HOME SOLUTIONS OF AMERICA INC
Form PREM14A
April 21, 2005

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. _____)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

x	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

HOME SOLUTIONS OF AMERICA, INC.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
o No fee required
x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1)	Title of each class of securities to which transaction applies: Common Stock, $.001 par value per share
(2)	Aggregate number of securities to which transaction applies: 4,820,588 shares of Common Stock (aggregate of shares directly issued in acquisition and shares issued or issuable from the portion of a related financing that provided cash for the acquisition and related consulting fees)
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): $14,200,000 (aggregate value of cash, promissory notes, and Common Stock issued in connection with the acquisition)
(4)	Proposed maximum aggregate value of transaction: $14,200,000
(5)	Total fee paid: $2,840.00

o Fee paid previously with preliminary materials.
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

Home Solutions of America, Inc.
5565 Red Bird Center Drive, Suite 150
Dallas, Texas 75237
(214) 623-8446

May ___, 2005

Dear Stockholder:

You are cordially invited to attend the 2005 Annual Meeting of Stockholders of Home Solutions of America, Inc. to be held at 9:00 a.m. on Friday, June 17, 2005, at Home Solutions' corporate headquarters at 5565 Red Bird Center Drive, Suite 150, Dallas, Texas.

At the meeting, you will have the opportunity to hear about Home Solutions' progress in executing its strategy of acquiring and operating specialty residential services companies. The Notice of Annual Meeting and Proxy Statement accompanying this letter describe the business to be conducted at the meeting.

It is important that your shares be represented at the meeting, regardless of the number you may hold. Whether or not you plan to attend the Annual Meeting, please sign, date and return the enclosed proxy card as soon as possible. This will not prevent you from voting your shares in person if you are present.

Sincerely,

/s/ Frank J. Fradella

Frank J. Fradella
Chairman of the Board, President,
and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
Friday, June 17, 2005, at 9:00 a.m.

Corporate Headquarters of
Home Solutions of America, Inc.
5565 Red Bird Center Drive, Suite 150
Dallas, Texas 75237

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2005 Annual Meeting of the Stockholders (the "Annual Meeting") of Home Solutions of America, Inc., a Delaware corporation (the "Company"), will be held at the time and place noted above. At the meeting, we will ask you to:

1. re-elect our four current directors, Frank J. Fradella, Mark W. White, Michael S. Chadwick, and Willard W. Kimbrell, to serve as directors until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified;

2. ratify the Company's Cornerstone Transactions (as defined herein);

3. amend the Company's 2001 Stock Plan to increase the shares of Common Stock available for grant thereunder from 3,000,000 to 4,000,000 shares;

4. amend the Company's 1998 Stock Option Plan to increase the shares of Common Stock available for grant thereunder from 2,000,000 to 3,500,000 shares;

5. ratify the appointment of Corbin & Company, LLP as the Company's independent public accountants for 2005; and

6. vote on any other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 15, 2005, will be entitled to vote at the Annual Meeting or any adjournment of the Annual Meeting. A complete list of these stockholders will be open for the examination of any stockholder of record at the Company's principal executive offices at the address listed above for a period of 10 days prior to the Annual Meeting. The list will also be available for the examination of any stockholder of record present at the Annual Meeting.

Stockholders will need to register at the Annual Meeting in order to attend. If your shares are not registered in your name, you will need to bring proof of your ownership of those shares to the Annual Meeting in order to register. You should ask the broker, bank or other institution that holds your shares to provide you with either a copy of an account statement or a letter that shows your ownership of the Company's Common Stock as of April 15, 2005. Please bring that documentation to the meeting to register.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" ALL PROPOSALS.

Your vote is important. To be sure your vote counts and to assure a quorum, please vote, sign, date, and return the enclosed proxy card (or contact your broker to vote your shares if your shares are held in street name) whether or not you plan to attend the Annual Meeting.

By Order of the Board of Directors

/s/ Rick J. O'Brien

Rick J. O'Brien
Corporate Secretary and Chief Financial Officer

Dallas, Texas
May ___, 2005

I. INFORMATION ABOUT VOTING

Solicitation of Proxies. The Board of Directors (the "Board") of Home Solutions of America, Inc., a Delaware corporation ("Home Solutions" or the "Company"), is soliciting proxies for use at the 2005 Annual Meeting of Stockholders of Home Solutions and any adjournments of that meeting. Home Solutions first sent this proxy statement, the accompanying form of proxy, and the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004, to its stockholders on or about May ___, 2005.

Agenda Items. The agenda for the Annual Meeting is to:

1. Elect four directors to each serve for a term of one year, or until their successors, if any, are duly elected and qualified;

2. Ratify the Company's Cornerstone Transactions (as defined herein);

3. Approve an amendment to the Company's 2001 Stock Plan to increase the shares of Common Stock available for grant thereunder from 3,000,000 to 4,000,000 shares;

4. Approve an amendment to the Company's 1998 Stock Option Plan to increase the shares of Common Stock available for grant thereunder from 2,000,000 to 3,500,000 shares;

5. Ratify the appointment of Corbin & Company, LLP as our independent public accountants for 2005; and

6. Conduct such other business as may properly come before the meeting or any adjournment thereof.

Who Can Vote. The record date (the "Record Date") was the close of business on April 15, 2005. If you were a holder of record on the Record Date of Home Solutions' common stock, par value of $0.001 per share ("Common Stock"), you can vote at the Annual Meeting on the election of directors and on the other proposals contained in this Proxy Statement. Holders of Common Stock will have one vote for each share of Common Stock. As of the close of business on the Record Date, there were 20,923,074 shares of Common Stock outstanding, all of which are entitled to vote. There were also 68 shares of Series A Convertible Preferred Stock, par value $0.001 per share, and 40 shares of Series B Convertible Preferred Stock, par value $0.001 per share, respectively, outstanding on the Record Date, none of which is entitled to vote.

How to Vote. You may vote in two ways:

1. You can come to the Annual Meeting and cast your vote there; provided, however, if you hold your shares through a brokerage account, you must request a legal proxy from your brokerage firm in order to vote your shares at the Annual Meeting.

2. You can vote by signing and returning the enclosed proxy card. If you do, the individuals named on the card will vote your shares in the manner you indicate.

3. If your shares are held in street name, you can contact your brokerage firm and request your broker to vote your shares through the electronic ADP system-your brokerage firm will know how to do this.

Use of Proxies. Unless you tell us on the proxy card to vote differently, we plan to vote all shares represented by the signed and returned proxies FOR the Board nominees named herein and FOR Proposals 2-5. We do not now know of any other matters to come before the Annual Meeting. If they do, proxy holders will vote the shares represented by the proxies in their best judgment.

Revoking a Proxy. You may revoke your proxy at any time before it is exercised. You can revoke a proxy by:

1. Sending a written notice of revocation to the Corporate Secretary of Home Solutions;

2. Delivering a properly executed, later-dated proxy; or

3. Attending the Annual Meeting and voting in person.

The Quorum Requirement. We need a quorum of stockholders to hold a valid Annual Meeting. A quorum will exist to hold a valid Annual Meeting if the holders of at least a majority in voting power of the outstanding shares of Common Stock entitled to vote at the Annual Meeting either attend the Annual Meeting in person or are represented by proxy. Abstentions and broker non-votes are counted as present for the purpose of establishing a quorum. A broker non-vote occurs when a broker votes on some matters on the proxy card but not on others because the broker has not received voting instructions from its customer or does not have the authority to do so.

Vote Required for Action. Each of the four directors is elected (Proposal 1) by a plurality vote of the holders of shares of Common Stock present in person or represented by proxy at the meeting. The ratification of the Cornerstone Transaction (Proposal 2), approval of an amendment to the Company's 2001 Stock Plan (Proposal 3), approval of an amendment to the Company's 1998 Stock Option Plan (Proposal 4), and ratification of Corbin & Company, LLP as Home Solutions' independent public accountants for 2005 (Proposal 5), each requires the affirmative vote of a majority of the voting power represented by the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote on such matters, except, with respect to Proposal 2, which only requires an affirmative vote of a majority of votes cast. Abstentions have the effect of a "no" vote on all matters other than the election of directors or Proposal 2, with respect to which abstentions will have no effect. Broker non-votes will have no effect on any of the Proposals.

Generally, any other action coming before the Annual Meeting would require the affirmative vote of a majority of the voting power represented by shares of Common Stock present in person or represented by proxy and entitled to vote on such action at the Annual Meeting.

II. PROPOSALS

1. ELECTION OF DIRECTORS

Home Solutions' Board of Directors currently consists of four directors. The term for Home Solutions' directors is one year, until the next annual meeting of stockholders, or until his or her successor, if any, is duly elected and qualified. The nominees for director this year are Frank J. Fradella, Mark W. White, Michael S. Chadwick, and Willard W. Kimbrell, each of whom was reelected to the Board at the 2004 annual stockholders' meeting.

Directors are elected by a plurality of the votes properly cast in person or by proxy. The four nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the Board's four nominees. Each of the nominees has confirmed that he will be able and willing to continue serving as director. If any nominee is not available, the shares represented by the proxies may be voted at the Annual Meeting for another person nominated by the then-current Board to fill the vacancy. Information about each of the nominees is set forth below:

Frank J. Fradella, age 49, serves as the Company's Chairman of the Board, President, and Chief Executive Officer. Mr. Fradella has served as Chairman of the Board since July 2001, and has served as a director since July 2000. Mr. Fradella was reappointed Chief Executive Officer in September 2003, and President in December 2003, after having served in such positions from July 2000 to March 2003, and during 1997 and 1998. Mr. Fradella has an extensive background in maintenance, construction, and labor-intensive businesses. He has been Chairman, CEO, and President of two publicly traded companies, and has held executive positions in two others. He has excelled in managing companies whose assets may have been initially under-valued and has performed significant financial turnarounds for these companies. He has also participated in numerous acquisitions that contributed to the companies' financial success.

Mark W. White, age 65, has served as a director of the Company since January 2003. Governor White served as the Governor of Texas from 1983-1987, and as the Attorney General of Texas from 1979-1983. Governor White is an attorney, and is the founder of Geovox Security, Inc. Governor White received a degree in business administration from Baylor University in 1962 and a law degree from Baylor School of Law in 1965.

Michael S. Chadwick, age 53, has served as a director of the Company since January 2003. Mr. Chadwick is a Senior Vice President and Managing Director of Sanders Morris Harris, an investment banking firm based in Houston, Texas, and has been active in the commercial banking and investment banking fields since 1975. Prior to joining SMH in 1994, Mr. Chadwick was President and Principal of Chadwick, Chambers & Associates, Inc., which he co-founded in 1988. Mr. Chadwick holds an MBA from Southern Methodist University (1975) and a BA in Economics from the University of Texas at Austin (1974). Mr. Chadwick also attended the Wharton School of Finance at the University of Pennsylvania (1970-1972). Mr. Chadwick currently serves as a director of two other public companies: Landry's Restaurants, Inc. and Blue Dolphin Energy Company.

Willard W. "Kim" Kimbrell, age 63, has served as a director of the Company since April 2003. Mr. Kimbrell is the founding partner of Third Coast Architects, a residential and commercial architectural firm based in Houston, Texas. In his role as principal of Third Coast Architects, Mr. Kimbrell has developed strong relationships with numerous highly regarded contractors at the state and national level. Mr. Kimbrell's in-depth knowledge of building economics, coupled with his design capabilities, has earned his firm and him the reputation for completing projects on time and within budget as well as the respect and confidence of his clients. Mr. Kimbrell graduated from the University of Oklahoma with a Bachelor of Architecture degree, and he is a registered architect in over a dozen states and a licensed interior designer in the state of Texas.

The Board of Directors recommends a vote FOR the election of Frank J. Fradella, Mark W. White, Michael S. Chadwick, and Willard W. Kimbrell as directors of the Company.

2. RATIFICATION OF CORNERSTONE TRANSACTIONS
(Dollars and Shares in Thousands, Except Per Share Data)

Description of Cornerstone Acquisition

The following description of the Company's acquisition of Cornerstone (defined below) is substantially the same disclosure that was reported by the Company in a Current Report on Form 8-K that the Company filed on April 6, 2005:

On March 31, 2005, Home Solutions of America, Inc., a Delaware corporation (the "Company"), consummated the acquisition of 100% of Cornerstone Building and Remodeling, Inc., a Florida corporation ("Cornerstone"). The acquisition of Cornerstone was structured as the merger (the "Merger") of Cornerstone into a wholly-owned subsidiary of the Company (the "Acquisition Subsidiary"), pursuant to a Reorganization Agreement and Plan of Merger dated February 28, 2005, as amended on March 30, 2005, which was effective as of January 3, 2005 (the "Merger Agreement"). Immediately following the Merger, the name of the Acquisition Subsidiary was changed to "Cornerstone Building and Remodeling, Inc." Cornerstone, which has headquarters in Fort Myers, Florida, near the headquarters of the Company's Southern Exposure subsidiaries, is engaged in the business of installing custom marble and granite countertops for residential customers.

