substantial personnel, infrastructure and financial resources in their own internal service revenue organizations and therefore may be reluctant to switch to a solution such as ours. Companies may not engage us for other reasons, including a desire to maintain control over all aspects of their sales activities and customer relations, concerns about end customer reaction, a belief that they can sell their support, maintenance and subscription services more cost-effectively using their internal sales organizations, perceptions about the expenses associated with changing to a new approach and the timing of expenses once they adopt a new approach, general reluctance to adopt any new and different approach to old ways of doing business, or other considerations that may not always be evident. New concerns or considerations may also emerge in the future. Particularly because our market is undeveloped, we must address our potential customers' concerns and explain the benefits of our approach in order to convince them to change the way that they manage the sales of support, maintenance and subscription contracts. If companies are not sufficiently convinced that we can address their concerns and that the benefits of our solution are compelling, then the market for our solution may not develop as we anticipate and our business will not grow.

Our customer relationships and overall business will suffer if we encounter significant problems migrating customers to our next- generation technology platform, or if the new platform does not meet expectations.

We have announced plans to launch our next-generation service revenue management platform (code named Avalon) in the latter part of 2012, and we intend to migrate all of our customers to this new technology platform over time. This new platform will be the core foundation for our customer-facing cloud applications, in addition to those we use for our internal operations. We have limited experience migrating customers from one platform to another. Given the complexity and significance of this transition, our customer relationships, our reputation, and our overall business could be severely damaged if these migrations go poorly. Similarly, even if the migrations go smoothly, our business operations and customer relationships will be at high risk if the new platform does not meet our performance expectations, or those of our customers. This could harm our business in numerous ways including, without limitation, a loss of revenue, lost customer contracts, and damage to our reputation.

Delayed or unsuccessful investment in new technology, services and markets may harm our financial results.

We plan to continue to invest significant resources in research and development in order to enhance our existing offerings and introduce new offerings that will appeal to customers and potential customers. We have undertaken the development of new technology to offer improved and more scalable service revenue management, including enhancements to our applications. The development of new products and services entails a number of risks that could adversely affect our business and operating results, including:

- the risk of diverting the attention of our management and our employees from the day-to-day operations of the business;
- insufficient revenue to offset increased expenses associated with research, development, operational and marketing activities; and
- write-offs of the value of such technology investments as a result of unsuccessful implementation or otherwise.

If our new or modified technology does not work as intended, is not responsive to user preferences or industry or regulatory changes, is not appropriately timed with market opportunity, or is not effectively brought to market, we may lose existing and potential customers or related service revenue opportunities, in which case our results of operations may suffer. The cost of future development of new service revenue management offerings or technologies also could require us to raise additional debt or equity financing. These actions could negatively impact the ownership percentages of our existing stockholders, our financial condition or our results of operations.

We may choose to sell subscriptions to our cloud applications separately from our integrated solution, which may not be successful and could impact revenue from our existing solution.

We currently derive a small portion of our revenue from subscriptions to our cloud applications for a few customers, and we are exploring alternatives for packaging and pricing these applications to generate more revenues from them. In the event we choose to expand our technology subscriptions in this manner, we may not find a successful market for our applications. In addition, because we have limited prior experience selling technology subscriptions on a stand-alone basis, we may encounter technical and execution challenges that undermine the quality of the technology offering or cause us to fall short of customer expectations. We also have little experience in pricing our technology subscriptions separately, which could result in under pricing that damages our profit margins and other financial performance. It is also possible that selling a technology solution separate from our integrated solution will result in a reduction in sales of our current offerings that we might otherwise have sold. An unsuccessful expansion of our business to promote a stand-alone subscription model for any of the foregoing reasons or otherwise would lead to a diversion of financial and managerial resources from our existing business and an inability to generate sufficient revenue to offset our investment costs.

Our estimates of service revenue opportunity under management and other metrics may prove inaccurate.

We use various estimates in formulating our business plans and analyzing our potential and historical performance, including our estimate of service revenue opportunity under management. We base our estimates upon a number of assumptions that are inherently subject to significant business and economic uncertainties and contingencies, many of which are beyond our control. Our estimates therefore may prove inaccurate.

Service revenue opportunity under management ("opportunity under management") is a forward-looking metric and is our estimate, as of a given date, of the value of all end customer service contracts that we will have the opportunity to sell on behalf of our customers over the subsequent twelve-month period. Opportunity under management is not a measure of our expected revenue. We estimate the value of such end customer contracts based on a combination of factors, including the value of end customer contracts made available to us by customers in past periods, the minimum value of end customer contracts that our customers are required to give us the opportunity to sell pursuant to the terms of their contracts with us, periodic internal business reviews of our expectations as to the value of end customer contracts that will be made available to us by customers, the value of end customer contracts included in the SPA and collaborative discussions with our customers assessing their expectations as to the value of service contracts that they will make available to us for sale. While the minimum value of end customer contracts that our customers are required to give us represents a portion of our estimated opportunity under management, a significant portion of the opportunity under management is estimated based on the other factors described above.

When estimating service revenue opportunity under management and other similar metrics, we must, to a large degree, rely on the assumptions described above, which may prove incorrect. These assumptions are inherently subject to significant business and economic uncertainties and contingencies, many of which are beyond our control. Our estimates therefore may prove inaccurate, causing the actual value of end customer contracts delivered to us in a given twelve-month period to differ from our estimate of opportunity under management. These factors include:

- the extent to which customers deliver a greater or lesser value of end customer contracts than may be required or otherwise expected;
- roll-overs of unsold service contract renewals from prior periods to the current period or future periods;
- changes in the pricing or terms of service contracts offered by our customers;
- increases or decreases in the end customer base of our customers;
- the extent to which the renewal rates we achieve on behalf of a customer early in an engagement affect the amount of opportunity that the customer makes available to us later in the engagement;
- customer cancellations of their contracts with us due to acquisitions or otherwise; and
- changes in our customers' businesses, sales organizations, sales processes or priorities.

In addition, opportunity under management reflects our estimate for a forward twelve-month period and should not be used to estimate our opportunity for any particular quarter within that period.

If our security measures are breached or fail, resulting in unauthorized access to customer data, our solution may be perceived as insecure, the attractiveness of our solution to current or potential customers may be reduced and we may incur significant liabilities.

Our solution involves the storage and transmission of the proprietary information and protected data that we receive from our customers. We rely on proprietary and commercially available systems, software, tools and monitoring, as well as other processes, to provide security for processing, transmission and storage of such information. If our security measures are breached or fail as a result of third-party action, employee negligence, error, malfeasance or otherwise, unauthorized access to customer or end customer data may occur. Improper activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries and other events or developments may facilitate or result in a compromise or breach of our computer systems. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, and we may be unable to anticipate these techniques or implement adequate preventive measures. Our security measures may not be effective in preventing these types of activities, and the security measures of our third-party data centers and service providers may not be adequate.

Our customer contracts generally provide that we will indemnify our customers for data privacy breaches. If such a breach occurs, we could face contractual damages, damages and fees arising from our indemnification obligations, penalties for violation of applicable laws or regulations, possible lawsuits by affected individuals and significant remediation costs and efforts to prevent future occurrences. In addition, whether there is an actual or a perceived breach of our security, the market perception of the effectiveness of our security measures could be harmed significantly and we could lose current or potential customers.

We may be liable to our customers or third parties if we make errors in providing our solution or fail to properly safeguard their confidential information.

The solution we offer is complex, and we make errors from time to time. These may include human errors made in the course of managing the sales process for our customers as we interact with their end customers, or errors arising from our technology solution as it interacts with our customers' systems and the disparate data contained on such systems. The costs incurred in correcting any material errors may be substantial. In addition, as part of our business, we collect, process and analyze confidential information provided by our customers and prospective customers. Although we take significant steps to safeguard the confidentiality of customer information, we could be subject to claims that we disclosed their information without appropriate authorization or used their information inappropriately. Any claims based on errors or unauthorized disclosure or use of information could subject us to exposure for damages, significant legal defense costs, adverse publicity and reputational harm, regardless of the merits or eventual outcome of such claims.

If close rates fall short of our predictions, our revenue will suffer and our ability to grow and achieve broader market acceptance of our solution could be harmed.

Given our pay-for-performance pricing model, our revenue is directly tied to close rates. Close rates represent the percentage of the actual opportunity delivered that we renew on behalf of our customers. If the close rate for a particular customer is lower than anticipated, then our revenue for that customer will also be lower than projected. If close rates fall short of expectations across a broad range of customers, or if they fall below expectations for a particularly large customer, then the impact on our revenue and our overall business will be significant. In the event close rates are lower than expected for a given customer, our margins will suffer because we will have already incurred a certain level of costs in both personnel and infrastructure to support the engagement. This risk is compounded by the fact that many of our customer relationships are terminable if we fail to meet certain specified sales targets over a sustained period of time. If actual close rates fall to a level at which our revenue and customer contracts are at risk, then our financial performance will decline and we will be severely compromised in our ability to retain and attract customers. Increasing our customer base and achieving broader market acceptance of our solution depends, to a large extent, on how effectively our solution increases service sales. As a result, poor performance with respect to our close rates, in addition to causing our revenue, margins and earnings to suffer, will likely damage our reputation and prevent us from effectively developing and maintaining awareness of our brand or achieving widespread acceptance of our solution, in which case we could fail to grow our business and our revenue, margins and earnings would suffer.

Our revenue will decline if there is a decrease in the overall demand for our customers' products and services for which we provide service revenue management.

Our revenue is based on a pay-for-performance model under which we are paid a commission based on the service contracts we sell on behalf of our customers. If a particular customer's products or services fail to appeal to its end customers, our revenue may decline. In addition, if end customer demand decreases for other reasons, such as negative news regarding our customers or their products, unfavorable economic conditions, shifts in strategy by our customers away from promoting the service contracts we sell in favor of selling their other products or services to their end customers, or if end customers experience financial constraints and fail to renew the service contracts we sell, we may experience a decrease in our revenue as the demand for our customers' service contracts declines.

If we are unable to compete effectively against current and future competitors, our business and operating results will be harmed.

The market for service revenue management is evolving. Historically, technology companies have managed their service renewals through internal personnel and relied upon technology ranging from Excel spreadsheets to internally-developed software to customized versions of traditional business intelligence tools and CRM or ERP software from vendors such as Oracle, SAP, salesforce.com and NetSuite. Some companies have made further investments in this area using firms such as Accenture and

McKinsey for technology consulting and education services focused on service renewals. These internally-developed solutions represent the primary alternative to our integrated approach. We also face direct competition from smaller companies that offer specialized service revenue management solutions, typically providing technology for use by their customers' internal sales personnel.

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

- service revenue industry expertise, best practices, and benchmarks;
- performance-based pricing of solutions;
- ability to increase service revenue, renewal rates, and close rates;
- global capabilities;
- completeness of solution;
- ability to effectively represent customer brands to end customers and channel partners;
- size of upfront investment; and
- size and financial stability of operations.

We believe that more competitors will emerge. These competitors may have greater name recognition, longer operating histories, well-established relationships with customers in our markets and substantially greater financial, technical, personnel and other resources than we have. Potential competitors of any size may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer or end customer requirements. Even if our solution is more effective than competing solutions, potential customers might choose new entrants unless we can convince them of the advantages of our integrated solution. We expect competition and competitive pressure, from both new and existing competitors, to increase in the future.

If there is a widespread shift away from business customers purchasing maintenance and support service contracts, we could be adversely impacted if we are not able to adapt to new trends or expand our target markets.

As a result of our historical concentration in the software and hardware industries, a significant portion of our revenue comes from the sale of maintenance and support service contracts for the software and hardware products used by our customers' end customers. Although we also sell other types of renewals, such as subscriptions to software-as-a-service offerings, those sales have to date constituted a relatively small portion of our revenue. The emergence of cloud computing and other alternative technology purchasing models, in which technology services are provided on a remote-access basis, may have a significant impact on the size of the market for traditional maintenance and support contracts. If these alternative models continue gaining traction and reduce the size of our traditional market, we will need to continue to adapt our solution to capitalize on these trends or our results of operations will suffer.

The loss of one or more of our key customers could slow our revenue growth or cause our revenue to decline.

A substantial portion of our revenue has to date come from a relatively small number of customers. During the three months ended March 31, 2012, our top ten customers accounted for 51% of our revenue with one customer representing over 10% of our revenue. A relatively small number of customers may continue to account for a significant portion of our revenue for the foreseeable future. The loss of any of our significant customers for any reason, including the failure to renew our contracts, a change of relationship with any of our key customers or their acquisition as discussed below, may cause a significant decrease in our revenue.