The Company paid Anthony Leeber, Jr., the individual who was the sole stockholder of Cornerstone prior to the Merger (the "Seller"), the following consideration for his interest in Cornerstone: (i) $1,700 cash, (ii) an unsecured promissory note of Cornerstone (guaranteed by the Company) in the original principal amount of $2,000 (the "First Note"), convertible into the Company's common stock , $.001 par value per share ("Common Stock"), at a conversion price of $1.65 per share, bearing interest at 7.0% per annum, with interest paid quarterly and principal paid in a single installment on March 31, 2010, (iii) an unsecured promissory note of Cornerstone (guaranteed by the Company) in the original principal amount of $2,300 (the "Second Note"), bearing interest at 7.0% per annum, with interest and principal payable in a single installment on April 29, 2005 (the Company has the right to extend such maturity date for 30-day periods under certain circumstances), and, if the Second Note remains unpaid on September 26, 2005, the Seller has the right to convert the Second Note into additional principal under the First Note, which has the conversion feature discussed above, and (iv) 2,471 shares of Common Stock (the "Shares"), valued at $1.70 per share. The Shares have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Act"), and may not be offered for sale or sold absent registration under the Act or an applicable exemption from the registration requirements of the Act. The Company granted the Seller certain resale registration rights in connection with the issuance of the Shares.

The Merger Agreement contains certain purchase price adjustment provisions whereby the purchase price for Cornerstone would be reduced in the event that Cornerstone's financial statements, as audited by the Company's auditors immediately following the closing of the Merger, fail to meet certain financial thresholds. The Seller could receive earn-out payments, payable in cash or Common Stock, at the Company's option, for calendar years 2005, 2006, and 2007, if Cornerstone's EBITDA exceeds $2,400 in any of those years. The Seller will continue to manage Cornerstone pursuant to an employment agreement with Cornerstone.

In addition to the consideration paid to the Seller in the Merger, the Company injected $2,200 of working capital into Cornerstone upon the closing of the Merger. The cash portion of the Merger and the working capital infusion were financed through $4,000 of mezzanine financing (the "Financing") received by the Company from Petra Mezzanine Fund, L.P., based in Nashville, Tennessee ("Petra"). The Financing was based upon the following terms: (i) Petra's promissory note (the "Petra Note") accrues interest at 12.0% per annum, which will be due quarterly, (ii) the $4,000 of principal under the Petra Note will be due in a single installment on March 31, 2010, (iii) Petra received a warrant to purchase 533 shares of Common Stock at an exercise of $.01 per share, exercisable at any time until March 31, 2012, and (iv) Petra received a second-lien security interest in all of the assets of the Company, Cornerstone, and P.W. Stephens, Inc., another wholly-owned subsidiary of the Company.

Simultaneously with the closing of the Merger, and as a condition to the Merger, Cornerstone entered into an Exclusive Supply Agreement (the "Supply Agreement") with Cornerstone Granite & Marble Wholesale, Inc. (the "Supplier"), an affiliate of the Seller, whereby Cornerstone committed to purchase its marble and granite inventory exclusively from the Supplier for the next twenty years, and the Supplier committed to provide Cornerstone with pricing based on the Supplier's direct costs plus 20%, or such lower price that the Supplier offers any other customer. In connection with the execution of the Supply Agreement, the Company issued 1,000 shares of Common Stock to a consultant that was involved with the structuring, negotiation, and finalization of the Supply Agreement. In addition, the Company issued 350 shares of Common Stock to another advisor for its assistance with the Merger and the Financing.

In addition to the disclosures contained in, and exhibits attached to, the Company's Form 8-K that was filed on April 6, 2005, the Company will file, prior to the Annual Meeting, the audited financial statements of Cornerstone under cover of Form 8-K/A. Stockholders are encouraged to review the Form 8-K and Form 8-K/A prior to the Annual Meeting for a full description of the Cornerstone acquisition and related transactions.

Why Shareholder Approval is Requested by the Company

The Company's Common Stock is listed on the American Stock Exchange (the "AMEX"). Under Section 712 of the American Stock Exchange Company Guide, stockholder approval is required as a prerequisite to approval of applications to list additional shares to be issued as sole or partial consideration for an acquisition of the stock or assets of another company where the present or potential issuance of common stock, or securities convertible into common stock, could result in an increase in outstanding common stock of 20% or more. Because virtually all of the proceeds from the Financing ($3,900 out of $4,000 raised) were used in connection with the acquisition of Cornerstone, and an aggregate of 1,350 shares of Common Stock were issued to two consultants in connection with the acquisition of Cornerstone, the AMEX could take the position that the Merger, the Financing, and the issuance of Common Stock to the consultants (collectively, the "Cornerstone Transactions") constitute one transaction for purposes of applying the 20% threshold under Section 712. If the AMEX aggregated the Cornerstone Transactions, the number of shares of Common Stock that could ultimately be issued pursuant to the Cornerstone Transactions (an aggregate of up to 6,033 shares of Common Stock, including 1,000 shares of Common Stock underlying warrants issued in the Financing with an exercise price of $.01 per share, and assuming conversion of the First Note but not the Second Note) would exceed 20% of the Company's outstanding shares of Common Stock prior to the consummation of the Cornerstone Transactions. Therefore, although approval of the Company's stockholders was not required under Delaware law to consummate any component of the Cornerstone Transactions, approval of the Company's stockholders could be required by the AMEX in order to list any or all of the shares of Common Stock issued or issuable in the Cornerstone Transactions on the AMEX. Therefore, the Company's stockholders are requested to ratify the Cornerstone Transactions and the issuance of all shares of Common Stock issued or issuable pursuant to the Cornerstone Transactions.

The Board of Directors recommends a vote FOR the ratification of the Cornerstone Transactions.

3. AMENDMENT TO 2001 STOCK PLAN
(Dollars and Shares in Thousands, Except Per Share Data)

The Board has recommended that the stockholders approve an amendment to the Company's 2001 Stock Plan (the "2001 Plan") in order to increase the number of shares of Common Stock that may be granted under the 2001 Plan from 3,000 to 4,000. The Company currently has 117 shares of Common Stock available for grant under the 2001 Plan, and the Board believes that additional shares will allow the Company to continue using awards of stock options and restricted stock to motivate key employees, directors, and consultants, and to align the interests of such persons with the interests of the Company's stockholders.

The Board of Directors recommends a vote FOR the amendment to the Company's 2001 Stock Plan.

4. AMENDMENT TO 1998 STOCK OPTION PLAN
(Dollars and Shares in Thousands, Except Per Share Data)

The Board has recommended that the stockholders approve an amendment to the Company's 1998 Stock Option Plan (the "1998 Plan") in order to increase the number of shares of Common Stock that may be granted under the 1998 Plan from 2,000 to 3,500. The Company currently has 343 shares of Common Stock available for grant under the 1998 Plan, and the Board believes that additional shares will allow the Company to continue using awards of stock options to motivate key employees, directors, and consultants, and to align the interests of such persons with the interests of the Company's stockholders.

The Board of Directors recommends a vote FOR the amendment to the Company's 1998 Stock Option Plan.

5. RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS
(Dollars and Shares in Thousands, Except Per Share Data)

The Board has recommended that Corbin & Company, LLP ("C&C") continue to serve as Home Solutions' independent public accountants for 2005. C&C has served as Home Solutions' independent public accountants for each of the last three years. A representative of C&C is not expected to attend the Annual Meeting.

C&C Fees. The approximate aggregate fees, including out-of-pocket expenses, billed for professional services rendered by C&C during 2004 and 2003 were as follows (dollars in thousands):

	Audit Fees(1)	Audit Related Fees(2)	Tax Fees	All Other Fees(3)
2004	$145	$12	$5	$15
2003	$121	$54	$22	$14

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(1) For the audit of the Company's consolidated financial statements as of and for the applicable year, and the review of the Company's quarterly reports on Form 10-QSB during the applicable quarters for 2004 and 2003. For 2003, also includes the stand-alone audit of the Southern Exposure Companies, a material acquisition made by the Company effective December 31, 2003.

(2) For 2003, amount includes the stand-alone audits of the SE Companies, a material acquisition made by the Company effective December 31, 2003. For 2004, amount relates to fees charged for discussions with management related to a potential acquisition, which was subsequently abandoned.

(3) For registration statements on Form S-3 that were filed in March 2004 and June 2003, respectively, and miscellaneous consultation on accounting matters.

The Board of Directors recommends a vote FOR ratification of the appointment of Corbin & Company, LLP as the Company's independent public accountants for the year 2005.

III. INFORMATION ABOUT THE COMPANY'S BOARD OF DIRECTORS
(Dollars and Shares in Thousands, Except Per Share Data)

Directors are elected at each annual meeting of stockholders, although vacancies resulting from resignation, removal, death, or an increase in the size of the Board between annual meetings may be filled by the remaining members of the Board. Directors hold office until the next annual meeting of stockholders and until their successors are elected and qualified.

The background of each of the four nominees for director is presented under Section II above. All of the nominees other than Frank J. Fradella were initially appointed to the Board during early 2003, and all of the nominees were elected to one-year terms at the 2004 annual meeting of stockholders. The Board met twice during 2004, with all four directors in attendance at each meeting, and the Board also approved several matters by unanimous written consent during 2004. The Board of Directors does not have a nominating committee, as it is the view of the Board that all four Board members should be involved in nominating individuals to serve on the Company's Board of Directors.

Audit Committee. In January 2003, upon increasing the size of the Company's Board, the Board formed an audit committee. The Audit Committee oversees Home Solutions's corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent auditors; determines the engagement of the independent auditors; determines whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on Home Solutions' engagement team as required by law; reviews the financial statements to be included in Home Solutions's annual report on Form 10-KSB; and discusses with management and the independent auditors the results of the annual audit and the results of Home Solutions' quarterly financial statements. Two directors comprise the Audit Committee: Messrs. Chadwick (Chairman) and Kimbrell. Both members of Home Solutions' Audit Committee are independent (as independence is currently defined under the American Stock Exchange's listing standards). The Audit Committee adopted a written Audit Committee Charter in 2003, a copy of which was attached as an exhibit to the Company's 2003 proxy statement. The Audit Committee held no formal meetings during 2004, but committee members discussed the financial statements of the Company with the Chief Financial Officer at regular intervals, and the Audit Committee approved several matters by unanimous written consent during 2004. The Board has determined that Mr. Chadwick qualifies as an "audit committee financial expert" under the Sarbanes-Oxley Act of 2002 and applicable SEC and AMEX regulations.

Compensation Committee. Two directors comprise the Compensation Committee: Messrs. White (Chairman) and Fradella. Mr. Fradella does not participate in any Compensation Committee actions affecting his compensation. The Compensation Committee held no formal meetings during 2004, but it was involved with structuring and recommending several executive employment packages to the Board during the year.

Compensation of Directors. The Company does not pay directors' fees to its Board members, but does provide transportation, lodging and reimbursement of all reasonable expenses for attending Board meetings. Also, directors are eligible for certain awards under the Company's 2001 Stock Plan and 1998 Stock Option Plan, which are granted to directors from time-to-time at the discretion of the Board. Options to purchase 100 shares of the Company's common stock were granted to each of Messrs. White, Chadwick, and Kimbrell upon his appointment to the Board. Such options vest in one-third increments over a three-year period. In December 2004, each of the four Board members was granted stock options to purchase 150 shares of Common Stock, at an exercise price of $1.42, which options were fully vested at the time of grant.

IV. EXECUTIVE OFFICERS OF THE COMPANY

Set forth below is certain information relating to the current executive officers of the Company. Executive officers of the Company are elected to serve until they resign or are removed, or are otherwise disqualified to serve, or until their successors are elected and qualified.

Name	Age	Current Positions with the Company
Frank J. Fradella...........	49	President, Chief Executive Officer, and Chairman of the Board
Rick J. O'Brien.............	40	Senior Vice President, Chief Financial Officer, and Secretary
Dale W. Mars................	57	Vice President, and President of Southern Exposure Holdings, Inc., the Company's wholly-owned subsidiary, and each of its two subsidiaries, Southern Exposure Unlimited of Florida, Inc. and S.E. Tops of Florida, Inc.

Mr. Fradella's background is set forth under Section II above.

Rick J. O'Brien currently serves as the Company's Senior Vice President, Chief Financial Officer, and Secretary. Mr. O'Brien served as Vice President of the Company from July 31, 2003, the date that the Company acquired Fiber-Seal Systems, L.P. ("Fiber-Seal"), now a wholly owned subsidiary of the Company, until December 2003, at which time he was appointed to his current positions. Mr. O'Brien has served as President of Fiber-Seal since 2002, and had a controlling interest in Fiber-Seal until its sale to the Company. From 1995 to 2003, Mr. O'Brien owned and operated Amherst-Merritt International, and oversaw the operations of its two business lines: a computer accessory manufacturer and an office products distributor. Mr. O'Brien obtained a Bachelor of Arts degree from Vanderbilt University in 1986, and an MBA from Rice University in 1991.

Dale W. Mars currently serves as the Company's Vice President, and the President of Southern Exposure Holdings, Inc., the Company's wholly-owned subsidiary, and each of its two subsidiaries, Southern Exposure Unlimited of Florida, Inc. and S.E. Tops of Florida, Inc. (together, the "Southern Exposure Companies"). Mr. Mars has served in these positions since February 6, 2004, the date that the Company acquired the Southern Exposure Companies from Mr. Mars. Prior to such acquisition, Mr. Mars owned and operated the Southern Exposure Companies since 1990. Mr. Mars received a Bachelor of Science in Business Administration degree from Michigan Technological University in 1970.

V. SECURITY OWNERSHIP OF THE COMPANY
(Dollars and Shares in Thousands, Except Per Share Data)

Management Ownership

The table below shows the beneficial ownership, as of the Record Date, of Common Stock by each of the directors and the Named Executive Officers (defined below under the heading Summary Compensation Table in Section VI) of Home Solutions and all directors and Named Executive Officers as a group. In addition to the 20,923 shares of Common Stock outstanding on the Record Date, this table also gives effect to shares that may be acquired pursuant to options, warrants or convertible securities within 60 days after such date. The principal business address of each person in this table is c/o Home Solutions of America, Inc., 5565 Red Bird Center Drive, Suite 150, Dallas, Texas 75237.

	Number of Shares Beneficially Owned	Percentage of Class Beneficially Owned
Executive Officers and Directors		
Frank J. Fradella, Chairman, CEO.	901[1]	4.1%
Rick J. O'Brien, CFO......	806[2]	3.8%
Dale W. Mars, Vice President..	1,371(3)	6.5%
Mark W. White, Director...............	217[4]	1.0%
Michael S. Chadwick, Director.......	217[4]	1.0%
Willard W. Kimbrell, Director........	219[4]	1.0%
All directors and executive officers		
as a group (six persons)..............	3,730[1][2][3][4]	16.3%

(1) Includes 817 shares that Mr. Fradella could acquire through the exercise of certain vested stock options and restricted stock purchase rights.

(2) Includes 300 shares that are owned by an entity affiliated with Mr. O'Brien, 250 shares that such entity could acquire through the exercise of certain fully vested warrants, and 250 shares that Mr. O'Brien could acquire through the exercise of certain vested stock options.

(3) Consists of 1,337 shares owned by the Dale W. Mars Trust Dated 7-16-97, and 33 shares that Mr. Mars could acquire through the exercise of certain vested stock options.

(4) Messrs. White, Chadwick and Kimbrell each have been awarded stock options to purchase 250 shares of Common Stock. As of this date, stock options to purchase 217 shares of Common Stock have vested for each of these directors.

Other Security Ownership

The following table sets forth, as of the Record Date, those stockholders of Home Solutions who, according to these stockholders' Schedule 13D or 13G filings, own beneficially in excess of 5% of Home Solutions' Common Stock (other than any applicable officers or directors set forth in the table above):

Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Class Beneficially Owned
Anthony Leeber, Jr.[1]........	3,683[2]	16.6%
Tyrrell L. Garth[3]........	1,527	7.3%
Robert Ladd, Laddcap Value Associates LLC, Laddcap Value Partners[4].....	1,091(5)	5.0%

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(1) Mr. Leeber's principal business address is c/o Cornerstone Building and Remodeling, Inc., 5642 Enterprise Parkway, Ft. Myers, Florida 33905.

(2) Includes 1,212 shares that Mr. Leeber could acquire through the conversion of a $2,000 note issued by Cornerstone, which is convertible at a conversion price of $1.65 per share.

(3) Mr. Garth's principal business address is c/o Cheyenne Capital, 7350 Phelan Boulevard, Beaumont, Texas 77706.

(4) Mr. Ladd's principal business address is c/o Laddcap Value Partners L.P., 650 Fifth Avenue Suite 600 New York, NY 10019.

(5) Includes 500 shares that Mr. Ladd or his affiliates could acquire through the conversion of $625 of the Company's Series A Convertible Preferred Stock, par value $0.001 per share, which is convertible into Common Stock at a conversion price of $1.25 per share, and 500 shares that could be acquired through the exercise of certain warrants issued in connection with the offering of the Series A Convertible Preferred Stock.

The following table provides information regarding securities authorized for issuance under equity compensation plans, as of December 31, 2004, concerning compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	4,456,688	$ 1.58	460,412
Equity compensation plans not approved by security Holders	5,141,319	$ 1.74	--
Total	9,598,007	$ 1.66	460,412

For a complete description of the Company's equity compensation plans, please refer to Note 9 of the Company's audited consolidated financial statements as of December 31, 2004 included in its annual report on Form 10-KSB for the year ended December 31, 2004.

VI. EXECUTIVE COMPENSATION
(Dollars and Shares in Thousands, Except Per Share Data)

Summary Compensation Table

The following table sets forth the cash and non-cash compensation paid by or incurred on behalf of Home Solutions to its Chief Executive Officer and certain other most highly paid executive officers for 2004, 2003 and 2002 (excluding executive officers whose salary and bonus did not exceed $100) (together, the "Named Executive Officers"):

Name and Principal Position	Year	Salary ($)	Bonus ($)	Number of Securities Underlying Options (#)(1)	All Other Compensation
Frank J. Fradella	2004	$246	$163	1,400	-
(Chairman/CEO)	2003	$100	$6	-	$63(2)
	2002	$200	-	-	$1(3)
Rick J. O'Brien(4)	2004	$150	-	-	-
(CFO/Secretary)	2003	$ 25	-	500	-
	2002	-	-	-	-
Dale W. Mars(5)	2004	$200	-	100	-

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1) For purposes of the tables set forth in this Section VI, restricted stock purchase rights, which function substantially the same as stock options, will be included with stock options.

(2) Of this amount, $3 consists of an automobile allowance paid to Mr. Fradella, and $60 represents consulting fees during the period of time in 2003 (March through September) that Mr. Fradella was a non-employee consultant to the Company.

(3) Consists of an automobile allowance paid to Mr. Fradella.

(4) Mr. O'Brien joined Home Solutions in August 2003 with the FSS acquisition and currently serves as CFO and Secretary.

(5) Mr. Mars joined Home Solutions in February 2004 with the acquisition of the Southern Exposure Companies, and he currently serves as the Company's Vice President, and the President of Southern Exposure Holdings, Inc., the Company's wholly-owned subsidiary, and each of the Southern Exposure Companies.

Option Grants in 2004

The following table provides details regarding stock options granted in 2004 to the Named Executive Officers:

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 2003	Exercise Price per Share

Frank J.
Fradella

(granted 1/27/04)	500	32%	$1.80

(granted 12/20/04)	750	48%	$1.50 - $2.00

(granted 12/20/04)	150	9%	$1.42

Rick J. O'Brien - -

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(1) Includes stock-based compensation as follows:

	Year Ended December 31,			Six M
	2012	2013	2014	201
				(u
		(in thousands)		
Cost of revenue:				
Subscription and support	$ 7	$ 28	$ 258	$ 1
Professional services and other	5	8	39	1
Sales and marketing	473	1,597	2,877	10
Research and development	442	1,585	3,971	16
General and administrative	910	374	1,053	20
Total stock-based compensation	$ 1,837	$ 3,592	$ 8,198	$ 49

(2) See Note 1 to our consolidated financial statements for an explanation of the method used to ca and pro forma net loss per common share attributable to common stockholders.

	As of J	
		I
	Actual	For
		(ur
		(in t
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 13,608	$
Working capital, excluding current deferred revenue	35,733	
Total assets	61,708	
Deferred revenue	45,793	
Total liabilities	67,916	
Redeemable convertible preferred stock	93,770	
Total stockholders (deficit) equity	(99,978)	

(1) The pro forma column reflects the conversion of all outstanding shares of redeemable convertil 22,465,711 shares of common stock upon the closing of this offering.

(2) The pro forma as adjusted column further reflects the sale of shares of our common sto assumed initial public offering price of $ per share, the midpoint of the price range set for this prospectus, after deducting underwriting discounts and commissions and estimated offerin

(3) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, range set forth on the cover page of this prospectus, would increase (decrease) each of cash and working capital, excluding current deferred revenue, total assets and total stockholders (defic adjusted basis by $ million, assuming that the number of shares offered by us, as set forth prospectus remains the same, after deducting underwriting discounts and commissions and esti payable by us. Similarly, each increase (decrease) by 1,000,000 shares in the number of shares increase (decrease) each of cash and cash equivalents, working capital, excluding current defer and total stockholders (deficit) equity on a pro forma as adjusted basis by $ million, assu initial public offering price remains the same, after deducting underwriting discounts and comm as adjusted information discussed above is illustrative only and will be adjusted based on the ac offering price and other terms of this offering determined at pricing.

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	Year Ended December 31,		
	2012	2013	2014 (unaudited)
			(in thousands)
Other Financial Data:			
Non-GAAP operating loss[1]	$ (16,286)	$ (17,704)	$ (29,280)

(1) We define non-GAAP operating loss as operating loss before stock-based compensation, payro
secondary stock purchase transactions and amortization of acquisition-related intangibles. For m
non-GAAP operating loss and a reconciliation of non-GAAP operating loss to loss from operat
comparable financial measure calculated and presented in accordance with U.S. generally acce
principles, or GAAP, see the section titled Selected Consolidated Financial Data Non-GAAP

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the ris described below, together with all of the other information in this prospectus, including our conso statements and related notes, before deciding whether to purchase shares of our common stock. If actually occur, it could harm our business, prospects, operating results and financial condition. In price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business and Industry

We have a history of losses and anticipate that we will continue to incur losses for the foreseeab achieve or maintain profitability in the future.

We have incurred net losses of $18.5 million, $22.5 million and $41.4 million in 2012, 2013 and 2 $15.6 million and $30.6 million in the six months ended June 30, 2014 and 2015, respectively. We deficit of $120.6 million at June 30, 2015. We must generate and sustain higher revenue levels in f profitable, and, even if we do, we may not be able to maintain or increase our profitability. We exp losses for the foreseeable future as we expend substantial financial and other resources on, among

- sales and marketing, including expanding our direct sales organization and marketing pr larger customers;
- investments in our research and development team, and the development of new applicat for, and enhancements of, our existing applications;
- expansion of our operations and infrastructure, both domestically and internationally; an
- general administration, including legal, accounting, and other expenses related to being a

These expenditures may not result in additional revenue or the growth of our business. We also exp growth rate will decline over time. Accordingly, we may not be able to generate sufficient revenue cost increases and achieve and sustain profitability. If we fail to achieve and sustain profitability, t common stock could decline.