Supporting our existing and growing customer base could strain our personnel resources and infrastructure, and if we cannot scale our operations and increase productivity, we may be unsuccessful in implementing our business plan.

In recent periods, we have experienced significant growth in our customer base, which has placed a strain on our management, administrative, operational and financial infrastructure. We anticipate that additional investments in sales personnel, information technology, infrastructure and research and development spending will be required to:

- scale our operations and increase productivity;
- address the needs of our customers;
- further develop and enhance our solution and offerings;
- develop new technology; and
- expand our markets and opportunity under management, including into new industry verticals and geographic areas.

Our success will depend in part upon our ability to manage our growth effectively. To do so, we must continue to increase the productivity of our existing employees and to hire, train and manage new employees as needed. To manage domestic and international growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting processes and procedures, and implement more extensive and integrated financial and business information systems. These additional investments will increase our operating costs, which will make it more difficult for us to offset any future revenue shortfalls by reducing expenses in the short term. Moreover, if we fail to scale our operations successfully and increase productivity, our overall business will be at risk.

Consolidation in the technology sector is continuing at a rapid pace, which could harm our business in the event that our customers are acquired and their contracts are cancelled.

Consolidation among technology companies in our target market has been robust in recent years, and this trend poses a risk for us. Acquisitions of our customers could lead to cancellation of our contracts with those customers by the acquiring companies and could reduce the number of our existing and potential customers. For example, Oracle has acquired a number of our customers in recent years, including our then largest customer, Sun Microsystems, in January 2010, and another customer, BEA Systems, in April 2008. Oracle has elected to terminate our service contracts with each customer because Oracle conducts its service revenue management internally. If mergers and acquisitions continue, we expect that some of the acquiring companies, and Oracle in particular, will terminate, renegotiate and/or elect not to renew our contracts with the companies they acquire, which would reduce our revenue.

We enter into long-term, commission-based contracts with our customers, and our failure to correctly price these contracts may negatively affect our profitability.

We enter into long-term contracts with our customers that are priced based on multiple factors determined in large part by the SPA we conduct for our customers. These factors include opportunity size, anticipated close rates and expected commission rates at various levels of sales performance. Some of these factors require forward looking assumptions that may prove incorrect. If our assumptions are inaccurate, or if we otherwise fail to correctly price our customer contracts, particularly those with lengthy contract terms, then our revenue, profitability and overall business operations may suffer. Further, if we fail to anticipate any unexpected increase in our cost of providing services, including the costs for employees, office space or technology, we could be exposed to risks associated with cost overruns related to our required performance under our contracts, which could have a negative effect on our margins and earnings.

Many of our customer contracts allow termination for our failure to meet certain performance conditions.

Although most of our customer contracts are subject to multi-year terms, these agreements often have termination rights if we fail to meet specified sales targets. During the SPA and contract negotiation phase with a customer, we typically negotiate minimum performance levels for the engagement. If we fail to meet our required targets and our customers choose to exercise their termination rights, our revenue could decline. These termination rights may also create instability in our revenue forecasts and other forward looking financial metrics.

Our business may be harmed if our customers rely upon our service revenue forecasts in their business and actual results are materially different.

The contracts that we enter into with our customers provide for sharing of information with respect to forecasts and plans for the renewal of maintenance, support and subscription agreements of our customers. Our customers may use such forecasted data for a variety of purposes related to their business. Our forecasts are based upon the data our customers provide to us, and are inherently subject to significant business, economic and competitive uncertainties, many of which are beyond our control. In addition, these forecasted expectations are based upon historical trends and data that may not be true in subsequent periods. Any material inaccuracies related to these forecasts could lead to claims on the part of our customers related to the accuracy of the forecasted data we provide to them, or the appropriateness of our methodology. Any liability that we incur or any harm to our brand that we suffer because of inaccuracies in the forecasted data we provide to our customers could impact our ability to retain existing customers and harm our brand and, ultimately, our business.

Changing global economic conditions and large scale economic shifts may impact our business.

Our overall performance depends in part on worldwide economic conditions that impact the technology sector and other technology-enabled industries such as healthcare, life sciences and industrial systems. For example, the recent economic downturn resulted in many businesses deferring technology investments, including purchases of new software, hardware and other equipment, and purchases of additional or supplemental maintenance, support and subscription services. To a certain extent, these businesses also slowed the rate of renewals of maintenance, support and subscription services for their existing technology base. A future downturn could cause business customers to stop renewing their existing maintenance, support and subscription agreements or contracting for additional maintenance services as they look for ways to further cut expenses, in which case our business could suffer.

Conversely, a significant upturn in global economic conditions could cause business purchasers to purchase new hardware, software and other technology products, which we generally do not sell, instead of renewing or otherwise purchasing maintenance, support and subscription services for their existing products. A general shift toward new product sales could reduce our near term opportunities for these contracts, which could lead to a decline in our revenue.

Our inability to expand our target markets could adversely impact our business and operating results.

We derive substantially all of our revenue from customers in certain sectors in the technology and technology-enabled healthcare and life sciences industries, and an important part of our strategy is to expand our existing customer base and win new customers in these industries. In addition, because of the service revenue opportunities that we believe exist beyond these industries, we intend to target new customers in additional industry vertical markets, such as technology-enabled building services. In connection with the expansion of our target markets, we may not have familiarity with such additional industry verticals, and our execution of such expansion could face risks where our Service Revenue Intelligence Platform is less developed within a particular new vertical. We may encounter customers in these previously untapped markets that have different pricing and other business sensitivities than we are used to managing. As a result of these and other factors, our efforts to expand our solution to additional industry vertical markets may not succeed, may divert management resources from our existing operations and may require us to commit significant financial resources to unproven parts of our business, all of which may harm our financial performance.

Our business and growth depend substantially on customers renewing their agreements with us and expanding their use of our solution for additional available markets. Any decline in our customer renewals or failure to expand their relationships with us could harm our future operating results.

In order for us to improve our operating results and grow, it is important that our customers renew their agreements with us when the initial contract term expires and that we expand our customer relationships to add new market opportunities and related service revenue opportunity under management. Our customers may elect not to renew their contracts with us after the initial terms have expired, and we cannot assure you that our customers will renew service contracts with us at the same or higher level of service, if at all, or provide us with the opportunity to manage additional opportunity. Although our renewal rates have been historically higher than those achieved by our customers prior to their using our solution, some customers have elected not to renew their agreements with us. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our solution and results, our pricing, mergers and acquisitions affecting our customers or their end customers, the effects of economic conditions or reductions in our customers' or their end customers' spending levels. If our customers do not renew their agreements with us, renew on less favorable terms or fail to contract with us for additional service revenue management opportunities, our revenue may decline and we may not realize improved operating results and growth from our customer base.

A substantial portion of our business consists of supporting our customers' channel partners in the sale of service contracts. If those channel partners become unreceptive to our solution, our business could be harmed.

Many of our customers, including some of our largest customers, sell service contracts through their channel partners and engage our solution to help those channel partners become more effective at selling service contract renewals. These channel partners may have access to some of our cloud applications, such as our Channel Sales Cloud, in addition to other sales support services we provide. In this context, the ultimate buyers of the service contracts are end customers of those channel partners, who then receive the actual services from our customers. In the event our customers' channel partners become unreceptive to our involvement in the renewals process, those channel partners could discourage our current or future customers from engaging our solution to support channel sales. This risk is compounded by the fact that large channel partners may have relationships with more than one of our customers or prospects, in which case the negative reaction of one or more of those large channel partners could impact multiple customer relationships. Accordingly, with respect to those customers and prospective customers who sell service contracts through channel partners, any significant resistance to our solution by their channel partners could harm our ability to attract or retain customers, which would damage our overall business operations.

We face long sales cycles to secure new customer contracts, making it difficult to predict the timing of specific new customer relationships.

We face a variable selling cycle to secure new customer agreements, typically spanning a number of months and requiring our effort to obtain and analyze our prospect's business through the SPA, for which we are not paid. Moreover, even if we succeed in developing a relationship with a potential new customer, the scope of the potential service revenue management engagement frequently changes over the course of the business discussions and, for a variety of reasons, our sales discussions may fail to result in new customer acquisitions. Consequently, we have only a limited ability to predict the timing and size of specific new customer relationships.

If we experience significant fluctuations in our anticipated growth rate and fail to balance our expenses with our revenue forecasts, our results could be harmed.

Due to our evolving business model, the uncertain size of our markets and the unpredictability of future general economic and financial market conditions, we may not be able to accurately forecast our growth rate. We plan our expense levels and investments based on estimates of future sales performance for our customers with respect to their end customers, future revenue and future customer acquisition. If our assumptions prove incorrect, we may not be able to adjust our spending quickly enough to offset the resulting decline in growth and revenue. Consequently, we expect that our gross margins, operating margins and cash flows may fluctuate significantly on a quarterly basis.

If we cannot efficiently implement our offering for customers, we may be delayed in generating revenue, fail to generate revenue and/or incur significant costs.

In general, our customer engagements are complex and may require lengthy and significant work to implement our offerings. As a result, we generally incur sales and marketing expenses related to the commissions owed to our sales representatives and make upfront investments in technology and personnel to support the engagements one to three months before we begin selling end customer contracts. Each customer's situation may be different, and unanticipated difficulties and delays may arise as a result of our failure, or that of our customer, to meet respective implementation responsibilities. If the customer implementation process is not executed successfully or if execution is delayed, we could incur significant costs without yet generating revenue, and our relationships with some of our customers may be adversely impacted.

Because competition for our target employees is intense, we may be unable to attract and retain the highly skilled employees we need to support our planned growth.

To continue to execute on our growth plan, we must attract and retain highly qualified sales representatives, engineers and other key employees in the international markets in which we have operations. Competition for these personnel is intense, especially for highly educated, qualified sales representatives. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled key employees with appropriate qualifications. If we fail to attract new sales representatives, engineers and other key employees, or fail to retain and motivate our most successful employees, our business and future growth prospects could be harmed.

The length of time it takes our newly-hired sales representatives to become productive could adversely impact our success rate, the execution of our overall business plan and our costs.

It can take twelve months or longer before our internal sales representatives are fully trained and productive in selling our solution to prospects and customers. This long ramp period presents a number of operational challenges as the cost of recruiting, hiring and carrying new sales representatives cannot be offset by the revenue such new sales representatives produce until after they complete their long ramp periods. Further, given the length of the ramp period, we often cannot determine if a sales representative will succeed until he or she has been employed for a year or more. If we cannot reliably develop our sales representatives to a productive level, or if we lose productive representatives in whom we have heavily invested, our future growth rates and revenue will suffer.

If we lose our top executives, or if we are unable to attract, hire, integrate and retain key personnel and other necessary employees, our business will be harmed.

Our future success depends on the continued contributions of our executives, each of whom may be difficult to replace. Our future success also depends in part on our ability to attract, hire, integrate and retain qualified service sales personnel, sales representatives and management level employees to oversee such sales forces. In particular, Michael Smerklo, our chairman of the board of directors and chief executive officer, is critical to the management of our business and operations and the development of our strategic direction. The loss of Mr. Smerklo's services or those of our other executives, or our inability to continue to attract and retain high-quality talent, could harm our business.

We depend on revenue from sources outside the United States, and our international business operations and expansion plans are subject to risks related to international operations, and may not increase our revenue growth or enhance our business operations.

For the three months ended March 31, 2012, approximately 37% of our revenue was generated from sales centers located outside of the United States. As a result of our continued focus on international markets, we expect that future revenue derived from international sources will continue to represent a significant portion of our total revenue.

A portion of the sales commissions earned from our international customers is paid in foreign currencies. As a result, fluctuations in the value of these foreign currencies may make our solution more expensive or cause resulting fluctuations in cost for international customers, which could harm our business. We currently do not undertake hedging activities to manage these currency fluctuations. In addition, if the effective price of the contracts we sell to the end customers were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for such contracts could fall, which in turn would reduce our revenue.

Our growth strategy includes further expansion into international markets. Our international expansion may require significant additional financial resources and management attention, and could negatively affect our financial condition, cash flows and operating results. In addition, we may be exposed to associated risks and challenges, including:

- the need to localize and adapt our solution for specific countries, including translation into foreign languages and associated expenses;
- difficulties in staffing and managing foreign operations;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- new and different sources of competition;
- weaker protection for our intellectual property than in the United States and practical difficulties in enforcing our rights abroad;
- laws and business practices favoring local competitors;
- compliance obligations related to multiple, conflicting and changing foreign governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- adverse tax consequences; and
- unstable regional and economic political conditions.