We have a limited operating history, which makes it difficult to evaluate our prospects and futur

We launched Canvas in February 2011 and launched Bridge in February 2015. Our limited operati ability to forecast future operating results difficult and subjects us to a number of uncertainties, inc and model future growth. Our revenue grew 197% and 70% in 2013 and 2014, respectively, compa however, our historical revenue growth is not necessarily indicative of our future performance. We growth rates to slow in future periods due to a number of reasons, which may include the maturatio slowing demand for our platform and applications, increasing competition, a decrease in the growt

or if we fail, for any reason, to continue to capitalize on growth opportunities, our relative lack of e
or a decline in available opportunities as a result of our increased market penetration in one or mor

We have encountered and will encounter risks and uncertainties frequently experienced by growin
changing industries, such as determining appropriate investments of our limited resources, market
and future applications, competition from other companies, acquiring and retaining customers, hiri
and retaining skilled personnel, developing new applications,

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determining prices and contract terms for our applications, unforeseen expenses and challenges in
our assumptions regarding these risks and uncertainties, which we use to plan our business, are inc
do not address these risks successfully, our prospects, operating results and business could be harm

We depend on new customer acquisition and expansion and customer renewals to grow our bus

We derive, and expect to continue to derive, a substantial majority of our revenue from the sale of
renewals of subscriptions to our learning management platform and applications. Our growth today
new subscriptions. Our contracts typically vary in length between one and five years and our custo
to renew their subscriptions after the expiration of their initial subscription periods. Our customers
or may seek to renew for lower subscription amounts or for shorter contract lengths. Our renewal r
fluctuate as a result of a number of factors, including limited customer resources, pricing changes,
of our applications and services by our customers, customer satisfaction with our learning manage
applications, the acquisition of our customers by other companies, procurement or budgetary decis
other regulatory bodies, and deteriorating general economic conditions. As our customer base cont
will become an increasingly important part of our results. If our customers do not renew their subs
management platform and applications, or decrease the amount they spend with us, our revenue wi
business will be harmed.

Because our recent growth has resulted in the rapid expansion of our business, we do not have a lo
base forecasts of customer renewal rates or future revenue. As a result, our future operating results
below the expectations of investors, which could harm the market price of our common stock.

We have a limited history with our subscription and pricing models and changes in our models c
our revenue, gross profit and financial position.

We have limited experience with respect to determining the optimal prices and contract length for
platform and applications, in particular with Bridge, and as a result, we have in the past and expect
need to change our pricing model or contract length from time to time. For example, in May 2015,
subscription prices for Canvas for higher education institutions. As the market for our learning ma
applications grows, as new competitors introduce new competitive applications or services, or as w
international markets, we may be unable to attract new customers at the same price or based on the
have historically used, or for contract lengths consistent with our historical averages. Pricing and c
may also impact the mix of adoption among our applications and negatively impact our overall rev
organizations may demand substantial price concessions or shorter contract duration. As a result, i
required to reduce our prices or offer shorter contract durations, which could adversely affect our r
financial position.

We may experience quarterly fluctuations in our operating results due to a number of factors, w
results difficult to predict and could cause our operating results to fall below expectations.

Our quarterly operating results have fluctuated in the past and we expect them to fluctuate in the fu
factors, many of which are outside of our control. As a result, our past results may not be indicativ
performance, and comparing our operating results on a period-to-period basis may not be meaning
other risks described in this prospectus, factors that may affect our quarterly operating results inclu

changes in spending on learning management systems by our current or prospective cust

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- pricing our applications effectively so that we are able to attract and retain customers wit operating results;
- attracting new customers and increasing our existing customers use of our applications;
- customer renewal rates and the amounts for which agreements are renewed;
- awareness of our brands;
- changes in the competitive dynamics of our market, including consolidation among com the introduction of new applications or application enhancements;
- changes to the commission plans, quotas and other compensation-related metrics for our
- the amount and timing of payment for operating expenses, particularly research and deve marketing expenses and employee benefit expenses;
- our ability to manage our existing business and future growth, including increases in the our platform and the introduction and adoption of our platform in new markets outside o
- unforeseen costs and expenses related to the expansion of our business, operations and in disruptions in our hosting network infrastructure and privacy and data security;
- foreign currency exchange rate fluctuations; and
- general economic and political conditions in our domestic and international markets.

We may not be able to accurately forecast the amount and mix of future subscriptions, size or dura and expenses and, as a result, our operating results may fall below our estimates or the expectation analysts and investors. If our revenue or operating results fall below the expectations of investors, we may provide, the market price of our common stock could decline.

Our business is subject to seasonal sales and customer growth fluctuations which could result ir operating results.

We have historically experienced a pattern of higher sales and new academic customers in the seco a result of school procurement periods, which are typically based on a fiscal year ending June 30. T

sequential sales and customer growth in the other quarters of the year. As we attempt to expand the
customers, we may see changes to this pattern of seasonality. Seasonality may cause our sales and
from quarter-to-quarter depending on the variability in the volume and timing of sales and renewal
other things, make forecasting more difficult and may adversely affect our ability to predict financ
which could result in volatility or adversely affect the market price of our common stock.

We could lose revenue if there are changes in the spending policies or budget priorities for gove colleges, universities, schools and other education providers.

Our Canvas customers include colleges, universities, K-12 schools and other education providers,
substantially on government funding. Accordingly, any general decrease, delay or change in federa
for colleges, universities, schools and other education providers could cause our current and potent
their purchases of Canvas and related services, or decide not to renew their subscriptions, any of w
lose customers and revenue. In addition, a specific reduction in governmental funding support for
systems could also cause us to lose customers and revenue.

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Because we generally recognize revenue from subscriptions ratably over the term of the agreem in sales may not be reflected immediately in our operating results.

We offer our learning management platform and applications primarily through multi-year subscri generally recognize revenue ratably over the related subscription period. As a result, much of the r quarter is derived from agreements entered into during prior quarters or years. A decline in new or any one quarter is not likely to be reflected immediately in our revenue results for that quarter. Ho negatively affect our revenue and deferred revenue balances in future periods, and the effect of sig sales and market acceptance of our platform and applications, and potential changes in our rate of fully reflected in our results of operations until future periods. Our subscription model also makes rapidly increase our total revenue and deferred revenue balance through additional sales in any per customers is recognized over the applicable subscription term.

Because we expense commissions associated with sales of our applications immediately upon th subscription agreement with a customer, our operating income in any period may not be indicat health and future performance.

We expense commissions paid to our sales personnel in the period in which we enter into an agree applications. In contrast, we generally recognize the revenue associated with a sale of our applicati related subscription period. Although we believe higher sales is a positive indicator of the long-ter higher sales increases our operating expenses and could decrease earnings in any particular period. poor operating results due to higher sales commissions in a period in which we experience strong s Alternatively, we may report better operating results due to the reduction of sales commissions in a experience a slowdown in sales. Therefore, you should not necessarily rely on our operating incom as an indication of our financial health and potential future performance.

If the market for our applications develops more slowly than we expect, our growth may slow or results would be harmed.

The market for learning management systems is still evolving, and we depend on continued growt not know whether the trend of adoption of cloud-based learning management systems we have exp academic customers in the past will continue in the future. To date, we have derived a substantial r from Canvas. A critical factor for our continued growth is our ability to sell Canvas to new custom education. The adoption trend for our academic customers is subject to influence from federal, stat Historically, our corporate customers have licensed our Canvas application. To better meet the nee market, we launched Bridge in February 2015. Given our limited history with corporate customers whether companies will adopt cloud-based learning management systems, or what prices or contra will agree. We will incur substantial operating costs, particularly in sales and marketing and resear attempting to develop these markets. If the market for Canvas does not continue to grow, or grows expect, or if the market for Bridge does not develop as we anticipate, our operating results would b

If we fail to effectively develop and expand our sales and marketing capabilities, our ability to in base and increase the market share of our learning management platform and applications cou

To increase the number of customers and increase the market share of our learning management pl we will need to expand our sales and marketing operations, including our domestic and internation

international resellers. We will continue to dedicate significant resources to sales and marketing pr
effectiveness of our inbound sales and marketing has varied over time and, together with the effect
international resellers we may engage, may vary in the future. Our business

will be harmed if our efforts do not generate a correspondingly significant increase in revenue. We
anticipated revenue growth from expanding our sales force if we are unable to hire, develop and re
personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasona
our sales and marketing programs are not effective.

***We face significant competition from both established and new companies offering learning ma
which may harm our ability to gain new customers, retain existing customers and grow our busi***

The learning management systems market is evolving, highly competitive and significantly fragme
K-12 and corporate markets. With the introduction of new technologies and the potential entry of n
market, we expect competition to persist and intensify in the future, which could harm our ability t
or increase renewals and maintain our prices.

We face intense competition from other software companies that develop learning management sy
competes with systems offered by Blackboard, Desire2Learn and Moodle in the education market.
competes with systems offered by Cornerstone OnDemand, Saba Software and SumTotal Systems
along with dozens of small, specialized systems for specific industries to large, generalized system
larger human resources management suite. Competition could significantly impede our ability to s
to our learning management platform and applications on terms favorable to us. Our current and po
develop and market new technologies that render our existing or future applications less competiti
obsolete. In addition, if these competitors develop applications with similar or superior functionali
may need to decrease the prices or accept less favorable terms for our subscriptions in order to rem
are unable to maintain our pricing due to competitive pressures, margins will be reduced and opera
negatively affected.

Current competitors have, and potential competitors may have, significantly more financial, techni
resources than us, and may be able to devote greater resources to the development, promotion, sale
applications and services, have more extensive customer bases and broader customer relationships
histories and greater name recognition than us. As a result, these competitors may be better able to
technologies and to undertake more extensive marketing campaigns. In a few cases, these vendors
additional software at little or no additional cost by bundling them with their existing suite of appli
any competitor has existing relationships with potential customers for other applications, those cus
to purchase our software because of their existing relationships with the competitor. If we are unab
companies, the demand for our platform and applications could be adversely affected.

In addition, if one or more competitors were to merge or partner with another competitor, our abili
could be adversely affected. Competitors may also establish or strengthen cooperative relationship
distribution or technology partners or other parties with whom we have relationships, thereby limit
applications. We may not be able to compete successfully against current or future competitors, an
may harm our business, operating results and financial condition.

***If we fail to adapt and respond effectively to rapidly changing technology, evolving industry stan
customer needs or requirements, our learning management platform and applications may beco***

Our future success depends on our ability to adapt and enhance our learning management platform
attract new customers and increase revenue from existing customers, we need to continue to enhan

application offerings, features and enhancements to meet customer needs at prices that our custom
Such efforts will require adding new functionality and responding to technological advancements,
research and development costs. If we are unable to develop

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applications that address customers needs, or enhance and improve our platform in a timely mann
maintain or increase market acceptance of our platform and applications. Further, many of our con
considerably greater amount of funds on their research and development programs, and those that
by larger companies that would allocate greater resources to our competitors research and develo
to maintain adequate research and development resources or compete effectively with the research
programs of our competitors our business could be harmed. Our ability to grow is also subject to th
disruptive technologies. Access and use of our learning management platform and applications is p
which, itself, was disruptive to the previous enterprise software model. If new technologies emerge
learning management software and related applications at lower prices, more efficiently, more con
securely, such technologies could adversely affect our ability to compete.

The length and unpredictability of the sales cycle for our platform and applications could delay revenue for any given quarter to fail to meet our estimates or market expectations.

The sales cycle between our initial contact with a potential customer and the signing of a license va
variability and length of the sales cycle, we have only a limited ability to forecast the timing of sale
to complete sales could harm our business and financial results, and could cause our financial resul
from period to period. Our sales cycle varies widely, reflecting differences in potential customers
processes, procurement requirements and budget cycles, and is subject to significant risks over wh
control, including:

- customers budgetary constraints and priorities;
- the timing of customers budget cycles;
- the need by some customers for lengthy evaluations that often include both their adminis
- the length and timing of customers approval processes.

Potential customers typically conduct extensive and lengthy evaluations before committing to our
and generally require us to expend substantial time, effort and money educating them as to the valu

Our planned further expansion of our business outside the United States exposes us to risks asso international operations.