We cannot assure you we will succeed in creating additional international demand for our solution or that we will be able to effectively sell service agreements in all of the international markets we enter.

We could experience significant problems implementing various new business software applications, including our new financial ERP system, which may negatively impact our internal operations.

We are in the process of upgrading and/or replacing various software systems, including our financial ERP system. If the implementations of these new applications are delayed, or if we encounter unforeseen problems with our new systems or in migrating away from our existing applications and systems, our operations and our ability to plan and forecast our business could be negatively impacted.

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

As a newly public company, we incur significant legal, accounting and other expenses that we did not incur as a private company, and greater expenditures may be necessary in the future with the advent of new laws, regulations and stock exchange listing requirements pertaining to public companies. The Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010, as well as rules subsequently implemented by the Securities and Exchange Commission and The NASDAQ Stock Market LLC, impose various requirements on public companies, including establishing effective internal controls and certain corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives, and additional laws and regulations may divert further management resources. Moreover, if we are not able to comply with the requirements of new compliance initiatives in a timely manner, the market price of our stock could decline, and we could be subject to investigations and other actions by The NASDAQ Stock Market LLC, the Securities and Exchange Commission, or other regulatory authorities, which would require additional financial and management resources.

In particular, we are required to evaluate our internal control over financial reporting in connection with Section 404 of the Sarbanes-Oxley Act, and our independent registered public accounting firm will be required to attest to our internal control over financial reporting starting with our Annual Report on Form 10-K for 2012. This assessment will need to include disclosure of any material weaknesses in our internal control over financial reporting identified by our management, as well as our independent registered public accounting firm's report on our internal control over financial reporting. Compiling the system and processing documentation needed to comply with such requirements is costly and challenging, and as a public company and to manage our growth, we are required to implement and maintain various other control and business systems related to our equity, finance, treasury, information technology, other recordkeeping systems and other operations. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing processes, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective, if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, or if we are unable to remedy any material weakness in our internal control over financial reporting or implement or maintain other effective control or business systems, our financial statements may be inaccurate, we may face restricted access to the capital markets and our stock price may be adversely affected.

Changes in the U.S. and foreign legal and regulatory environment that affect our operations, including those relating to privacy, data security and cross-border data flows, could pose a significant risk to our company by disrupting our business and increasing our expenses.

We are subject to a wide variety of laws and regulations in the United States and the other jurisdictions in which we operate, and changes in the level of government regulation of our business have the potential to materially alter our business practices with resultant increases in costs and decreases in profitability. Depending on the jurisdiction, those changes may come about through new legislation, the issuance of new regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official. Sometimes those changes may have both prospective and retroactive effect, which is particularly true when a change is made through reinterpretation of laws or regulations that have been in effect for some time.

Privacy and data security are rapidly evolving areas of regulation, and additional regulation in those areas, some of it potentially difficult and costly for us to accommodate, is frequently proposed and occasionally adopted. Laws in many countries and jurisdictions, particularly in the European Union and Canada, govern the requirements related to how we store, transfer or otherwise process the private data provided to us by our customers. In addition, the centralized nature of our information systems at the data and operations centers that we use requires the routine flow of data relating to our customers and their respective end customers across national borders, both with respect to the jurisdictions within which we have operations and the jurisdictions in which we provide services to our customers. If this flow of data becomes subject to new or different restrictions, our ability to serve our customers and their respective customers could be seriously impaired for an extended period of time. For example, we participate in the U.S. Department of Commerce Safe Harbor Framework to govern our treatment of data and data flow with respect to our customers and their respective customers across various jurisdictions. We also have entered into various model contracts and related contractual provisions to enable these data flows. For any jurisdictions in which these measures are not recognized or otherwise not compliant with the laws of the countries in which we process data, or where more stringent data privacy laws are enacted irrespective of international treaty arrangements or other existing compliance mechanisms, we could face increased compliance expenses and face penalties for violating such laws or be excluded from those markets altogether, in which case our operations could be materially damaged.

If we do not adequately protect our intellectual property rights, our competitive position and our business may suffer.

We rely upon a combination of trademark, copyright and trade secret law and contractual terms to protect our intellectual property rights, all of which provide only limited protection. Our success depends, in part, upon our ability to establish, protect and enforce our intellectual property and other proprietary rights. If we fail to protect or effectively enforce our intellectual property rights, others may be able to compete against us using intellectual property that is the same as or similar to our own. In addition, we cannot assure you that our intellectual property rights are sufficient to provide us with a competitive advantage against others who offer services similar to ours.

While we have no patents or pending patent applications, we may file patent applications in the future. If we do file patent applications, we cannot assure you that any issued patents arising from future applications will provide the protection we seek, or that any future patents issued to us will not be challenged, invalidated or circumvented. Also, we cannot assure you that we will obtain any copyright or trademark registrations from our pending or future applications or that any of our trademarks will be enforceable or provide adequate protection of our proprietary rights.

We also rely in some circumstances on trade secrets to protect our technology. Trade secrets may lose their value if not properly protected. We endeavor to enter into non-disclosure agreements with our employees, customers, contractors and business partners to limit access to and disclosure of our proprietary information. The steps we have taken, however, may not prevent unauthorized use of our technology, and adequate remedies may not be available in the event of unauthorized use or disclosure of our trade secrets and proprietary technology. However, trade secret protection does not prevent others from reverse engineering or independently developing similar technologies. In addition, reverse engineering, unauthorized copying or other misappropriation of our trade secrets could enable third parties to benefit from our technology without paying for it.

Accordingly, despite our efforts, we may be unable to prevent third parties from infringing or misappropriating our intellectual property and using our technology for their competitive advantage. Any such infringement or misappropriation could have a material adverse effect on our business, results of operations and financial condition. Monitoring infringement of our intellectual property rights can be difficult and costly, and enforcement of our intellectual property rights may require us to bring legal actions against infringers. Infringement actions are inherently uncertain and therefore may not be successful, even when our rights have been infringed. Even if such actions are successful, they may require a substantial amount of resources and divert our management's attention.

Claims by others that we infringe or violate their intellectual property could force us to incur significant costs and require us to change the way we conduct our business.

Numerous technology companies including potential competitors protect their intellectual property rights by means such as patents, trade secrets, copyrights and trademarks. We have not conducted an independent review of patents issued to third parties. Additionally, because patent applications in the United States and many other jurisdictions are kept confidential for 18 months before they are published, we may be unaware of pending patent applications that relate to our proprietary technology. From time to time we may receive letters from other parties alleging, or inquiring about, possible breaches of their intellectual property rights.

Any party asserting that we infringe its proprietary rights would force us to defend ourselves, and possibly our customers, against the alleged infringement. The technology industry is characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. Moreover, the risk of such a lawsuit will likely increase as we become larger, the scope of our solution and technology expands and the number of competitors in our market increases. Any such claims or litigation could:

- be time-consuming and expensive to defend, and deplete our financial resources, whether meritorious or not;
- require us to stop providing the services that use the technology that infringes the other party's intellectual property;
- divert the attention of our technical and managerial resources away from our business;
- require us to enter into royalty or licensing agreements with third parties, which may not be available on terms that we deem acceptable, if at all;
- prevent us from operating all or a portion of our business or force us to redesign our technology, which could be difficult and expensive and may make the performance or value of our solution less attractive;
- subject us to significant liability for damages or result in significant settlement payments; or
- require us to indemnify our customers as we are required by contract to indemnify some of our customers for certain claims based upon the infringement or alleged infringement of any third party's intellectual property rights resulting from our customers' use of our intellectual property.

During the course of any intellectual property litigation, confidential information may be disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. Disclosure of our confidential information and our involvement in intellectual property litigation could harm us. In addition, any uncertainties resulting from the initiation and continuation of any litigation could significantly limit our ability to continue our operations and could harm our relationships with current and prospective customers. Any of the foregoing could disrupt our business and have a material adverse effect on our operating results and financial condition.

In addition, we may incorporate open source software into our technology solution. The terms of many open source licenses have not been interpreted by United States or foreign courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our commercialization of any of our solutions that may include open source software. As a result, we will be required to analyze and monitor our use of open source software closely. As a result of the use of open source software, we could be required to seek licenses from third parties in order to develop such future products, re-engineer our products, discontinue sales of our solutions or release our software code under the terms of an open source license to the public. Given the nature of open source software, there is also a risk that third parties may assert copyright and other intellectual property infringement claims against us based on any use of such open source software, as more generally discussed with respect to general intellectual property claims.

Various risks could affect our worldwide operations, including numerous events outside of our control, exposing us to significant costs that could adversely affect our operations and customer confidence.

We conduct operations throughout the world, including our headquarters in the United States and various operations in Ireland, Malaysia, Singapore and the United Kingdom. Such worldwide operations expose us to potential operational disruptions and costs as a result of a wide variety of events, including local inflation or economic downturn, currency exchange fluctuations, political turmoil, labor issues, terrorism, natural disasters and pandemics. Any such disruptions or costs could have a negative effect on our ability to provide our solution or meet our contractual obligations, the cost of our solution, customer satisfaction, our ability to attract or maintain customers, and, ultimately, our profits.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. Such events could make it difficult or impossible for us to deliver our solution to our customers, and could decrease demand for our solution. The majority of our research and development activities, corporate headquarters, information technology systems and other critical business operations are located near major seismic faults in the San Francisco Bay Area. Because we may not have insurance coverage that would cover quake-related losses, and significant recovery time could be required to resume operations, our financial condition and operating results could be materially adversely affected in the event of a major earthquake or catastrophic event.

Terrorist attacks and other acts of violence or war may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations, financial condition and cash flows. These events could adversely affect our customers' levels of business activity and precipitate sudden significant changes in regional and global economic conditions and cycles.

The technology we currently use may not operate properly, which could damage our reputation, give rise to claims against us or divert application of our resources from other purposes, any of which could harm our business and operating results.

The technology we currently use, which includes our cloud based applications as well as the technology components of our Service Revenue Intelligence Platform, may contain or develop unexpected defects or errors. There can be no assurance that performance problems or defects in our technology will not arise in the future. Errors may result from receipt, entry or interpretation of customer or end customer information or from the interface of our technology with legacy systems and data that are outside of our control. Despite testing, defects or errors may arise in our solution. Any defects and errors that we discover in our technology and any failure by us to identify and effectively address them could result in loss of revenue or market share, liability to customers or others, failure to achieve market acceptance or expansion, diversion of development resources, injury to our reputation, and increased costs. Defects or errors in our technology may discourage existing or potential customers from contracting with us. Correction of defects or errors could prove impossible or impracticable. The costs incurred in correcting any defects or errors or in responding to resulting claims or liability may be substantial and could adversely affect our operating results.

Disruptions in service or damage to the data center that hosts our data and our locations could adversely affect our business.

Our operations depend on our ability to maintain and protect our data servers and cloud applications, which are located in a data center operated for us by a third party. We cannot control or assure the continued or uninterrupted availability of this third-party data center. In addition, our information technologies and systems, as well as our data center, are vulnerable to damage or interruption from various causes, including natural disasters, war and acts of terrorism and power losses, computer systems failures, Internet and telecommunications or data network failures, operator error, losses of and corruption of data and similar events. Although we conduct business continuity planning and maintain certain insurance for certain events, the situations for which we plan, and the amount of insurance coverage we maintain, may prove inadequate in any particular case. In addition, the occurrence of any of these events could result in interruptions, delays or cessations in the delivery of the solutions we offer to our customers. Any of these events could impair or prohibit our ability to provide our solution, reduce the attractiveness of our solution to current or potential customers and adversely impact our financial condition and results of operations.

In addition, despite the implementation of security measures, our infrastructure, data center, operations and other centers or systems that we interface with, including the Internet and related systems, may be vulnerable to physical intrusions, hackers, improper employee or contractor access, computer viruses, programming errors, denial-of-service attacks or other attacks by third parties.

Any failure or interruptions in the Internet infrastructure, bandwidth providers, data center providers, other third parties or our own systems for providing our solution to customers could negatively impact our business.