Our growth strategy involves the further expansion of our operations and customer base internation
ended June 30, 2015, 6% of our revenue was derived from outside the United States. We opened o
headquarters in London, England in June 2014 and have offices in Sydney, Australia and Hong Ko
international operations and future initiatives will involve a variety of risks, including:

more stringent regulations relating to data security and the unauthorized use of, or access
personal information, particularly in the European Union;

technical or latency issues in delivering our platform and applications;

dependence on certain third parties, including resellers with whom we do not have exten

unexpected changes in regulatory requirements, taxes or trade laws;

differing labor regulations, especially in the European Union, where labor laws are gene
to employees as compared to the United States, including deemed hourly wage and overt
locations;

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- challenges inherent in efficiently managing an increased number of employees over larg including the need to implement appropriate systems, policies, benefits and compliance p

- difficulties in maintaining our company culture with a dispersed and distant workforce;

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

- currency exchange rate fluctuations and the resulting effect on our revenue and expenses entering into hedging transactions if we choose to do so in the future;

- limitations on our ability to reinvest earnings from operations in one country to fund the operations in other countries;

- limited or insufficient intellectual property protection;

- political instability or terrorist activities;

- requirements to comply with foreign privacy and information security laws and regulatio of non-compliance;

- likelihood of potential or actual violations of domestic and international anticorruption la Foreign Corrupt Practices Act and the U.K. Bribery Act, or of U.S. and international exp regulations, which likelihood may increase with an increase of sales or operations in fore operations in certain industries; and

- adverse tax burdens and foreign exchange controls that could make it difficult to repatria

Our limited experience in operating our business internationally increases the risk that any potentia that we may undertake will not be successful. If we invest substantial time and resources to expand operations and are unable to do so successfully and in a timely manner, our business and operating

If we fail to offer high-quality professional services and support, our business and reputation m

High-quality professional services and support, including training, implementation and consulting for the successful marketing, sale and use of our learning management platform and applications a existing customers. The importance of high-quality professional services and support will increase business and pursue new customers. If we do not provide effective ongoing support, our ability to

functionality and services to, or to retain, existing customers may suffer and our reputation with ex
customers may be harmed.

If we fail to manage our growth effectively or our business does not grow as we expect, our oper

Our employee base and operations have grown substantially in a relatively short period of time. Ou
base grew from 401 employees as of June 30, 2014 to 651 employees as of June 30, 2015. Our gro
continue to place, a significant strain on our operational, financial and management infrastructure.
increases in headcount will be required to support increases in our application offerings and contin
manage this growth effectively, we must continue to improve our operational, financial and manag
controls by, among other things:

- effectively attracting, training and integrating a large number of new employees, particul
and members of our management and sales teams;

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further improving our key business systems, processes and information technology infras
business needs;

enhancing our information and communication systems to ensure that our employees are
can effectively communicate with each other and our customers; and

improving our internal control over financial reporting and disclosure controls and proce
and accurate reporting of our operational and financial results.

If we fail to manage our expansion or implement new systems, or if we fail to implement improver
effective internal controls and procedures, costs and expenses may increase more than expected an
customer base, increase renewal rates, enhance existing applications, develop new applications, sat
to competitive pressures, or otherwise execute our business plan. If we are unable to effectively ma
operating results will be harmed.

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

Our success and future growth depend upon the continued services of our management team, inclu
Chief Executive Officer, and other key employees in the areas of engineering, marketing, sales, ser
administrative functions. From time to time, there may be changes in our management team resulti
departure of executives, which could disrupt our business. We also are dependent on the continued
software engineers and information technology personnel because of the complexity of our softwa
infrastructure. We may terminate any employee s employment at any time, with or without cause,
resign at any time, with or without cause. We do not maintain any key man insurance for any en
more of our key employees could harm our business.

If we fail to attract and retain additional qualified personnel we may be unable to execute our bu

To execute our business strategy, we must attract and retain highly qualified personnel. In particula
many other companies for software developers with high levels of experience in designing, develo
cloud-based software, as well as for skilled information technology, marketing, sales and operation
may not be successful in attracting and retaining the professionals we need, in particular in Utah, w
headquartered. We have from time to time experienced, and we expect to continue to experience, d
retaining highly skilled employees with appropriate qualifications which may, among other things,
execute our software development and sales strategies. Many of the companies with which we com
personnel have greater resources than we do. In addition, in making employment decisions, particu
industry, job candidates often consider the value of the stock options or other equity incentives the
connection with their employment. If the price of our stock declines, or experiences significant vol
attract or retain qualified employees will be adversely affected. If we fail to attract new personnel o
motivate our current personnel, our growth prospects could be harmed.

If we cannot maintain our company culture as we grow, we could lose the innovation, teamwork execution that we believe contribute to our success and our business may be harmed.

We believe that a critical component to our success has been our company culture, which is based
customer experience, openness, ownership, trust, integrity, excellence and simplicity. We have inv
and resources in building our team within this company culture. If we fail to preserve our culture o
recruit personnel and to effectively focus on and pursue our corporate objectives could be harmed.
the infrastructure of a public company, we may find it

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difficult to maintain these important aspects of our company culture. If we fail to maintain our con
business may be harmed.

***If we do not maintain the compatibility of our learning management platform with third-party a
customers use in their businesses or schools, our revenue will decline.***

A significant percentage of our customers choose to integrate our learning management platform w
third-party publishers and software providers using application programming interfaces, or APIs. T
popularity of our platform depends, in part, on our ability to integrate our platform with third-party
software. Third-party providers of applications may change the features of their applications and s
access to their applications and software or alter the terms governing use of their applications and a
applications and software in an adverse manner. Such changes could functionally limit or terminate
third-party applications and software in conjunction with our learning management platform, whic
our offerings and harm our business. If we fail to integrate our platform with new third-party appli
our customers utilize, we may not be able to offer the functionality that our customers need, which
our ability to generate revenue and adversely impact our business.

***If our network or computer systems are breached or unauthorized access to customer data is oth
learning management platform and applications may be perceived as insecure and we may lose
fail to attract new customers, our reputation may be damaged and we may incur significant liab***

Use of our learning management platform and applications involve the storage, transmission and p
customers data, including personal or identifying information regarding their students or employe
other malicious internet-based activity continue to increase generally, and cloud-based platform pr
services have been targeted. If any unauthorized access to or security breaches of our platform, or t
providers, occurs, or is believed to have occurred, such an event or perceived event could result in
intellectual property or trade secrets, loss of business, severe reputational or brand damage adverse
investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damage
penalties for violation of applicable laws, regulations, or contractual obligations, and significant co
may include liability for stolen assets or information and repair of system damage that may have b
offered to customers or other business partners in an effort to maintain business relationships after
liabilities. Additionally, any such event or perceived event could impact our reputation, harm custo
sales and expansion into existing and new markets, or cause us to lose existing customers. We coul
significant capital and other resources to alleviate problems caused by such actual or perceived bre
our systems, we could be exposed to a risk of loss, litigation or regulatory action and possible liabi
operate our business may be impaired. Additionally, actual, potential or anticipated attacks may ca
costs, including costs to deploy additional personnel and protection technologies, train employees
experts and consultants.

In addition, if the security measures of our customers are compromised, even without any actual co
systems, we may face negative publicity or reputational harm if our customers or anyone else inco
blame for such security breaches to us or our systems. If customers believe that our platform and a
provide adequate security for the storage of personal or other sensitive information or its transmiss
business will be harmed. Customers concerns about security or privacy may deter them from usin
activities that involve personal or other sensitive information.

Our errors and omissions insurance covering certain security and privacy damages and claim exper
to compensate for all liability. Although we maintain liability insurance for liabilities incurred as

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a result of some security and privacy damages, we cannot be certain that our coverage will be adeq
actually incurred or that insurance will continue to be available to us on economically reasonable t
the techniques used and vulnerabilities exploited to obtain unauthorized access or to sabotage syste
and generally are not identified until they are launched against a target, we may be unable to antici
vulnerabilities or implement adequate preventative measures. We may also experience security bre
undetected for an extended period.

Because data security is a critical competitive factor in our industry, we make public statements in
describing the security of our platform. Should any of these statements be untrue, become untrue, o
untrue, even if through circumstances beyond our reasonable control, we may face claims, includin
deceptive trade practices, brought by the U.S. Federal Trade Commission, state, local, or foreign re
litigants.

***Interruptions or performance problems associated with our technology and infrastructure may a
business and operating results.***

Our continued growth depends in part on the ability of our existing and potential customers to acce
time. We have experienced, and may in the future experience, disruptions, outages, and other perfo
a variety of factors, including infrastructure changes, introductions of new functionality, human or
distributed denial of service attacks, or other security related incidents. In some instances, we may
the cause or causes of these performance problems within an acceptable period of time. It may bec
to maintain and improve our performance, especially during peak usage times and as our platform
and our user traffic increases. If our learning management platform and applications are unavailabl
unable to access our applications within a reasonable amount of time or at all, our business will be

Moreover, our standard customer agreements include performance guarantees and service level sta
provide credits or termination rights in the event of a significant disruption in our platform. To the
third-party service providers experience outages, or to the extent we do not effectively address cap
our systems as needed, and continually develop our technology and network architecture to accom
anticipated changes in technology, our business and operating results may be adversely affected.

***Our use of open source software could negatively affect our ability to offer our learning man
applications and subject us to possible litigation.***

Our applications, in particular a substantial portion of Canvas, use open source software that we
obtained from third parties. Open source software is generally freely accessible, usable and modifi
available to the general public on an as-is basis under the terms of a non-negotiable license. Use
source software may entail greater risks than use of third-party commercial software. Open source
not provide warranties or other contractual protections regarding infringement claims or the quality
certain open source licenses, like the GNU Affero General Public License, or AGPL, may require t
components of our software that incorporate the open source software, to make available source co
derivative works we create based upon incorporating or using the open source software, or to licen
derivative works under the terms of the particular open source license. If we are required, under th
license, to release the source code of our proprietary software to the public, our competitors could
applications with lower development effort and time, which ultimately could result in a loss of sale

We may also face claims alleging noncompliance with open source license terms or infringement o
proprietary software. These claims could result in litigation, require us to purchase a costly license
additional research and development resources to change our software, any of

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which would have a negative effect on our business and operating results, including being enjoined
components of our software that contained the open source software. In addition, if the license term
software that we use change, and we cannot continue to use the version of such software that we ha
forced to re-engineer our applications, incur additional costs, or discontinue the sale of application
re-engineering could not be accomplished on a timely basis.

We could also be subject to suits by parties claiming ownership of what we believe to be open sou
could be costly for us to defend, have a negative effect on our operating results and financial condi
devote additional research and development resources to change our applications. Although we mo
source software to avoid subjecting our applications to unintended conditions, few courts have inte
licenses, and there is a risk that these licenses could be construed in a way that could impose unant
restrictions on our ability to commercialize our applications. We cannot guarantee that we have inc
software in our software in a manner that will not subject us to liability, or in a manner that is cons
policies and procedures.

***We make a substantial portion of the source code for Canvas available under the terms of an op
accept contributions of modifications to that source code, each of which could negatively affect
learning management platform and applications and subject us to possible litigation.***

To promote our open platform philosophy, we make available a substantial portion of the source co
to the public on the GitHub platform for no charge, under the terms of the AGPL. An individual
appropriate technical and human resources may choose to use this open source version of Canvas t
platform to avoid paying any fees to us. In addition, some individuals or entities may try to use the
Canvas for commercial purposes and directly compete with us for customers. We are aware of a fe
self-host the platform and are aware of some entities that are currently selling hosting and support
customers decide to self-host or other entities use the base code to compete with us, we may exper
our business may be harmed.

We accept modifications of the source code for Canvas from contributors who agree to the terms o
agreement. Our contributor agreement provides for assignment of joint ownership in the copyright
license to any patent rights of the contributor. Contributors must also represent that it is an original
contribution does not violate any third-party intellectual property right. However, we cannot ensure
contributions is free of all third-party rights and claims of intellectual property infringement or mis
incorporating any contribution into our code base, we may be subject to intellectual property infrin
misappropriation claims, which as discussed elsewhere, are costly to defend and could require cost
base or licensing of replacement third-party solutions. Third party alternatives may not be availabl
reasonable terms.

***Our business is dependent upon our brand recognition and reputation, and if we fail to maintai
recognition or reputation, our business could be harmed.***

We believe that maintaining and enhancing our brands and our reputation are critical to our relatio
customers and to our ability to attract new customers. We also believe that our brands and reputati
important as competition in our market continues to develop. Our success in this area will depend
factors, some of which are beyond our control, including the following:

the efficacy of our marketing efforts;

our ability to continue to offer high-quality, innovative and error- and bug-free applicatio

our ability to retain existing customers and obtain new customers;

our ability to maintain high customer satisfaction;

the quality and perceived value of our applications;

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our ability to successfully differentiate our applications from those of our competitors;

actions of competitors and other third parties;

our ability to provide customer support and professional services;

any misuse or perceived misuse of our applications;

positive or negative publicity;

interruptions, delays or attacks on our platform or applications; and

litigation, legislative or regulatory-related developments.

If our brand promotion activities are not successful, our operating results and growth may be harm

Furthermore, negative publicity, whether or not justified, relating to events or activities attributed t
partners or others associated with any of these parties, may tarnish our reputation and reduce the va
Damage to our reputation and loss of brand equity may reduce demand for our applications and ha
our business, operating results and financial condition. Moreover, any attempts to rebuild our repu
value of our brands may be costly and time consuming, and such efforts may not ultimately be suc

***We rely upon Amazon Web Services to operate certain aspects of our service and any disruption
our use of Amazon Web Services could impair our ability to deliver our learning management p
to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of custom
business.***

Amazon Web Services, or AWS, provides a distributed computing infrastructure platform for busi
is commonly referred to as a cloud computing service. We have architected our software and comp
processing, storage capabilities and other services provided by AWS. Currently, our cloud service
AWS. Given this, we cannot easily switch our AWS operations to another cloud provider, so any d
interference with our use of AWS would impact our operations and our business would be adverse
provides us with computing and storage capacity pursuant to an agreement that continues until terr
AWS may terminate the agreement without cause by providing 90 days prior written notice, and m
agreement with 30 days prior written notice for cause, including any material default or breach of t
we do not cure within the 30 day period. The agreement requires AWS to provide us their standard
capacity and related support in exchange for timely payment by us. If any of our arrangements with
could experience interruptions in our software as well as delays and additional expenses in arrangi
services.

We utilize third-party data center hosting facilities operated by AWS, located in various sites withi
and Oregon. For international customers, we utilize third-party data center hosting facilities operat
Dublin, Ireland, Sydney, Australia and Singapore.

Our operations depend, in part, on AWS s abilities to protect these facilities against damage or int
disasters, power or telecommunications failures, criminal acts and similar events. Despite precauti
centers, the occurrence of spikes in usage volume, a natural disaster, an act of terrorism, vandalism
to close a facility without adequate notice, or other unanticipated problems at a facility could resul
in the availability of our platform. Even with current and planned disaster recovery arrangements,
harmed. Also, in the event of damage or interruption, our insurance policies may not adequately co
losses that we may incur. These factors in turn could further reduce our revenue, subject us to liabi
credits or cause customers to fail to renew their subscriptions, any of which could harm our busine

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We are dependent on the continued availability of the internet and third-party computer and co

Our ability to provide our platform and applications to our customers depends on our ability to co
customers through the public internet and third-party computer and communications systems. A se
more of these systems could impair our ability to process information, which could impede our ab
our customers, harm our reputation, result in a loss of customers harm our business and operating

Real or perceived errors, failures, or bugs in our learning management platform or applications
our operating results and growth prospects.

We push updates to our platform on a frequent basis. Despite testing by us, errors, failures or bugs
learning management platform or applications until after they are deployed to our customers. We h
expect we will continue to discover software errors, failures and bugs in our learning management
and anticipate that certain of these errors, failures and bugs will only be discovered and remediated
customers. Real or perceived errors, failures or bugs in our platform and applications could result i
of or delay in market acceptance of our platform and applications, loss of competitive position, or
losses sustained by them. In such an event, we may be required, or may choose, for customer relati
expend additional resources in order to help correct the problem.

We implement bug fixes and upgrades as part of our regular system maintenance, which may lead
Even if we are able to implement the bug fixes and upgrades in a timely manner, any history of de
the data we collect for our customers, or the loss, damage or inadvertent release of confidential dat
reputation to be harmed, and customers may elect not to purchase or renew their agreements with u
increased insurance costs. The costs associated with any material defects or errors in our software
problems may be substantial and could harm our operating results.

Because many of our customers use our applications to store and retrieve critical information, we
claims if our applications do not work properly. We cannot be certain that the limitations of liabili
and agreements would be enforceable or would otherwise protect us from liability for damages. A
against us, regardless of its merit or its outcome, could result in substantial costs, significantly har
and divert management s attention from our operations.

We are subject to governmental laws, regulation and other legal obligations, particularly related
protection and information security, and any actual or perceived failure to comply with such obl
business.

Personal privacy and information security are significant issues in the United States and the other j
offer our applications. The legislative and regulatory framework for privacy and security issues wo
evolving and is likely to remain uncertain for the foreseeable future. Our handling of data is subjec
regulations, including regulation by various government agencies, including the U.S. Federal Trad
and various state, local and foreign agencies. We collect personally identifiable information, or PII
customers and users. We use this information to provide services to our customers and users and to
improve our business. We may also share customers or users PII with third parties as allowed b
agreements and authorized by the customer or as described in our privacy policy.

The U.S. federal and various state and foreign governments have adopted or proposed limitations o
distribution, use and storage of PII. In the United States, the FTC and many state attorneys general
state consumer protection laws as imposing standards for the online collection, use and

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dissemination of data. Furthermore, many states have recently enacted laws that apply directly to t
services that are intended for K-12 school purposes that limit the collection, distribution, use and s
information that go beyond what may be applicable to other individuals. Many foreign countries ar
including the European Union, Canada, Australia and other relevant jurisdictions, have laws and re
collection and use of PII obtained from their residents or by businesses operating within their juris
regulations often are more restrictive than those in the United States. Laws and regulations in these
broadly to the collection, use, storage, disclosure and security of data that identifies or may be used
individual, such as names, email addresses and, in some jurisdictions, Internet Protocol, or IP, addr
Union, where companies must meet specified privacy and security standards, Directive 95/46/EC o
Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to th
data and on the free movement of such data, commonly referenced as the Data Protection Directive
implementations of the Data Protection Directive, require comprehensive information privacy and
consumers with respect to PII, collected about them.

We have in the past relied on adherence to the U.S. Department of Commerce s Safe Harbor Priva
compliance with the U.S.-EU and U.S.-Swiss Safe Harbor Frameworks as agreed to and set forth b
Commerce, and the European Union and Switzerland, which established a means for legitimating t
companies doing business in Europe from the European Economic Area to the U.S. As a result of t
European Union Court of Justice, or ECJ, opinion in Case C-362/14 (Schrems v. Data Protection C
the adequacy of the U.S.-EU Safe Harbor Framework, the U.S. EU Safe Harbor Framework is no
valid method of compliance with restrictions set forth in the Data Protection Directive (and membe
thereof) regarding the transfer of data outside of the European Economic Area. In light of the ECJ
C-362/14, we anticipate engaging in efforts to legitimize data transfers from the European Econom
unsuccessful in establishing legitimate means of transferring data from the European Economic Ar
hesitancy, reluctance, or refusal by European or multi-national customers to continue to use our se
risk exposure to such customers as a result of the ECJ ruling, and we and our customers are at risk
taken by an EU data protection authority until such point in time that we ensure that all data transfe
European Economic Area are legitimized. We may find it necessary to establish systems to mainta
European Economic Area, which may involve substantial expense and distraction from other aspec
publicly post our privacy policies and practices concerning our processing, use and disclosure of P
privacy policy and other statements we publish that provide promises and assurances about privacy
us to potential state and federal action if they are found to be deceptive or misrepresentative of our

Although we are working to comply with those federal, state, and foreign laws and regulations, inc
contractual obligations and other legal obligations that apply to us, those laws, regulations, standar
evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdic
conflict with one another, other requirements or legal obligations, our practices or the features of o
platform. Any failure or perceived failure by us to comply with federal, state or foreign laws or reg
standards, contractual obligations or other legal obligations, or any actual or suspected security inc
resulting in unauthorized access to, or acquisition, release or transfer of PII or other data, may resu
enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity an
customers to lose trust in us, which could have an adverse effect on our reputation and business. A
address privacy and security concerns, even if unfounded, or comply with applicable laws, regulati
standards, contractual obligations, or other legal obligations could result in additional cost and liab
reputation, inhibit sales, and adversely affect our business.

We also expect that there will continue to be new proposed laws, regulations and industry standard
data protection and information security in the United States, the European Union and other

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jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards r
Future laws, regulations, standards and other obligations, and changes in the interpretation of exist
standards and other obligations could impair our or our customers ability to collect, use or disclos
consumers, which could decrease demand for our applications, increase our costs and impair our a
grow our customer base and increase our revenue. New laws, amendments to or re-interpretations o
regulations, industry standards, contractual obligations and other obligations may require us to incu
restrict our business operations. Such laws and regulations may require companies to implement pr
policies, permit users to access, correct and delete personal information stored or maintained by su
individuals of security breaches that affect their personal information, and, in some cases, obtain in
PII for certain purposes. In addition, a foreign government could require that any PII collected in a
disseminated outside of that country, and we are not currently equipped to comply with such a requ
legislation could, if enacted, impose additional requirements and prohibit the use of certain technol
individuals activities on web pages or that record when individuals click through to an internet ac
email message. Such laws and regulations could require us to change features of our software or re
ability to collect and use email addresses, page viewing data and personal information, which may
software. If we fail to comply with federal, state and international data privacy laws and regulation
successfully operate our business and pursue our business goals could be harmed.

We also may find it necessary or desirable to join industry or other self-regulatory bodies or other
protection-related organizations that require compliance with their rules pertaining to privacy and
may be bound by additional, more stringent contractual obligations relating to our collection, use a
personal, financial and other data.

***We are subject to contractual clauses that require us to comply with certain provisions of the Fa
and Privacy Act and we are subject to the Children s Online Privacy Protection Act, and if we fa
laws, our reputation and business could be harmed.***

The Family Educational Rights and Privacy Act, or FERPA, generally prohibits educational institu
funding from disclosing PII from a student s education records without the student s consent. Thr
learning management application, our customers and users disclose to us certain information that m
comprise a student education record, as the term is defined under FERPA. As an entity that provide
we are often subject to contractual clauses that impose restrictions derived from FERPA on our abi
transfer, disclose, and store student data, under which we may not transfer or otherwise disclose an
record to another party other than in a manner permitted under the statute. If we violate our obligat
educational institution customers relating to the privacy of student records subject to FERPA, such
constitute material breach of contract with one or more of our customers and could harm our reputa
event that we disclose student information in a manner that results in a violation of FERPA by one
customers, the U.S. Department of Education could require that customer to suspend our access to
information that is covered under FERPA for a period of at least five years.

We are subject to the Children s Online Privacy Protection Act, or COPPA, which applies to oper
websites and online services directed to U.S. children under the age of 13 that collect personal info
and to operators of general audience websites with actual knowledge that they are collecting inform
under the age of 13. Canvas is directed, in part, at children under the age of 13. Through Canvas an
collect certain personal information, including names and email addresses from children. COPPA i
by courts and other governmental authorities, including the FTC, and the FTC is authorized to pro

promulgated, revisions to regulations implementing provisions of COPPA, and provides non-bindi
regarding COPPA that changes periodically with little or no public notice. Although we strive to e
and applications are compliant with applicable COPPA provisions, these provisions may be modif

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applied in new manners that we may be unable to anticipate or prepare for appropriately, and we m
or expenses in attempting to modify our systems, platform, applications, or other technology to ad
or interpretations thereof. If we fail to accurately anticipate the application, interpretation or legisla
COPPA we could be subject to governmental enforcement actions, litigation, fines and penalties o
we could be in breach of our customer contracts and our customers could lose trust in us, which co
and business.

***Third-party claims that we are infringing the intellectual property rights of others, whether succ
subject us to costly and time-consuming litigation or require us to expensive licenses, and our b***

The software industry is characterized by the existence of a large number of patents, copyrights, tr
and other intellectual property rights. Companies in the software industry must often defend agains
on allegations of infringement or other violations of intellectual property rights. Third parties, incl
may own patents or other intellectual property rights that cover aspects of our technology or busin
assert patent or other intellectual property rights within the industry. Moreover, in recent years, ind
are non-practicing entities, commonly referred to as patent trolls, have purchased patents and ot
assets for the purpose of making claims of infringement in order to extract settlements. From time
threatening letters, notices or invitations to license, or may be the subject of claims that our serv
underlying technology infringe or violate the intellectual property rights of others. Responding to s
their merit, can be time consuming, costly to defend in litigation, divert management s attention a
reputation and brand and cause us to incur significant expenses. Our technologies may not be able
third-party claims against their use. Claims of intellectual property infringement might require us t
found to be in violation of a third party s rights, redesign our application, which could require sig
and cause delays of releases, enter into costly settlement or license agreements or pay costly dama
temporary or permanent injunction prohibiting us from marketing or selling our software. If we ca
infringed technology on reasonable terms or at all, or substitute similar technology from another so
to limit or stop selling our software, we may not be able to meet our obligations to customers unde
our revenue and operating results could be adversely impacted, and we may be unable to compete
our customers may not purchase our learning management applications if they are concerned that t
third-party intellectual property rights. The occurrence of any of these events may harm our busine

In our subscription agreements with our customers, we generally agree to indemnify our customers
costs incurred in connection with claims by a third party alleging that the customer s use of our se
infringes the intellectual property rights of the third party. Our customers who are accused of intell
infringement may seek indemnification from us. If any claim is successful, or if we are required to
customers from any of these or other claims, these matters could be disruptive to our business and
additional legal expenses.