Our ability to deliver our solution is dependent on the development and maintenance of the infrastructure of the Internet and other telecommunications services by third parties. Such services include maintenance of a reliable network backbone with the necessary speed, data capacity and security for providing reliable Internet access and services and reliable telecommunications systems that connect our global operations. While our solution is designed to operate without interruption, we have experienced and expect that we will in the future experience interruptions and delays in services and availability from time to time. We rely on internal systems as well as third-party vendors, including data center, bandwidth, and telecommunications equipment providers, to provide our solution. We do not maintain redundant systems or facilities for some of these services. In the event of a catastrophic event with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could negatively impact our relationship with our customers.

Additional government regulations may reduce the size of market for our solution, harm demand for our solution and increase our costs of doing business.

Any changes in government regulations that impact our customers or their end customers could have a harmful effect on our business by reducing the size of our addressable market or otherwise increasing our costs. For example, with respect to our technology-enabled healthcare and life sciences customers, any change in U.S. Food and Drug Administration or foreign equivalent regulation of, or denial, withholding or withdrawal of approval of, our customers' products could lead to a lack of demand for service revenue management with respect to such products. Other changes in government regulations, in areas such as privacy, export compliance or anti-bribery statutes, such as the U.S. Foreign Corrupt Practices Act, could require us to implement changes in our services or operations that increase our cost of doing business and thereby hurt our financial performance.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting data privacy and the use of the Internet as a commercial medium. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet. These laws or charges could limit the growth of Internet-related commerce or communications generally, result in a decline in the use of the Internet and the viability of Internet-based applications such as ours and reduce the demand for our solution.

We operate and offer our services in many jurisdictions and, therefore, may be subject to state, local and foreign taxes that could harm our business.

We operate service sales centers in multiple locations. Some of the jurisdictions in which we operate, such as Ireland, give us the benefit of either relatively low tax rates, tax holidays or government grants, in each case that are dependent on how we operate or how many jobs we create and employees we retain. We plan on utilizing such tax incentives in the future as opportunities are made available to us. Any failure on our part to operate in conformity with applicable requirements to remain qualified for any such tax incentives or grants may result in an increase in our taxes. In addition, jurisdictions may choose to increase rates at any time due to economic or other factors, such as the current economic situation in Ireland. Any such rate increases may harm our results of operations.

In addition, we may lose sales or incur significant costs should various tax jurisdictions impose taxes on either a broader range of services or services that we have performed in the past. We may be subject to audits of the taxing authorities in any such jurisdictions that would require us to incur costs in responding to such audits. Imposition of such taxes on our services could result in substantial unplanned costs, would effectively increase the cost of such services to our customers and may adversely affect our ability to retain existing customers or to gain new customers in the areas in which such taxes are imposed.

If we acquire companies or technologies in the future, they could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results and the value of our common stock.

As part of our business strategy, we may acquire, enter into joint ventures with, or make investments in companies, services and technologies that we believe to be complementary. Acquisitions and investments involve numerous risks, including:

- difficulties in identifying and acquiring technologies or businesses that will help our business;
- difficulties in integrating operations, technologies, services and personnel;
- diversion of financial and managerial resources from existing operations;
- the risk of entering new markets in which we have little to no experience;
- risks related to the assumption of known and unknown liabilities;
- potential litigation by third parties, such as claims related to intellectual property or other assets acquired or liabilities assumed;
- the risk of write-offs of goodwill and other intangible assets;
- delays in customer engagements due to uncertainty and the inability to maintain relationships with customers of the acquired businesses;
- inability to generate sufficient revenue to offset acquisition or investment costs;
- incurrence of acquisition-related costs;
- harm to our existing business relationships with business partners and customers as a result of the acquisition;
- the key personnel of the acquired entity or business may decide not to work for us or may not perform according to our expectations; and
- use of substantial portions of our available cash or dilutive issuances of equity securities or the incurrence of debt to consummate the acquisition.

As a result, if we fail to properly evaluate acquisitions or investments, we may not achieve the anticipated benefits of any such acquisitions, we may incur costs in excess of what we anticipate and management resources and attention may be diverted from other necessary or valuable activities.

Risks Relating to Owning Our Common Stock

Our share price has been volatile and is likely to be volatile in the future.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to various factors. Further, our common stock has a limited trading history. In addition to the risks described in this section, factors that may cause the market price of our common stock to fluctuate include:

- fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us as discussed in more detail elsewhere in these "Risk Factors;"
- failing to achieve our revenue or earnings expectations, or those of investors or analysts;
- changes in estimates of our financial results or recommendations by securities analysts;
- recruitment or departure of key personnel;
- investors' general perception of us;
- volatility inherent in prices of technology company stocks;
- adverse publicity;
- the volume of trading in our common stock, including sales upon exercise of outstanding options;
- sales of shares of our common stock by existing stockholders;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- terrorist attacks or natural disasters or other such events impacting countries where we or our customers have operations; and
- actual or perceived changes in general economic, industry and market conditions.

In addition, if the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations.

Some companies that have had volatile market prices for their securities have had securities class actions filed against them. If a suit were filed against us, regardless of its merits or outcome, it would likely result in substantial costs and divert management's attention and resources. This could have a material adverse effect on our business, operating results and financial condition.

Our actual results may differ significantly from any guidance that we may issue in the future.

From time to time, we may release financial guidance or other forward looking statements in our earnings releases, earnings conference calls or otherwise, regarding our future performance that represent our management's estimates as of the date of release. If given, this guidance will be based on forecasts prepared by our management. These forecasts are not prepared with a view toward compliance with published accounting guidelines, and neither our registered public accountants nor any other independent expert or outside party compiles or examines the forecasts and, accordingly, no such person expresses any opinion or any other form of assurance with respect to such forecasts. The principal reason that we may release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such third persons. Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of any future guidance furnished by us may not materialize or may vary significantly from actual future results.

Concentration of ownership among our existing executive officers, directors and their affiliates may prevent new investors from influencing significant corporate decisions.

Our directors and executive officers and their affiliates beneficially own, in the aggregate, approximately 26% of our outstanding common stock as of March 31, 2012. As a result, these stockholders will have substantially influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit the ability of other stockholders to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

Anti-takeover provisions contained in our certificate of incorporation and by laws, as well as provisions of Delaware law, could impair a takeover attempt.

Our certificate of incorporation, by laws and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions:

- authorizing blank check preferred stock, which could be issued by our board of directors without stockholder approval, with voting, liquidation, dividend and other rights superior to our common stock;

- classifying our board of directors, staggered into three classes, only one of which is elected at each annual meeting;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- controlling the procedures for the conduct and scheduling of stockholder meetings;
- providing the board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings;
- limiting the determination of the number of directors on our board and the filling of vacancies or newly created seats on the board to our board of directors then in office; and
- providing that directors may be removed by stockholders only for cause.

These provisions, alone or together, could delay hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which limits the ability of stockholders owning in excess of 15% of our outstanding common stock to merge or combine with us.

Any provision of our certificate of incorporation, by laws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If any of these analysts cease coverage of our company, the trading price and trading volume of our stock could be negatively impacted. If analysts downgrade our stock or publish unfavorable research about our business, our stock price would also likely decline.

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

None.

Item 3. *Default Upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

None.

Item 5. *Other Information*

None

Item 6. *Exhibits*

See the Exhibit Index, which follows the signature page to this report.

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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.

SERVICESOURCE INTERNATIONAL, INC.
(Registrant)

Date: May 4, 2012

By: /s/ DAVID S. OPPENHEIMER
David S. Oppenheimer
(Principal Financial Officer and Duly Authorized Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description of Document
3.1(1)	Certificate of Incorporation of the Company filed March 24, 2011.
3.2(1)	Bylaws of the Company dated March 24, 2011.
10.1+	2011 Equity Incentive Plan current forms of award agreements.
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files (XBRL) pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011, (ii) the Condensed Consolidated Statement of Operations for the three months ended March 31, 2012 and 2011, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011 and (v) the Notes to Condensed Consolidated Financial Statements. **

(1) Incorporated by reference to the Registrant's Form 8-K filed with the Securities and Exchange Commission on April 1, 2011.

+ Indicates a management contract or compensation plan.

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 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 Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Exhibit 10.1

SERVICESOURCE INTERNATIONAL, INC.

2011 EQUITY INCENTIVE PLAN

GLOBAL STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the ServiceSource International, Inc. (the "Company") 2011 Equity Incentive Plan (the "Plan") shall have the same defined meanings in the Option Agreement.

I. NOTICE OF GRANT

[Optionee's Name and Address]

You have been granted an option to purchase shares of Common Stock of the Company ("Shares"), subject to the terms and conditions of the Plan and the Option Agreement, as follows:

Grant Number	______________________________
Grant Date	
Vesting Commencement Date	
Exercise Price per Share	$ ______________________
Total Number of Shares Granted	
Total Exercise Price	$ ______________________
Type of Option:	Nonstatutory Stock Option
Term/Expiration Date:	10 Years From the Grant Date

Vesting Schedule:

Subject to accelerated vesting as set forth in duly authorized written agreements by and between the Optionee and the Company, this Option may be exercised, in whole or in part, in accordance with the following schedule:

[Insert Vesting Schedule]

II. AGREEMENT

1. Grant of Option.

The Company hereby grants to the Optionee (the "Optionee") named in the Notice of Grant section of the Stock Option Agreement (the "Notice of Grant"), an option (the "Option") to purchase the number of Shares set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"), subject to the terms and conditions of the Stock Option Agreement, including any special terms and conditions for the Optionee's country of residence contained in the Appendix (as defined below) (together, the "Option Agreement") and the Plan (which is incorporated herein by reference). In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail.

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Option Agreement, subject to the Optionee's remaining a Service Provider on each vesting date.

(b) Post-Termination Exercise Period. Unless otherwise provided in Section 2(c), if the Optionee ceases to be a Service Provider, then this Option may be exercised, but only to the extent vested on the date of such cessation as a Service Provider, until the earlier of (i) ninety days after the date upon which the Optionee ceases to be a Service Provider, or (ii) the original ten-year Option term.

(c) Termination for Cause. Notwithstanding any other provision of this Option Agreement or the Plan, in the event that the Optionee is terminated for Cause (as defined herein), the Option shall terminate in its entirety, whether vested or unvested, and the Optionee shall have no further rights with respect to such Option.

For purposes of this Option Agreement, "Cause" means the occurrence of any of the following events, as determined by the Company in its sole discretion: (i) the Optionee's commission of, or participation in, acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude; (ii) the Optionee's intentional, material violation of any contract or agreement between the Optionee and the Company or the Company's Subsidiary or affiliate employing the Optionee (the "Employer") or any statutory duty owed to the Company or the Employer; (iii) the Optionee's unauthorized use or disclosure of the proprietary or confidential Information of the Company or the Employer, or (iv) the Optionee's gross failure perform, refusal to perform, or neglect in the performance of, his or her duties, functions or responsibilities.

(d) Method of Exercise. This Option may be exercised with respect to all or any part of any vested Shares by giving the Company or any third-party stock option plan administrator designated by the Company written or electronic notice of such exercise, in the form designated by the Company or the Company's designated third-party stock option plan administrator, specifying the number of Shares as to which this Option is exercised and accompanied by payment of the aggregate Exercise Price and any Tax-Related Items (as defined in Section 5 below) as to all exercised Shares.

This Option shall be deemed to be exercised upon receipt by the Company or any third-party stock option plan administrator designated by the Company of such fully executed exercise notice accompanied by such aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with applicable laws, as determined by the Company.

(e) Payment of Exercise Price. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(i) cash; or

(ii) check; or

(iii) delivery of a properly executed exercise notice together with such other documentation as the Administrator and a broker designated by the Company, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale proceeds required to pay the Exercise Price.

3. Non-Transferability of Option.

This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

4. Term of Option.

This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

5. Tax Consequences.

Regardless of any action the Company or the Optionee's employer takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Optionee's participation in the Plan and legally applicable to the Optionee ("Tax-Related Items"), the Optionee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Optionee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Optionee further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including but not limited to, the grant, vesting or exercise of the Option, the issuance of Shares pursuant to the exercise of the Option, the sale of Shares acquired under the Plan or the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Optionee's participation in the Plan to reduce or eliminate the Optionee's liability for Tax-Related Items or to achieve any particular tax result. Further, if the Optionee becomes subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, the Optionee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Optionee will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Optionee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(i) withholding from the Optionee's wages or other cash compensation paid to the Optionee by the Company and/or the Employer; or

(ii) withholding from proceeds of the sale of Shares acquired upon exercise either through a voluntary sale or through a mandatory sale arranged by the Company (on the Optionee's behalf pursuant to this authorization).

Finally, the Optionee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Optionee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Optionee fails to comply with his or her obligations in connection with the Tax-Related Items.

6. Entire Agreement; Governing Law and Venue.

The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and the Optionee. This Option Agreement is governed by the internal substantive laws, but not the choice of law rules, of California. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Option or the Option Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco City and County, California, or the federal courts for the United States for the Northern District of California and no other courts, where this grant is made and/or to be performed.

7. Acknowledgements. The Optionee acknowledges the following:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past;

(c) all decisions with respect to future option grants, if any, will be at the sole discretion of the Company;

(d) the Optionee's participation in the Plan shall not create a right to further employment with the Company or the Employer and shall not interfere with the ability of the Company or the Employer to terminate the Optionee's employment relationship at any time;

(e) the Optionee is voluntarily participating in the Plan;

(f) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer, or any Subsidiary or affiliate of the Company;

(g) the Option grant and the Optionee's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any Subsidiary or affiliate of the Company;

(h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(i) the value of the Shares acquired upon exercise may increase or decrease, even below the Exercise Price; and

(j) for Optionees who reside outside the U.S., the following additional provisions shall apply:

i. the Option and the Shares subject to the Option are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and are outside the scope of the Optionee's employment or service contract, if any;

ii. the Option and the Shares subject to the Option are not intended to replace any pension rights;

iii. no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from termination of the Optionee's employment by the Company or the Employer (whether or not in breach of employment laws in the country where the Optionee resides and whether or not later found to be invalid) and in consideration of the grant of the Option to which the Optionee is otherwise not entitled, the Optionee irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Optionee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

iv. in the event of termination of the Optionee's employment (whether or not in breach of employment laws in the country where the Optionee resides and whether or not later found to be invalid), the Optionee's right to vest in the Option under the Plan, if any, will terminate effective as of the date that the Optionee is no longer actively providing services and will not be extended by any notice period mandated under employment laws in the country where the Optionee resides (*e.g.*, active employment would not include a period of "garden leave" or similar period); furthermore, in the event of termination of the Optionee's employment (whether or not in breach of employment laws in the country where the Optionee resides and whether or not later to be found invalid), the Optionee's right to exercise the Option after termination of employment, if any, will be measured by the date of termination of the Optionee's active services and will not be extended by any notice period; the Administrator shall have the exclusive discretion to determine when the Optionee is no longer actively providing services for purposes of the Option grant (including whether the Optionee may still be considered actively providing services while on an approved leave of absence).

8. <u>No Advice Regarding Grant</u>.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Optionee's participation in the Plan or the Optionee's acquisition or sale of the underlying Shares. The Optionee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

9. ***<u>Data Privacy</u>***.

The Optionee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Optionee's personal data as described in this Option Agreement and any other Option grant materials by and among, as applicable, the Employer, the Company and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing the Optionee's participation in the Plan.

The Optionee understands that the Company and the Employer may hold certain personal information about the Optionee, including, but not limited to, the Optionee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Options or any other entitlement to shares of stock awarded, canceled, exercised, vested,

unvested or outstanding in the Optionee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

The Optionee understands that Data will be transferred to a designated Plan broker or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Optionee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than the Optionee's country. The Optionee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Optionee's local human resources representative. The Optionee authorizes the Company, its designated Plan broker and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing his or her participation in the Plan. The Optionee understands that Data will be held only as long as is necessary to implement, administer and manage the Optionee's participation in the Plan. The Optionees who reside outside the United States understand that they may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing their local human resources representative. The Optionee understands, however, that refusing or withdrawing his or her consent may affect the Optionee's ability to participate in the Plan. For more information on the consequences of the Optionee's refusal to consent or withdrawal of consent, the Optionee understands that he or she may contact his or her local human resources representative.

10. Electronic Delivery.

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Optionee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

11. Language.

If the Optionee has received this Option Agreement or any other document related to the Option and/or the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

12. Severability.

The provisions of this Option Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

13. Appendix.

Notwithstanding any provisions in the Option Agreement, the Option shall be subject to any special terms and conditions set forth in the Appendix for the Optionee's country of residence. Moreover, if the Optionee relocates to one of the countries included in the Appendix during the life of the Option, the special terms and conditions for such country shall apply to the Optionee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with the relevant laws concerning the issuance or sale of Shares or to facilitate the administration of the Plan. The Appendix constitutes part of the Option Agreement.

14. Imposition of Other Requirements.

The Company reserves the right to impose other requirements on the Option and the Shares acquired upon exercise of the Option, to the extent the Company determines it is necessary or advisable in order to comply with the relevant laws concerning the issuance or sale of Shares or to facilitate the administration of the Plan, and to require the Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

By the Optionee's signature and the signature of the Company's representative below, the Optionee and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement, including the Appendix. The Optionee has reviewed the Plan and this Option Agreement, including the Appendix, in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Plan and this Option Agreement. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and the Option Agreement. The Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE:	SERVICESOURCE INTERNATIONAL, INC.
Signature	By
Print Name	Title
Residence Address	

APPENDIX TO THE

GLOBAL STOCK OPTION AGREEMENT FOR OPTIONEES

This Appendix to the Global Stock Option Agreement includes additional terms and conditions that govern participation in the ServiceSource International, Inc. 2011 Equity Incentive Plan (the "Plan") if the Optionee resides in one of the countries listed herein. This Appendix forms part of the Option Agreement. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Option Agreement and the Plan.

This Appendix also includes information regarding exchange controls and certain other issues of which the Optionee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of July 2011. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Optionee not rely on the information noted herein as the only source of information relating to the consequences of the Optionee's participation in the Plan because the information may be out of date at the time the Optionee exercises the Option and acquires Shares or when the Optionee subsequently sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Optionee's particular situation, and the Company is not in a position to assure the Optionee of any particular result. Accordingly, the Optionee is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to the Optionee's situation.

Finally, if the Optionee is a citizen or resident of a country other than the one in which he or she is currently working, transfers employment to another country after the Option is granted, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to the Optionee. In addition, the Company shall, in its sole discretion, determine to what extent the terms and conditions included herein will apply to the Optionee.

GERMANY

Notifications

<u>Exchange Control Information</u>. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If the Optionee makes or receives a payment in excess of this amount, the Optionee is responsible for obtaining the appropriate form from a German federal bank and complying with applicable reporting requirements.

HONG KONG

Terms and Conditions

Sale Restriction. In the event that the Option or a portion thereof vests and becomes exercisable within six months of the date of grant, the Optionee agrees that the Optionee will not sell the Shares issued upon exercise prior to the six-month anniversary of the date of grant.

Notifications

Securities Law Information. *Warning: The Option and any Shares acquired upon exercise of the Option do not constitute a public offering of securities under Hong Kong law and are available only to Service Providers of the Company, its subsidiaries or affiliates. The Plan, the Option Agreement, and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, nor have the documents been reviewed by any regulatory authority in Hong Kong. The Option is intended only for the personal use of each eligible Service Provider of the Employer, the Company or any Subsidiary or affiliate and may not be distributed to any other person. The Optionee is advised to exercise caution in relation to the Option. If the Optionee is in any doubt about any of the contents of the Option Agreement, including this Appendix, or the Plan, the Optionee should obtain independent professional advice.*

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

IRELAND

Notifications

Director Notification Obligation. The Optionee acknowledges that if he or she is a director, shadow director or secretary of the Company's Irish Subsidiary, the Optionee must notify the Irish Subsidiary in writing within five business days of receiving or disposing of an interest in the Company (*e.g.,* the Option, Shares, etc.), or within five business days of becoming aware of the event giving rise to the notification requirement or within five business days of becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of the Optionee's spouse or children under the age of 18 (whose interests will be attributed to the Optionee if the Optionee is a director, shadow director or secretary).

MALAYSIA

Notifications

Insider Trading Notification. The Optionee understands that Malaysian insider-trading rules exist, which may impact the acquisition or disposal of Shares under the Plan by the Optionee. Under the Malaysian insider-trading rules, the Optionee is prohibited from acquiring or disposing of Shares or rights to acquire Shares (*e.g.*, the Option) when in possession of information which is not generally available, and which the Optionee knows or should know will have a material effect on the price of Shares once such information is generally available.

Director Notification. If the Optionee is a director of a Subsidiary in Malaysia, the Optionee is subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Subsidiary in writing when the Optionee receives an interest in the Company (*e.g.*, the Option, Shares). In addition, the Optionee must notify the Malaysian Subsidiary when he or she sells shares of the Company (including when the Optionee sells Shares acquired under the Plan). These notifications must be made within 14 days of acquiring or disposing of any interest in the Company.

SINGAPORE

Notifications

Director Notification Obligation. The Optionee acknowledges that if he or she is a director, associate director or shadow director of a Singapore Subsidiary, the Optionee is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore Subsidiary in writing when the Optionee receives an interest (*e.g.*, the Option or Shares) in the Company or any Subsidiary within two days of (i) its acquisition or disposal, (ii) any change in previously disclosed interest (*e.g.,* when the Shares are sold), or (iii) becoming a director.

Securities Law Information. The Optionee understands that the Option is being granted pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Optionee further understands that neither the Plan nor the Option Agreement have been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Optionee understands and acknowledges that the Option is subject to section 257 of the SFA and the Optionee will not be able to make any subsequent sale of Shares in Singapore, or any offer of such subsequent sale of the Shares acquired upon exercise, unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

UNITED KINGDOM

Terms and Conditions

For Services Providers who are Employees, the following additional terms and conditions apply to the Option Agreement. These terms and conditions, as well as the provisions related to withholding contained in the Option Agreement, do not apply if Optionee is a Consultant who is self-employed.

Tax Reporting and Payment Liability. The following provision supplements Section 5 (Tax Consequences) of the Option Agreement:

The Optionee agrees that if the Employer or the Company does not withhold or otherwise collect the full amount of income tax that the Optionee owes due to the exercise of the Option or release, assignment or cancellation of the Option (the "Chargeable Event") from the Optionee within ninety (90) days after the Chargeable Event or such other period as required by U.K. law (the "Due Date"), then the amount that should have been withheld or collected shall constitute a loan owed by the Optionee to the Employer, effective on the Due Date. The Optionee agrees that the loan will bear interest at the then-current Official Rate of Her Majesty's Revenue & Customs ("HMRC") and it will be immediately due and repayable by the Optionee and the Company and/or the Employer may recover it at any time thereafter by any of the means referred to in Section 5 of the Option Agreement.

Notwithstanding the foregoing, if the Optionee is an executive officer or director (as within the meaning of the Exchange Act), the terms of the provision above will not apply. In the event that the Optionee is an executive officer or director and income tax is not collected from or paid by the Optionee by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Optionee on which additional income tax and National Insurance Contributions ("NICs") (including Employer's NICs, as defined below) may be payable. The Optionee understands that he or she will be responsible for reporting any income tax and NICs (including Employer's NICs, as defined below) due on this additional benefit directly to HMRC under the self-assessment regime.

Joint Election. As a condition of participation in the Plan, the Optionee agrees to accept any liability for secondary Class 1 NICs which may be payable by the Company and/or the Employer in connection with the exercise of the Option and any event giving rise to Tax-Related Items (the "Employer's NICs"). Without limitation to the foregoing, the Optionee agrees to enter into a joint election with the Company (the "Joint Election"), the form of such Joint Election being formally approved by HMRC, and to execute any other consents or elections required to accomplish the transfer of the Employer's NICs to the Employee. The Optionee further agrees to execute such other joint elections as may be required between the Optionee and any successor to the Company and/or the Employer. The Optionee further agrees that the Company and/or the Employer may collect the Employer's NICs from him or her by any of the means set forth in Section 5 of the Option Agreement.

If the Optionee does not enter into a Joint Election, if approval of the Joint Election has been withdrawn by HMRC or if such Joint Election is jointly revoked by the Optionee and the Company or the Employer, as applicable, the Company, in its sole discretion and without any liability to the Company or the Employer, may choose not to issue or deliver any shares to the Employee upon exercise of the Option.

(Joint Election Form below)

UNITED STATES

Terms and Conditions

Non-Transferability of Option. The following provision replaces Section II(3) of this Option Agreement:

The Optionee may transfer his or her Option (other than Incentive Stock Options), but only without receiving any consideration for the transfer, to members of his or her family (which may include the Optionee) or to trusts, partnerships, foundations or similar entities for the benefit of such family members, but in each case only as permitted under a U.S. Securities & Exchange Commission Form S-8 registration statement, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of the Plan and this Option Agreement. Otherwise, this Option may not be transferred in any manner otherwise than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrations, heirs, successors, transferees and assigns of the Optionee.