The success of our business depends in part on our ability to protect and enforce our intellectua

Our success is dependent, in part, upon protecting our proprietary technology. We do not own any
combination of copyrights, trademarks, service marks, trade secret laws and contractual restriction
our proprietary rights in our applications and services. However, the steps we take to protect our in
be inadequate. We will not be able to protect our intellectual property if we are unable to enforce o
detect unauthorized use of our intellectual property. Any of our trademarks or other intellectual pro
challenged by others or invalidated through administrative process or litigation. Furthermore, legal

validity, enforceability and scope of protection of intellectual property rights are uncertain. Despite
be possible for unauthorized third parties to copy our technology and use information that we regar

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applications and services that compete with ours. Some license provisions protecting against unaut
transfer and disclosure of our offerings may be unenforceable under the laws of certain jurisdictior
Our corporate name and the name of our platform and applications have not been trademarked in e
operate and plan to operate. If we do not secure registrations for our trademarks, we may encounte
enforcing them against third parties. Effective copyright, trademark and trade secret protection ma
every country in which our platform and applications are available. The laws of some foreign coun
protective of intellectual property rights as those in the United States, and mechanisms for enforce
property rights may be inadequate. To the extent we expand our international operations, our expo
copying and use of our technology and proprietary information may increase. Accordingly, despite
unable to prevent third parties from infringing upon or misappropriating our technology and intelle

Although we enter into confidentiality and invention assignment agreements with our employees a
into confidentiality agreements with the parties with whom we have strategic relationships and bus
assurance can be given that these agreements will be effective in controlling access to and distribu
and proprietary information or prevent reverse engineering. Further, these agreements may not pre
from independently developing technologies that are substantially equivalent or superior to our sof
we may be unable to prevent this competition.

We may be required to spend significant resources to monitor and protect our intellectual property
necessary in the future to enforce our intellectual property rights and to protect our trade secrets. S
costly, time consuming and distracting to management and could result in the impairment or loss o
intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be me
counterclaims and countersuits attacking the validity and enforceability of our intellectual property
prevail in any lawsuits that we initiate. Any litigation, whether or not resolved in our favor, could s
costs, divert resources and the attention of management and technical personnel from our business
business. Our inability to protect our proprietary technology against unauthorized copying or use, a
litigation, could delay further sales or the implementation of our software and offerings, impair the
software and offerings, delay introductions of new features or enhancements, result in our substitut
costly technologies into our software and offerings, or injure our reputation.

We could face liability, or our reputation might be harmed, as a result of the activities of our cu
content in our platform or the data they store on our servers.

As a provider of cloud-based learning management software, we may be subject to potential liabili
customers or users on or in connection with the data they store on our servers. Although our custon
illegal use of our services by our customers and permit us to take down content or take other appro
use, customers may nonetheless engage in prohibited activities or upload or store content with us i
law or the customer s own policies, which could subject us to liability or harm our reputation.

Various U.S. federal statutes may apply to us with respect to various customer activities. The Digit
Act of 1998, or DMCA, provides recourse for owners of copyrighted material who believe that the
copyright law have been infringed on the internet. Under the DMCA, based on our current busines
service provider that does not own or control website content posted by our customers, we general
infringing content posted by our customers or other third parties, provided that we follow the proc
copyright infringement claims set forth in the DMCA. Generally, if we receive a proper notice fro
copyright owner alleging infringement of copyrighted material located on websites we host, and w

remove or disable access to the allegedly infringing material or otherwise fail to meet the requirem
provided by the DMCA, the copyright owner may seek to impose liability on us. Technical mistak

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detailed DMCA take-down procedures, or if we fail to otherwise comply with the other requiremen
could subject us to liability for copyright infringement.

Although statutes and case law in the United States have generally shielded us from liability for cu
court rulings in pending or future litigation may narrow the scope of protection afforded us under t
laws governing these activities are unsettled in many international jurisdictions, or may prove diffi
to comply with in some international jurisdictions. Also, notwithstanding the exculpatory language
we may become involved in complaints and lawsuits which, even if ultimately resolved in our favo
business and may divert management s time and attention. Finally, other existing bodies of law, in
of various states, may be deemed to apply or new statutes or regulations may be adopted in the futu
expose us to further liability and increase our costs of doing business.

Additionally, our customers could use our platform or applications to store or process PII, includin
our knowledge of such storage or processing. In the event that our systems experience a data secur
individual or entity accesses information without, or in excess of, proper authorization, we could b
incident notification laws, as described elsewhere, which may require prompt remediation and noti
we are unaware of the data and information stored on our systems, we may be unable to appropriat
obligations, and we may be exposed to governmental enforcement or prosecution actions, private l
penalties or adverse publicity and these incidents could cause our customers to lose trust in us, whi
reputation and business.

***Future acquisitions could disrupt our business and may divert management s attention and if u
business.***

We may choose to expand by making acquisitions that could be material to our business. To date, w
one acquisition and our ability as an organization to successfully acquire and integrate technologie
unproven and limited. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect our results of operations and financial condition bec
incur charges or assume substantial debt or other liabilities, may cause adverse tax conse
accounting treatment, may expose us to claims and disputes by third parties, including in
and disputes, or may not generate sufficient financial return to offset additional costs and
acquisition;

- we may encounter difficulties or unforeseen expenditures in integrating the business, tec
personnel or operations of any company that we acquire, particularly if key personnel of
decide not to work for us;

- an acquisition may disrupt our ongoing business, divert resources, increase our expenses
management;

an acquisition may result in a delay or reduction of customer purchases for both us and th
due to customer uncertainty about continuity and effectiveness of service from either com

we may encounter difficulties in, or may be unable to, successfully sell any acquired pro

an acquisition may involve the entry into geographic or business markets in which we ha
prior experience or where competitors have stronger market positions;

challenges inherent in effectively managing an increased number of employees in divers

the potential strain on our financial and managerial controls and reporting systems and pr

potential known and unknown liabilities associated with an acquired company;

our use of cash to pay for acquisitions would limit other potential uses for our cash;

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if we incur debt to fund such acquisitions, such debt may subject us to material restrictio
conduct our business as well as financial maintenance covenants;

the risk of impairment charges related to potential write-downs of acquired assets or goo
acquisitions;

to the extent that we issue a significant amount of equity or equity-linked securities in co
acquisitions, existing stockholders may be diluted and earnings per share may decrease;

managing the varying intellectual property protection strategies and other activities of an
We may not succeed in addressing these or other risks or any other problems encountered in conne
of any acquired business. The inability to integrate successfully the business, technologies, produc
operations of any acquired business, or any significant delay in achieving integration, could harm
operating results.

***Our ability to raise capital in the future may be limited, and if we fail to raise capital when need
prevented from growing.***

Our business and operations may consume resources faster than we anticipate. While we believe o
equivalents, cash flows from operations and available borrowings under our credit facility will be
planned operations for at least the next 12 months, in the future, we may need to raise additional fu
growth opportunities. Additional financing may not be available on favorable terms, if at all. If ade
available on acceptable terms, we may be unable to invest in future growth opportunities, which co
and operating results. If we incur debt, the debt holders would have rights senior to common stock
on our assets. In addition, our credit facility imposes, and future debt instruments may impose, rest
dispose property, make changes in our business, engage in mergers or acquisitions, incur additiona
investments and distributions. Furthermore, if we issue additional equity securities, stockholders w
and the new equity securities could have rights senior to those of our common stock. Because our
securities in any future offering will depend on market conditions and other factors beyond our co
or estimate the amount, timing or nature of our future offerings. As a result, stockholders bear the
offerings reduce the market price of our common stock and dilute their interest.

***We may be subject to additional obligations to collect and remit sales tax and other taxes, and w
liability for past sales, which could harm our business.***

State, local and foreign jurisdictions have differing rules and regulations governing sales, use, valu
and these rules and regulations are subject to varying interpretations that may change over time. In
applicability of such taxes to our learning management software in various jurisdictions is unclear.
jurisdictions rules regarding tax nexus are complex and vary significantly. As a result, we could f
assessments and audits, and our liability for these taxes and associated penalties could exceed our
successful assertion that we should be collecting additional sales, use, value added or other taxes in
where we have not historically done so and do not accrue for such taxes could result in substantial
penalties for past sales, discourage customers from purchasing our application or otherwise harm o

results.

Changes in tax laws or regulations that are applied adversely to us or our customers could incre management software and adversely impact our business.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacte taxes could adversely affect our domestic and international business operations, and our business a performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be

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interpreted, changed, modified or applied adversely to us. These events could require us or our cus
tax amounts on a prospective or retroactive basis, as well as require us or our customers to pay fin
interest for past amounts deemed to be due. If we raise our prices to offset the costs of these chang
future customers may elect not to continue or purchase our learning management platform or appli
Additionally, new, changed, modified or newly interpreted or applied tax laws could increase our c
compliance, operating and other costs, as well as the costs of our software. Any or all of these eve
business and operating results.

We are a multinational organization faced with increasingly complex tax issues in many jurisdi obligated to pay additional taxes in various jurisdictions.

As a multinational organization, we may be subject to taxation in several jurisdictions around the
complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these
increase substantially as a result of changes in the applicable tax principles, including increased ta
revised interpretations of existing tax laws and precedents, which could harm our liquidity and ope
addition, the authorities in these jurisdictions could review our tax returns and impose additional t
and the authorities could claim that various withholding requirements apply to us or our subsidiari
of tax treaties are not available to us or our subsidiaries, any of which could adversely affect our o

Risks Related to Our Common Stock

There has been no prior market for our common stock and an active market may not develop or may not be able to resell your shares at or above the initial public offering price, if at all.

Prior to this offering, there has been no public market for our common stock. The initial public off
common stock will be determined through negotiations between the underwriters and us and may
price of our common stock following this offering. If you purchase shares of our common stock in
not be able to resell those shares at or above the initial public offering price. An active or liquid m
stock may not develop upon closing of this offering or, if it does develop, it may not be sustainabl
affect your ability to sell your shares and could depress the market price of our common stock.

Our stock price may be volatile and may decline regardless of our operating performance.

Our stock price is likely to be volatile. The trading prices of the securities of technology compani
cloud-based software, have been highly volatile. As a result of this volatility, investors may not be
stock at or above the initial public offering price. The market price of our common stock may fluc
response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results, including as loss of any number of customers;

- announcements by us or our competitors of significant technical innovations, acquisitio joint ventures or capital commitments;

the financial projections we may provide to the public, any changes in these projections
these projections;

failure of securities analysts to initiate or maintain coverage of us, changes in ratings and
the publication of other news by any securities analysts who follow our company, or our
estimates or the expectations of investors;

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- changes in operating performance and stock market valuations of cloud-based software c companies, or those in our industry in particular;
- the size of our public float;
- price and volume fluctuations in the trading of our common stock and in the overall stoc result of trends in the economy as a whole;
- new laws or regulations or new interpretations of existing laws or regulations applicable industry, including data privacy and data security;
- lawsuits threatened or filed against us for claims relating to intellectual property, employ
- changes in our board of directors or management;
- short sales, hedging and other derivative transactions involving our common stock;
- sales of large blocks of our common stock including sales by our executive officers, dire stockholders; and
- other events or factors, including changes in general economic, industry and market conc as any natural disasters that may affect our operations.

In addition, the stock markets have experienced extreme price and volume fluctuations that have a affect the market prices of equity securities of many technology companies. Stock prices of many t have fluctuated in a manner unrelated or disproportionate to the operating performance of those co

In the past, stockholders have instituted securities class action litigation following periods of mark become involved in securities litigation, it could subject us to substantial costs, divert resources an management and harm our business.

Future sales of shares by existing stockholders could cause our stock price to decline.

Sales of a substantial number of shares of our common stock in the public market could occur at a stockholders sell, or the market perceives that our stockholders intend to sell, substantial amounts the public market following this offering, the market price of our common stock could decline.

Immediately after this offering, based on the number of shares outstanding as of June 30, 2015, we outstanding shares of common stock, assuming no exercise of outstanding options or warrants. Of

shares sold in this offering will be immediately freely tradable, unless held by an affiliate, and all o
common stock will be restricted as a result of securities laws or lock-up agreements but will be abl
offering as described in the section of this prospectus titled Shares Eligible for Future Sale.