SERVICESOURCE INTERNATIONAL, INC.

2011 EQUITY INCENTIVE PLAN

**Important Note on the Joint Election to Transfer
Employer National Insurance Contributions**

As a condition of participation in the ServiceSource International, Inc. 2011 Equity Incentive Plan (the "Plan") and the Option that has been granted to you by ServiceSource International, Inc. (the "Company"), you are required to enter into a joint election to transfer to you any liability for employer national insurance contributions (the "Employer NICs") that may arise in connection with the grant of the Option or in connection with future options granted to you by the Company under the Plan (the "Joint Election").

If you do not agree to enter into the Joint Election, the grant of the option will be worthless and you will not be able to exercise the Option or receive any benefit in connection with the Option.

By entering into the Joint Election:

- **you agree that any liability for Employer's NICs that may arise in connection with or pursuant to the exercise of the Option (and the acquisition of Shares) or other taxable events in connection with the Option will be transferred to you; and**
- **you authorise the Company and/or your employer to recover an amount sufficient to cover this liability by any method set forth in the Option Agreement and/or the Joint Election.**

By accepting the Option by signing the Option Agreement, you are agreeing to be bound by the terms of the Joint Election.

**Please read the terms of the Joint Election carefully before
accepting the Option Agreement
and the Joint Election.**

**Please print and keep a copy of the Joint Election
for your records.**

SERVICESOURCE INTERNATIONAL, INC.

2011 EQUITY INCENTIVE PLAN

Election To Transfer the Employer's National Insurance Liability to the Employee

This Election is between:

A. The individual who has obtained authorised access to this Election (the "Employee"), who is employed by one of the employing companies listed in the attached schedule (the "Employer") and who is eligible to receive stock options and/or restricted stock units ("Awards") pursuant to the ServiceSource International, Inc. 2011 Equity Incentive Plan (the "Plan"), and

B. ServiceSource International, Inc., with its registered offices at 634 2nd Street, San Francisco, California 94107, U.S.A. (the "Company"), which may grant Awards under the Plan and is entering into this Election on behalf of the Employer.

I. INTRODUCTION

1. This Election relates to the employer's secondary Class 1 National Insurance Contributions (the "Employer's Liability") which may arise on the occurrence of a chargeable event within paragraph 3B(1A)(a) of Schedule 1 of the Social Security Contributions and Benefits Act 1992 ("SSCBA"), including:

(a) the acquisition of securities pursuant to stock options and/or restricted stock units (within section 477(3)(a) of the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA"));

(b) the assignment (if applicable) or release of the stock options and/or restricted stock units (within section 477(3)(b) of ITEPA);

(c) the receipt of any other benefit in money or money's worth in connection with the stock options and/or restricted stock units (within section 477(3)(c) of ITEPA); and/or

(d) post-acquisition charges relating to shares acquired under the stock options and/or restricted stock units (within section 427 of ITEPA), each a "Chargeable Event". This Election is made in accordance with paragraph 3B(1) of Schedule 1 to SSCBA.

2. This Election applies to all Awards granted to the Employee under the Plan on or after [insert date] up to the termination date of the Plan.

3. This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the SSCBA, or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

4. This Election does not apply to the extent that it relates to relevant employment income which is employment income of the earner by virtue of Chapter 3A of Part VII of ITEPA (employment income: securities with artificially depressed market value).

II. THE ELECTION

The Employee and the Company jointly elect that the entire liability of the Employer to pay the Employer's Liability on the Chargeable Event is hereby transferred to the Employee. The Employee understands that, by signing this Election, he or she will become personally liable for the Employer's Liability covered by this Election.

III. PAYMENT OF THE EMPLOYER'S LIABILITY

1. The Employee hereby authorises the Company and/or the Employer to collect the Employer's Liability from the Employee at any time after the Chargeable Event:

(a) by deduction from salary or any other payment payable to the Employee at any time on or after the date of the Chargeable Event; and/or

(b) directly from the Employee by payment in cash or cleared funds; and/or

(c) by arranging, on behalf of the Employee, for the sale of some of the securities which the Employee is entitled to receive in respect of the Awards; and/or

(d) by any other means specified in the applicable award agreement.

2. The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities to the Employee in respect of the Awards until full payment of the Employer's Liability is received.

3. The Company agrees to remit the Employer's Liability to HM Revenue & Customs on behalf of the Employee within 14 days after the end of the UK tax month during which the Chargeable Event occurs (or within 17 days if payments are made electronically).

IV. DURATION OF ELECTION

1. The Employee and the Company agree to be bound by the terms of this Election regardless of whether the Employee is transferred abroad or is not employed by the Employer on the date on which the Employer's Liability becomes due.

2. This Election will continue in effect until the earliest of the following:

(a) the Employee and the Company agree in writing that it should cease to have effect;

(b) on the date the Company serves written notice on the Employee terminating its effect;

(c) on the date HM Revenue & Customs withdraws approval of this Election; or

(d) after due payment of the Employer's Liability in respect of the entirety of the Awards to which this Election relates or could relate, such that the Election ceases to have effect in accordance with its terms.

Acceptance by the Employee

The Employee acknowledges that, by signing this Election, the Employee agrees to be bound by the terms of this Election.

Signature ______________________________________

Date ______________________________________

Acceptance by the Company

The Company acknowledges that, by signing this Election or arranging for the scanned signature of an authorised representative to appear on this Election, the Company agrees to be bound by the terms of this Election.

Signature for and on

behalf of the Company __________________________

Position __________________________

Date __________________________

SCHEDULE OF EMPLOYER COMPANIES

The following are employer companies to which this Election may apply:

SSI Europe UK Limited

Registered Office:	5 New Street Square, London, United Kingdom, EC4A 3TW
Company Registration Number:	7253138
Corporation Tax District:	CT Operations (Large & Complex CRM) 16 North Government Buildings Ty Glas Llanishen Cardiff CF14 5FP
Corporation Tax Reference:	42508 00092
PAYE District:	Customer Operations Employer Office BP4009 Chillingham House Benton Park View Newcastle upon Tyne NE98 1ZZ
PAYE Reference:	083/WA49060

ServiceSource Europe (UK Branch) Limited

Registered Office:	Block AA Cherrywood Science and Technology Park, Loughlinstown, Co Dublin Ireland
Company Registration Number:	FC028150
Corporation Tax District:	CT Operations (Large & Complex CRM) 16 North Government Buildings Ty Glas Llanishen Cardiff CF14 5FP
Corporation Tax Reference:	95780 19547
PAYE District:	Customer Operations Employer Office BP4009 Chillingham House Benton Park View Newcastle upon Tyne NE98 1ZZ
PAYE Reference:	951/JA16525

SERVICESOURCE INTERNATIONAL, INC.

2011 EQUITY INCENTIVE PLAN

GLOBAL RESTRICTED STOCK UNIT AWARD AGREEMENT

Unless otherwise defined herein, the terms defined in the ServiceSource International, Inc. 2011 Equity Incentive Plan (the "Plan") shall have the same defined meanings in the Agreement.

I. NOTICE OF GRANT OF RESTRICTED STOCK UNIT

Name: _______________

You have been granted an Award of Restricted Stock Units ("RSUs"), subject to the terms and conditions of the Plan and the Agreement, as follows:

Date of Grant:

Total Number of RSUs Granted: _________

Vesting Schedule: The RSUs awarded by this Agreement shall vest in accordance with the following schedule:

[INSERT VESTING SCHEDULE]

II. AGREEMENT

1. Grant of Restricted Stock Unit. The Company hereby grants to the Participant named in the Notice of the Grant of Restricted Stock Units attached as Part I of this Restricted Stock Unit Award Agreement ("Notice of Grant") an Award of RSUs, as set forth in the Notice of Grant and subject to the terms and conditions in the Restricted Stock Unit Agreement, including any special terms and conditions for the Participant's country of residence contained in the Appendix (as defined below) (together, the "Agreement") and the Plan (which is incorporated herein by reference).

2. Company's Obligation. Each RSU represents the right to receive a Share on the vesting date. Unless and until the RSUs vest, the Participant will have no right to receive Shares under such RSUs. Prior to actual distribution of Shares pursuant to any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. The RSUs awarded by this Agreement will vest in the Participant according to the vesting schedule specified in the Notice of Grant.

4. Forfeiture upon Termination as Employee, Director or Consultant. Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the Participant terminates as a Service Provider for any or no reason prior to vesting, the unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company. If the Participant resides outside of the United States, in the event of termination of Participant's employment (whether or not in breach of employment laws in the country where the Participant resides and whether or not later found to be invalid), Participant's right to vest in the RSUs under the Plan, if any, will terminate effective as of the date that the Participant is no longer actively providing services and will not be extended by any notice period mandated under employment laws in the country where the Participant resides (e.g., active employment would not include a period of "garden leave" or similar period); the Administrator shall have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of the Award (including whether or not the Participant may still be considered as actively providing services while on an approved leave of absence).

5. Payment after Vesting. Any RSUs that vest in accordance with paragraph 3 will be paid to the Participant (or in the event of the Participant's death, to his or her estate) in Shares, provided that to the extent determined appropriate by the Company, the minimum statutorily required local, foreign, federal, and state withholding of Tax-Related Items (as defined in paragraph 7 below) with respect to such RSUs will be paid by reducing the number of vested RSUs actually paid to the Participant.

6. Payments after Death. Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the administrator or executor of the Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Responsibility for Taxes. Regardless of any action the Company or the Subsidiary employing the Participant (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including but not limited to, the grant, vesting or settlement of the RSUs, the issuance of Shares upon settlement of the RSUs, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or any Dividend Equivalents; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Participant's participation in the Plan to reduce or eliminate the Participant's liability for Tax-Related Items or to achieve any particular tax result. Further, if the Participant becomes subject to tax in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, the Participant acknowledges that the Company and/or the Employer (or former

employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents to satisfy the obligations with regard to all Tax-Related Items by withholding in Shares to be issued upon vesting/settlement of the RSU; provided that the Company only withholds the amount of Shares necessary to satisfy the minimum withholding amount. Alternatively, should such method be impermissible or impractical in a particular jurisdiction, the Company may, in its sole discretion, use one or a combination of the following methods:

(i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company and/or the Employer; or

(ii) withholding from proceeds of the sale of Shares acquired upon exercise either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization).

If the Participant is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, then withholding shall only be by withholding in Shares or the Participant shall be entitled to elect the method of withholding from the alternatives above.

If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested RSU, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of Participant's participation in the Plan.

Finally, the Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

8. Rights as Stockholder. Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant or Participant's broker designated by the Company.

9. No Effect on Employment. The terms of the Participant's employment with the Company and its Subsidiaries will be determined from time to time by the Company or the Employer (as the case may be). The terms of this Agreement shall not affect the rights of the Company or the Employer to terminate or change the terms of the employment of the Participant

at any time for any reason whatsoever, with or without good cause or notice, unless otherwise provided in an employment agreement.

10. Grant is Not Transferable. Except to the limited extent provided in paragraph 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

11. Acknowledgements. The Participant acknowledges the following:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the Award is voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs, even if RSUs have been awarded repeatedly in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(d) the Participant's participation in the Plan shall not create a right to further employment with the Company or the Employer;

(e) the Participant is voluntarily participating in the Plan;

(f) the Award and the Shares subject to the Award are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer, or any Subsidiary or affiliate of the Company;

(g) the Award and the Participant's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any Subsidiary or affiliate of the Company;

(h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(i) for Participants who reside outside the U.S., the following additional provisions shall apply:

i. the Award and the Shares subject to the Award are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and are outside the scope of the Participant's employment or service contract, if any;

ii. the Award and the Shares subject to the Award are not intended to replace any pension rights; and

iii. no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from termination of the Participant's services by the Company or the Employer (whether or not in breach of employment laws in the country where the Participant resides and whether or not later found to be invalid) and in consideration of the Award of RSUs to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims.

12. No Advice Regarding Award. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

13. ***Data Privacy. The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement and any other Award materials by and among, as applicable, the Employer, the Company and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.***

The Participant understands that the Company and the Employer may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

The Participant understands that Data will be transferred to a designated Plan broker or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential

recipients of the Data by contacting the Participant's local human resources representative. The Participant authorizes the Company, its designated Plan broker and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing his or her participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participants who reside outside the U.S. understand that they may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing their local human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.

14. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

15. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any local, foreign, state or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to the Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such local, foreign, state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

16. Plan Governs. This Agreement and the Notice of Grant are subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice of Grant and one or more provisions of the Plan, the provisions of the Plan will govern.

17. Governing Law and Venue. This Agreement is governed by the internal substantive laws, but not the choice of law rules, of California. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco City and County, California, or the federal courts for the United States for the Northern District of California and no other courts, where this grant is made and/or to be performed.

18. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The

Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

19. Language. If the Participant has received this Agreement or any other document related to the Award and/or the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

20. Severability. The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

21. Appendix. Notwithstanding any provisions in the Agreement, the Award shall be subject to any special terms and conditions set forth in the Appendix for the Participant's country of residence. Moreover, if the Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country shall apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with the relevant laws concerning the issuance or sale of Shares or to facilitate the administration of the Plan. The Appendix constitutes part of the Agreement.

22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award of RSUs and the Shares acquired upon vesting of the RSUs, to the extent the Company determines it is necessary or advisable in order to comply with the relevant laws concerning the issuance or sale of Shares or to facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

By the Participant's signature and the signature of the Company's representative below, the Participant and the Company agree that this Award is granted under and governed by the terms and conditions of the Plan and this Agreement. The Participant has reviewed the Plan and this Agreement, including the Appendix, in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Plan and this Agreement. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and this Agreement. The Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT:	**SERVICESOURCE INTERNATIONAL, INC.**	
______________________	By:	______________________
Signature		
______________________	Title:	______________________
Print Name		

Date:______________________________ Date: __________________________

____
Residence Address

____

APPENDIX TO THE

GLOBAL RESTRICTED STOCK UNIT AWARD AGREEMENT

This Appendix to the Global Restricted Stock Unit Award Agreement includes additional terms and conditions that govern participation in the ServiceSource International, Inc. 2011 Equity Incentive Plan (the "Plan") if the Participant resides in one of the countries listed herein. This Appendix forms part of the Agreement. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Agreement and the Plan.

This Appendix also includes information regarding exchange controls and certain other issues of which the Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of October 2011. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information noted herein as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date at the time the Participant vests in the RSUs and acquires Shares or when the Participant subsequently sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Participant's particular situation, and the Company is not in a position to assure the Participant of any particular result. Accordingly, the Participant is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to the Participant's situation.

Finally, if the Participant is a citizen or resident of a country other than the one in which he or she is currently working, transfers employment to another country after the Date of Grant, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to the Participant. In addition, the Company shall, in its sole discretion, determine to what extent the terms and conditions included herein will apply to the Participant.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If the Participant makes or receives a payment in excess of this amount, the Participant is responsible for obtaining the appropriate form from a German federal bank and complying with applicable reporting requirements.

HONG KONG

Terms and Conditions

Sale Restriction. In the event that the RSUs or a portion thereof vests and Shares are issued to the Participant within six months of the Date of Grant, the Participant agrees that he or she will not sell the Shares issued upon vesting of the RSUs prior to the six-month anniversary of the Date of Grant.

Notifications

Securities Law Information. *Warning: The Award of the RSUs and any Shares acquired upon vesting of the RSUs do not constitute a public offering of securities under Hong Kong law and are available only to Service Providers of the Company, its Subsidiaries or affiliates. The Plan, the Agreement, and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, nor have the documents been reviewed by any regulatory authority in Hong Kong. The Award is intended only for the personal use of each eligible Service Provider of the Employer, the Company or any Subsidiary or affiliate and may not be distributed to any other person. The Participant is advised to exercise caution in relation to the Award. If the Participant is in any doubt about any of the contents of the Agreement, including this Appendix, or the Plan, the Participant should obtain independent professional advice.*

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

IRELAND

Notifications

Director Notification Obligation. The Participant acknowledges that if he or she is a director, shadow director or secretary of the Company's Irish Subsidiary, the Participant must notify the Irish Subsidiary in writing within five business days of receiving or disposing of an interest in the Company (*e.g.,* the RSUs, Shares, etc.), or within five business days of becoming aware of the event giving rise to the notification requirement or within five business days of becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of the Participant's spouse or children under the age of 18 (whose interests will be attributed to the Participant if the Participant is a director, shadow director or secretary).

MALAYSIA

Notifications

Insider Trading Notification. The Participant understands that Malaysian insider-trading rules exist, which may impact the acquisition or disposal of Shares under the Plan by the Participant. Under the Malaysian insider-trading rules, the Participant is prohibited from acquiring or disposing of Shares or rights to acquire Shares (*e.g.*, the RSUs) when in possession of information which is not generally available, and which the Participant knows or should know will have a material effect on the price of Shares once such information is generally available.

Director Notification. If the Participant is a director of a Subsidiary in Malaysia, the Participant is subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Subsidiary in writing when the Participant receives an interest in the Company (*e.g.*, the RSUs, Shares). In addition, the Participant must notify the Malaysian Subsidiary when he or she sells shares of the Company (including when the Participant sells Shares acquired under the Plan). These notifications must be made within 14 days of acquiring or disposing of any interest in the Company.

SINGAPORE

Notifications

Director Notification Obligation. The Participant acknowledges that if he or she is a director, associate director or shadow director of a Singapore Subsidiary, the Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore Subsidiary in writing when the Participant receives an interest (*e.g.*, the RSUs or Shares) in the Company or any Subsidiary within two days of (i) its acquisition or disposal, (ii) any change in previously disclosed interest (*e.g.,* when the Shares are sold), or (iii) becoming a director.

Securities Law Information. The Participant understands that the RSUs are being granted pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Participant further understands that neither the Plan nor the Agreement have been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Participant understands and acknowledges that the RSUs are subject to section 257 of the SFA and the Participant will not be able to make any subsequent sale of Shares in Singapore, or any offer of such subsequent sale of the Shares acquired upon vesting of the RSUs, unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

UNITED KINGDOM

Terms and Conditions

For Services Providers who are Employees, the following additional terms and conditions apply to the Agreement. These terms and conditions, as well as the provisions related to withholding contained in the Agreement, do not apply if Participant is a Consultant who is self-employed.

Tax Reporting and Payment Liability. The following provision supplements paragraph 7 (Responsibility for Taxes) of the Agreement:

The Participant agrees that if the Employer or the Company does not withhold or otherwise collect the full amount of income tax that the Participant owes due to the vesting of the RSUs or release, assignment or cancellation of the Award of RSUs (the "Chargeable Event") from the Participant within ninety (90) days after the Chargeable Event or such other period as required by U.K. law (the "Due Date"), then the amount that should have been withheld or collected shall constitute a loan owed by the Participant to the Employer, effective on the Due Date. The Participant agrees that the loan will bear interest at the then-current Official Rate of Her Majesty's Revenue & Customs ("HMRC") and it will be immediately due and repayable by the Participant and the Company and/or the Employer may recover it at any time thereafter by any of the means referred to in paragraph 7 of the Agreement.

Notwithstanding the foregoing, if the Participant is an executive officer or director (as within the meaning of Section 13(k) of the Exchange Act), the terms of the provision above will not apply. In the event that the Participant is an executive officer or director and income tax is not collected from or paid by the Participant by the Due Date, the amount of any uncollected income tax may constitute a benefit to the Participant on which additional income tax and National Insurance Contributions ("NICs") (including Employer's NICs, as defined below) may be payable. The Participant understands that he or she will be responsible for reporting any income tax and NICs (including Employer's NICs, as defined below) due on this additional benefit directly to HMRC under the self-assessment regime.

Joint Election. As a condition of participation in the Plan, the Participant agrees to accept any liability for secondary Class 1 NICs which may be payable by the Company and/or the Employer in connection with the Award and any event giving rise to Tax-Related Items (the "Employer's NICs"). Without limitation to the foregoing, the Participant agrees to enter into a joint election with the Company (the "Joint Election"), the form of such Joint Election being formally approved by HMRC, and to execute any other consents or elections required to accomplish the transfer of the Employer's NICs to the Employee. The Participant further agrees to execute such other joint elections as may be required between the Participant and any successor to the Company and/or the Employer. The Participant further agrees that the Company and/or the Employer may collect the Employer's NICs from him or her by any of the means set forth in paragraph 7 of the Agreement.

If the Participant does not enter into a Joint Election, if approval of the Joint Election has been withdrawn by HMRC or if such Joint Election is jointly revoked by the Participant and the Company or the Employer, as applicable, the Company, in its sole discretion and without any liability to the Company or the Employer, may choose not to issue or deliver any shares to the Employee upon vesting of the RSUs.

(Joint Election Form below)

UNITED STATES

Terms and Conditions

Grant is Non-Transferable. The following provision replaces Section II(10) of this Agreement:

The Participant may transfer his or her grant of RSUs but only without receiving any consideration for the transfer, to members of his or her family (which may include the

Participant) or to trusts, partnerships, foundations or similar entities for the benefit of such family members, but in each case only as permitted under a U.S. Securities & Exchange Commission Form S-8 registration statement, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of the Plan and this Agreement. Otherwise, the grant of RSUs and the rights and privileges conferred hereby may not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process except upon the Participant's death or by will or by the laws of descent and distribution as provided in paragraph 6. The terms of the Plan and this Agreement shall be binding upon the executors, administrations, heirs, successors, transferees and assigns of the Participant. Except as provided herein, upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

SERVICESOURCE INTERNATIONAL, INC.

2011 EQUITY INCENTIVE PLAN

Important Note on the Joint Election to Transfer
Employer National Insurance Contributions

As a condition of participation in the ServiceSource International, Inc. 2011 Equity Incentive Plan (the "Plan") and the RSUs that have been awarded to you by ServiceSource International, Inc. (the "Company"), you are required to enter into a joint election to transfer to you any liability for employer national insurance contributions (the "Employer NICs") that may arise in connection with the Award of RSUs or in connection with future RSUs awarded to you by the Company under the Plan (the "Joint Election").

If you do not agree to enter into the Joint Election, the Award of RSUs will be worthless and you will not be able to vest in the RSUs or receive any benefit in connection with the Award.

By entering into the Joint Election:

- **you agree that any liability for Employer's NICs that may arise in connection with or pursuant to the vesting of the RSUs (and the acquisition of Shares) or other taxable events in connection with the Award will be transferred to you; and**
- **you authorise the Company and/or your employer to recover an amount sufficient to cover this liability by any method set forth in the Agreement and/or the Joint Election.**

By accepting the Award, you are agreeing to be bound by the terms of the Joint Election.

Please read the terms of the Joint Election carefully before
accepting the Agreement
and the Joint Election.

Please print and keep a copy of the Joint Election
for your records.

SERVICESOURCE INTERNATIONAL, INC.

2011 EQUITY INCENTIVE PLAN

Election To Transfer the Employer's National Insurance Liability to the Employee

This Election is between:

A. The individual who has obtained authorised access to this Election (the "Employee"), who is employed by one of the employing companies listed in the attached schedule (the "Employer") and who is eligible to receive stock options and/or restricted stock units ("Awards") pursuant to the ServiceSource International, Inc. 2011 Equity Incentive Plan (the "Plan"), and

B. ServiceSource International, Inc., with its registered offices at 634 2nd Street, San Francisco, California 94107, U.S.A. (the "Company"), which may grant Awards under the Plan and is entering into this Election on behalf of the Employer.

I. INTRODUCTION

1. This Election relates to the employer's secondary Class 1 National Insurance Contributions (the "Employer's Liability") which may arise on the occurrence of a chargeable event within paragraph 3B(1A)(a) of Schedule 1 of the Social Security Contributions and Benefits Act 1992 ("SSCBA"), including:

(a) the acquisition of securities pursuant to stock options and/or restricted stock units (within section 477(3)(a) of the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA"));

1.

(b) the assignment (if applicable) or release of the stock options and/or restricted stock units (within section 477(3)(b) of ITEPA);

2.

(c) the receipt of any other benefit in money or money's worth in connection with the stock options and/or restricted stock units (within section 477(3)(c) of ITEPA); and/or

3.

(d) post-acquisition charges relating to shares acquired under the stock options and/or restricted stock units (within section 427 of ITEPA), each a "Chargeable Event". This Election is made in accordance with paragraph 3B(1) of Schedule 1 to SSCBA.\

2. This Election applies to all Awards granted to the Employee under the Plan on or after [insert date] up to the termination date of the Plan.

3. This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the SSCBA, or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

4. This Election does not apply to the extent that it relates to relevant employment income which is employment income of the earner by virtue of Chapter 3A of Part VII of ITEPA (employment income: securities with artificially depressed market value).

II. THE ELECTION

The Employee and the Company jointly elect that the entire liability of the Employer to pay the Employer's Liability on the Chargeable Event is hereby transferred to the Employee. The Employee understands that, by signing this Election, he or she will become personally liable for the Employer's Liability covered by this Election.

III. PAYMENT OF THE EMPLOYER'S LIABILITY

1. The Employee hereby authorises the Company and/or the Employer to collect the Employer's Liability from the Employee at any time after the Chargeable Event:

(a) by deduction from salary or any other payment payable to the Employee at any time on or after the date of the Chargeable Event; and/or

(b) directly from the Employee by payment in cash or cleared funds; and/or

(c) by arranging, on behalf of the Employee, for the sale of some of the securities which the Employee is entitled to receive in respect of the Awards; and/or

(d) by any other means specified in the applicable award agreement.

2. The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities to the Employee in respect of the Awards until full payment of the Employer's Liability is received.

3. The Company agrees to remit the Employer's Liability to HM Revenue & Customs on behalf of the Employee within 14 days after the end of the UK tax month during which the Chargeable Event occurs (or within 17 days if payments are made electronically).

IV. DURATION OF ELECTION

1. The Employee and the Company agree to be bound by the terms of this Election regardless of whether the Employee is transferred abroad or is not employed by the Employer on the date on which the Employer's Liability becomes due.

2. This Election will continue in effect until the earliest of the following:

(a) the Employee and the Company agree in writing that it should cease to have effect;

(b) on the date the Company serves written notice on the Employee terminating its effect;

(c) on the date HM Revenue & Customs withdraws approval of this Election; or

(d) after due payment of the Employer's Liability in respect of the entirety of the Awards to which this Election relates or could relate, such that the Election ceases to have effect in accordance with its terms.

Acceptance by the Employee

The Employee acknowledges that, by signing this Election, the Employee agrees to be bound by the terms of this Election.

Signature ____

Date ____

Acceptance by the Company

The Company acknowledges that, by signing this Election or arranging for the scanned signature of an authorised representative to appear on this Election, the Company agrees to be bound by the terms of this Election.

Signature for and on behalf of the Company ____

Position ____

Date ____

SCHEDULE OF EMPLOYER COMPANIES

The following are employer companies to which this Election may apply:

SSI Europe UK Limited

Registered Office:	5 New Street Square, London, United Kingdom, EC4A 3TW
Company Registration Number:	7253138
Corporation Tax District:	CT Operations (Large & Complex CRM) 16 North Government Buildings Ty Glas Llanishen Cardiff CF14 5FP
Corporation Tax Reference:	42508 00092
PAYE District:	Customer Operations Employer Office BP4009 Chillingham House Benton Park View Newcastle upon Tyne NE98 1ZZ
PAYE Reference:	083/WA49060

ServiceSource Europe (UK Branch) Limited

Registered Office:	Block AA Cherrywood Science and Technology Park, Loughlinstown, Co Dublin Ireland
Company Registration Number:	FC028150
Corporation Tax District:	CT Operations (Large & Complex CRM) 16 North Government Buildings Ty Glas Llanishen Cardiff CF14 5FP
Corporation Tax Reference:	95780 19547
PAYE District:	Customer Operations Employer Office BP4009 Chillingham House Benton Park View Newcastle upon Tyne NE98 1ZZ
PAYE Reference:	951/JA16525

SERVICESOURCE INTERNATIONAL, INC.

2011 EQUITY INCENTIVE PLAN

RESTRICTED STOCK AWARD AGREEMENT

Unless otherwise defined herein, the terms defined in the ServiceSource International, Inc., 2011 Equity Incentive Plan (the "Plan") shall have the same defined meanings in this Restricted Stock Award Agreement (the "Agreement").

I. NOTICE OF GRANT OF RESTRICTED STOCK

Name: _____________

You have been granted the number of Shares of Restricted Stock of the Company set forth below (the "Shares"), subject to the terms and conditions of the Plan and this Agreement, as follows:

Date of Grant:

Total Number of Restricted Shares Granted: _______________

Period of Restriction and Release of Shares from the Company's Return Right (see Sections I.2 and I.3 of this Agreement)	During the Period of Restriction, the Shares shall be subject to the Company's Return Right, which shall lapse as follows: **[INSERT VESTING SCHEDULE]**

II. AGREEMENT

1. Grant of Restricted Stock. The Company hereby grants to the Participant named in the Notice of Grant of Restricted Stock attached as Part I of this Agreement (the "Notice of Grant") the number of Shares of Restricted Stock specified in the Notice of Grant, subject to the terms and conditions of this Agreement and the Plan. In consideration of such grant, the Participant agrees to be bound by such terms and conditions, and by the terms and conditions of the Plan.

2. Period of Restriction. During the Period of Restriction specified in the Notice of Grant, the Shares shall remain subject to the Company's Return Right (defined in Section 3). The Period of Restriction shall expire and the Company's Return Right shall lapse as to the Shares granted in the amount(s) and on the date(s) and terms specified in the Notice of Grant (each, a "Release Date"); provided, however, that no Shares shall be released on any Release Date if the Participant has terminated as a Service Provider on or prior to such date. Any and all Shares subject to the Company's Return Right at any time shall be defined in this Agreement as "Unreleased Shares."

3. Company's Return Right. Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the Participant terminates as a Service Provider for any reason (including death or Disability) or no reason, the Participant's Unreleased Shares shall be automatically returned to the Company on the effective date of the Participant's termination (the "Return Right"), whereupon the Company shall become the legal and beneficial owner of the Unreleased Shares and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer such Unreleased Shares to its own name.

4. Restriction on Transfer. Except for the transfer of the Shares to the Company or its assignees contemplated by this Agreement and the Notice of Grant, none of the Shares or any beneficial interest therein shall be transferred, encumbered or otherwise disposed of in any way until such Shares are released from the Company's Return Right in accordance with this Agreement and the Notice of Grant. In addition, as a condition to any transfer of the Shares after expiration of the Company's Return Right, the Company may, in its discretion, require: (i) that the Shares shall have been duly listed upon any national securities exchange or automated quotation system on which the Company's Common Stock may then be listed or quoted; (ii) that either (a) a registration statement under the Securities Act of 1933, as amended ("Securities Act") with respect to the Shares shall be effective, or (b) in the opinion of counsel for the Company, the proposed purchase shall be exempt from registration under the Securities Act and the Participant shall have entered into agreements with the Company as reasonably required; and (iii) fulfillment of any other requirements deemed necessary by counsel for the Company to comply with Applicable Laws.

5. Retention of Shares. To ensure the availability for delivery of the Participant's Unreleased Shares upon their return to the Company pursuant to the Company's Return Right, the Company shall retain possession of the share certificates representing the Unreleased Shares, together with a stock assignment duly endorsed in blank, attached hereto as Exhibit A. The Company shall hold the Unreleased Shares and related stock assignment until the Company's Return Right expires as to such Shares. In addition, the Company may require the spouse of Participant, if any, to execute and deliver to the Company a spousal consent acknowledging the Company's Return Right. When the Return Right has been exercised or expires, the Company shall promptly deliver the certificate to the Company or the Participant, as the case may be.

6. Stockholder Rights. Subject to the terms hereof, the Participant shall have all the rights of a stockholder with respect to the Shares while they are retained by the Company pursuant to Section 5, including without limitation, the right to vote the Shares. If, from time to time during the term of the Return Right, there is (i) any cash, stock or other dividend paid with respect to the Shares, (ii) a stock split or other change in the Shares, (iii) any Change in Control or (iv) any other change in the Company's capitalization set forth in Section 19(a) of the Plan, any and all new, substituted or additional cash, securities or other consideration to which the Participant shall be entitled by reason of the Participant's ownership of the Shares shall be immediately subject to the terms of this Notice and Agreement (including vesting), and shall be deemed included thereafter as "Shares" for purposes of this Notice and Agreement and the Company's Return Right.

7. Legends. The share certificate evidencing the Shares, if any, issued hereunder shall be endorsed with the following legend (in addition to any legend required under applicable state securities laws):

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AND THE COMPANY'S RETURN RIGHT AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE HOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

8. U.S. Tax Consequences. The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement and the Notice of Grant. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its employees or agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of the transactions contemplated by this Agreement and the Notice of Grant. The Participant understands that for U.S. taxpayers, Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income the difference between the purchase price for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" includes the right of the Company to claim return of the Shares pursuant to the Company's Return Right. The Participant understands that if he/she is a U.S. taxpayer, the Participant may elect to be taxed at the time the Shares are acquired rather than when and as the Return Right expires by filing an election under Section 83(b) of the Code with the IRS within 30 days from the date of acquisition.

THE PARTICIPANT ACKNOWLEDGES THAT IT IS THE PARTICIPANT'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), IF APPLICABLE, EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PARTICIPANT'S BEHALF.

9. Taxation at Lapse of Company's Return Right. Notwithstanding any contrary provision of this Agreement and the Notice of Grant, no certificate representing the Shares exercised shall be released, unless and until satisfactory arrangements (as determined by the Administrator, in its sole discretion) will have been made by the Participant with respect to the payment of income and employment taxes which the Company determines must be withheld with respect to the lapsing of the Company' Return Right for of such Shares. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit the Participant to satisfy such tax withholding obligation, in whole or in part by one or more of the following: (a) paying cash (or by check), (b) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum amount statutorily required to be withheld, or (c) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount statutorily required to be withheld.

10. General.

(a) The Agreement and Notice of Grant and the Plan, which is incorporated herein by reference, represent the entire agreement between the parties with respect to the Shares of Restricted Stock granted to the Participant. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement and the Notice of Grant, the terms and conditions of the Plan shall prevail.

(B) PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE RELEASE OF SHARES PURSUANT TO THIS AGREEMENT AND THE NOTICE OF GRANT SHALL BE EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE, CONSULTANT OR DIRECTOR AND BY THE COMPANY'S ATTAINMENT OF THE RELEASE CONDITIONS SPECIFIED IN THE NOTICE OF GRANT, AND NOT THROUGH THE ACT OF BEING HIRED, APPOINTED OR OBTAINING SHARES HEREUNDER.

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By the Participant's signature and the signature of the Company's representative below, the Participant and the Company agree that this Award is granted under and governed by the terms and conditions of the Plan and this Agreement and the Notice of Grant. The Participant has reviewed the Plan and this Agreement and the Notice of Grant in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Plan and this Agreement and the Notice of Grant. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and this Agreement and the Notice of Grant. The Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT:	SERVICESOURCE INTERNATIONAL, INC.
______________________ Signature	By: ______________________
______________________ Print Name	Title: ______________________
Date: ______________________	Date: ______________________
______________________ Residence Address	

EXHIBIT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED I, ______, hereby sell, assign and transfer unto ______(______) shares of the Common Stock of ServiceSource International, Inc. standing in my name of the books of said corporation represented by Certificate No. ______herewith and do hereby irrevocably constitute and appoint ______to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Restricted Stock Agreement (including the Notice of Grant therein) between ServiceSource International, Inc. and the undersigned dated______, 201__.

Dated: ______, 201__

Signature: ________________________________

Print Name: ________________________________

INSTRUCTIONS:

Please DO NOT fill in any blanks other than the signature lines.

The purpose of this assignment is to enable the Company to exercise its Return Right as set forth in the Agreement and the Notice of Grant, without requiring additional signatures on the part of the Participant.

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael A. Smerklo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ServiceSource International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2012

By: /s/ MICHAEL A. SMERKLO
Name: Michael A. Smerklo
Title: Chairman of the Board and Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David S. Oppenheimer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ServiceSource International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2012

By: /s/ DAVID S. OPPENHEIMER
Name: David S. Oppenheimer
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael A. Smerklo, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of ServiceSource International, Inc. on Form 10-Q for the quarter ended March 31, 2012, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of ServiceSource International, Inc.

Date: May 4, 2012

By: /s/ MICHAEL A. SMERKLO
Name: Michael A. Smerklo
Title: Chairman of the Board and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, David S. Oppenheimer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of ServiceSource International, Inc. on Form 10-Q for the quarter ended March 31, 2012, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of ServiceSource International, Inc.

Date: May 4, 2012

By: /s/ DAVID S. OPPENHEIMER
Name: David S. Oppenheimer
Title: Chief Financial Officer