In addition, in connection with this offering, we intend to file one or more registration statements o
the issuance of approximately shares of common stock subject to options or other equity av
for future issuance under our equity incentive plans. Shares registered under these registration state
be available for sale in the public market subject to vesting arrangements and exercise of options, t
described above and the restrictions of Rule 144 under the Securities Act in the case of our affiliate

Moreover, after this offering, the holders of 27,246,852 shares of common stock will have rights, s
conditions, to require us to file one or more registration statements covering their shares or to inclu
registration statements that we may file for ourselves or other stockholders. If we were to register t

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shares for resale, they could be freely sold in the public market. If these additional shares are sold,
they will be sold, in the public market, the market price of our common stock could decline.

The concentration of our stock ownership will likely limit your ability to influence corporate ma
ability to influence the outcome of director elections and other matters requiring stockholder ap

Based upon shares outstanding as of June 30, 2015 prior to this offering, our executive officers, di
more than 5% of our outstanding common stock, in the aggregate, beneficially owned approximate
stock, and upon the closing of this offering, that same group, in the aggregate, will beneficially ow
our common stock, assuming no exercise by the underwriters of their over-allotment option and no
options or warrants, and after giving effect to the issuance of shares in this offering. As a result, th
together, will have significant influence over all matters that require approval by our stockholders,
directors and approval of significant corporate transactions. Corporate actions might be taken even
including those who purchase shares in this offering, oppose them. This concentration of ownershi
effect of delaying or preventing a change of control of our company that other stockholders may vi

If securities or industry analysts do not publish research or reports about our business, or if they
common stock, the price of our common stock could decline.

The trading market for our common stock depends, in part, on the research and reports that securit
publish about us or our business. We do not have any control over these analysts. If one or more of
us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock
decline. In addition, if our operating results fail to meet the forecast of analysts, our stock price wo
or more of these analysts cease coverage of our company or fail to publish reports on us regularly,
stock could decrease, which might cause our stock price and trading volume to decline.

Our management will have broad discretion over the use of the proceeds we receive in this offer
the proceeds in ways that increase the value of your investment.

Our management will have broad discretion to use the net proceeds from this offering and you will
judgment of our management regarding the application of these proceeds. Our management might
proceeds in ways that increase the value of your investment. We intend to use the net proceeds for
purposes, including working capital, sales and marketing activities, research and development acti
administrative matters and capital expenditures. We may also use a portion of the net proceeds fro
acquisitions of, or investments in, technologies, solutions or businesses that complement our busin
present commitments or agreements to enter into any such acquisitions or investments. Until we us
this offering, we plan to invest them, and these investments may not yield a favorable rate of retur
apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to ac
results, which could cause our stock price to decline.

We are an emerging growth company and the reduced disclosure requirements applicable to
companies may make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage
various reporting requirements that are applicable to other public companies that are not emergin
including, but not limited to, not being required to comply with the auditor attestation requirement

Sarbanes-Oxley Act, reduced financial disclosure obligations,

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reduced disclosure obligations regarding executive compensation in our periodic reports and proxy
exemptions from the requirements of holding a nonbinding advisory vote on executive compensati
parachute payments not previously approved. As an emerging growth company under the JOBS
delay the adoption of new or revised accounting pronouncements applicable to public companies u
pronouncements are made applicable to private companies. However, we are electing not to take a
extended transition period, and as a result, we will comply with new or revised accounting standar
on which adoption of such standards is required for non-emerging growth companies. Section 107
provides that our decision to not take advantage of the extended transition period for complying w
accounting standards is irrevocable.

We may take advantage of these provisions until we are no longer an emerging growth company.
emerging growth company upon the earliest to occur of: the last day of the fiscal year in which
billion in annual revenue; the date we qualify as a large accelerated filer, with at least $700 mill
by non-affiliates; the issuance, in any three-year period, by us of more than $1.0 billion in non-con
and the last day of the fiscal year ending after the fifth anniversary of this offering. If we take adva
reduced reporting burdens in future filings, the information that we provide our security holders m
might get from other public companies in which you hold equity interests. We cannot predict if inv
common stock less attractive because we may rely on these exemptions. If some investors find our
attractive as a result, there may be a less active trading market for our common stock and our stock
volatile.

We will incur increased costs and demands upon management as a result of complying with the affecting public companies, particularly after we are no longer an emerging growth company, affect our business, operating results and financial condition.

As a public company, and particularly after we cease to be an emerging growth company, we w
accounting and other expenses than we incurred as a private company. We are subject to the report
Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 20
Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Do
rules and regulations of the New York Stock Exchange, or NYSE. These requirements have increa
increase our legal, accounting and financial compliance costs and have made and will continue to
more time consuming and costly. For example, we expect these rules and regulations to make it m
expensive for us to obtain director and officer liability insurance, and we may be required to accep
and coverage or incur substantially higher costs to maintain the same or similar coverage. As a res
difficult for us to attract and retain qualified individuals to serve on our board of directors or as our
we are no longer an emerging growth company, or sooner if we choose not to take advantage of ce
in the JOBS Act, we expect to incur significant expenses and devote substantial management effor
compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. In
to hire additional accounting and financial staff with appropriate public company experience and t
knowledge.

If we do not continue to develop effective internal controls, we may not be able to accurately rep and our business could be harmed.

We and our independent registered public accounting firm identified a material weakness in our in
financial reporting as of and for the years ended December 31, 2012 and 2013. A material weakne

combination of control deficiencies, in internal control over financial reporting, such that there is a
that a material misstatement of the annual or interim consolidated financial statements will not be p
a timely basis. Specifically, it was determined that we did not have adequate processes and resourc
or unusual transactions. As a result, we were required to make post-closing adjustments to record s
and deemed dividends, resulting from the sale of

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stock by current and former employees and an investor to other holders of preferred stock for a pri
value. Furthermore, we were required to make post-closing adjustments to record leasehold improv
incentives that were improperly netted on the balance sheets.

We subsequently took steps to remediate this material weakness, including increasing the depth an
accounting and finance organization, designing and implementing improved processes and interna
outside consultants with deep technical expertise. While we believe that we have remediated the m
December 31, 2014, and did not identify any material weaknesses in the course of preparing our co
statements as of and for the year ended December 31, 2014, our efforts to remediate may not be ef
future material weakness or significant deficiency in our internal control over financial reporting.

The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our inter
reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In par
2016, Section 404 of the Sarbanes-Oxley Act, or Section 404, will require us to perform system an
testing of our internal control over financial reporting to allow management to report on, and our i
public accounting firm potentially to attest to, the effectiveness of our internal control over financi
emerging growth company, we expect to avail ourselves of the exemption from the requirement th
registered public accounting firm attest to the effectiveness of our internal control over financial re
Section 404. However, we may no longer avail ourselves of this exemption when we cease to be a
company. When our independent registered public accounting firm is required to undertake an ass
control over financial reporting, the cost of our compliance with Section 404 will correspondingly
with applicable provisions of Section 404 will require that we incur substantial accounting expens
management time on compliance-related issues as we implement additional corporate governance
with reporting requirements. Moreover, if we are not able to comply with the requirements of Sect
in a timely manner, or if we or our independent registered public accounting firm identifies deficie
control over financial reporting that are deemed to be material weaknesses, the market price of our
we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which
additional financial and management resources.

Investor perceptions of our company may suffer if material weaknesses are found, and this could c
market price of our common stock. Irrespective of compliance with Section 404, any failure of our
financial reporting could harm our operating results and reputation. If we are unable to implement
effectively or efficiently, it could harm our operations, financial reporting, or financial results and
opinion on our internal controls from our independent registered public accounting firm.

Provisions in our amended and restated certificate of incorporation and amended and restated b
Delaware law might discourage, delay or prevent a change of control of our company or change
and, therefore, depress the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain pr
depress the trading price of our common stock by acting to discourage, delay or prevent a change o
or changes in our management that the stockholders of our company may deem advantageous. The

authorize the issuance of blank check preferred stock that our board of directors could
number of outstanding shares to discourage a takeover attempt;

prohibit stockholder action by written consent, which requires all stockholder actions to
our stockholders;

prohibit stockholders from calling a special meeting of our stockholders;

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provide that the board of directors is expressly authorized to make, alter or repeal our by

establish advance notice requirements for nominations for elections to our board of direc
matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which gene
Delaware corporation from engaging in any of a broad range of business combinations with any i
period of three years following the date on which the stockholder became an interested stockhol
discourage, delay or prevent a change of control of our company.

Any provision of our amended and restated certificate of incorporation, bylaws or Delaware law th
delaying or deterring a change in control could limit the opportunity for our stockholders to receiv
shares of our common stock, and could also affect the price that some investors are willing to pay

***Our amended and restated certificate of incorporation will provide that the Court of Chancery o
will be the exclusive forum for substantially all disputes between us and our stockholders, which
stockholders ability to obtain a favorable judicial forum for disputes with us or our directors, o***

Our amended and restated certificate of incorporation provides that the Court of Chancery of the S
exclusive forum for: any derivative action or proceeding brought on our behalf; any action assertin
duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation
restated certificate of incorporation or our bylaws; or any action asserting a claim against us that is
affairs doctrine. The choice of forum provision may limit a stockholder s ability to bring a claim i
finds favorable for disputes with us or our directors, officers or other employees, which may disco
against us and our directors, officer and other employees. If a court were to find the choice of foru
our amended and restated certificate of incorporation to be inapplicable or unenforceable in an acti
additional costs associated with resolving such action in other jurisdictions, which could harm our
condition.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMEN

This prospectus contains forward-looking statements that involve substantial risks and uncertaintie
than statements of historical facts contained in this prospectus, including statements regarding our
condition, business strategy and plans and objectives of management for future operations, are for
In some cases, you can identify forward-looking statements by terminology such as anticipate,
design, estimate, expect, intend, may, plan, potentially, predict, project,
similar expressions.

We have based these forward-looking statements largely on our current expectations and projectio
and financial trends that we believe may affect our financial condition, results of operations, busin
needs. These forward-looking statements are subject to a number of risks, uncertainties and assum
section titled Risk Factors. These risks are not exhaustive. Other sections of this prospectus incl
could adversely impact our business and financial performance. Moreover, we operate in a very co
changing environment. New risk factors emerge from time to time, and it is not possible for our m
risk factors nor can we assess the impact of all factors on our business or the extent to which any f
factors, may cause actual results to differ materially from those contained in, or implied by, any fo
statements.

These forward-looking statements include, but are not limited to, statements concerning the follow

- our ability to grow and retain our customer base, both domestically and internationally;
- our ability to provide effective customer support and induce our customers to renew and subscriptions;
- our ability to expand our sales organization to address effectively the new industries, geo organizations we intend to target;
- our ability to forecast and maintain an adequate rate of revenue growth and appropriately
- our ability to displace existing products addressing learning management applications, al continued acceptance of SaaS as an effective method for delivering our applications;
- the effects of seasonal and cyclical trends on our results of operations;
- the attraction and retention of qualified employees and key personnel;

our ability to protect and enhance our brands and intellectual property;

costs related to defending intellectual property infringement and other claims;

the effects of increased competition and alternatives to our platform and applications and
successfully differentiate our platform and applications;

our expectations concerning our relationships and actions with third parties;

future regulatory, judicial and legislative changes in our industry; and

future arrangements with, or investments in, other entities or associations, products, serv

You should not rely upon forward-looking statements as predictions of future events. We cannot as
and circumstances reflected in the forward-looking statements will be achieved or occur. Although
expectations reflected in the forward-looking statements are reasonable, we cannot guarantee futur
activity, performance or achievements. Except as required by law, we undertake no obligation to u
forward-looking statements for any reason after the date of this prospectus or to conform these stat
or to changes in our expectations.

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In addition, statements that we believe and similar statements reflect our beliefs and opinions or
statements are based upon information available to us as of the date of this prospectus, and while w
information forms a reasonable basis for such statements, such information may be limited or inco
statements should not be read to indicate that we have conducted an exhaustive inquiry into, or rev
available relevant information. These statements are inherently uncertain and investors are caution
upon these statements.

You should read this prospectus and the documents that we reference in this prospectus and have f
registration statement of which this prospectus forms a part with the understanding that our actual
activity, performance and achievements may be materially different from what we expect. We qua
forward-looking statements by these cautionary statements.

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INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and t
operate, including our general expectations and market position, market opportunity and market si
information from various sources including the independent industry publications set forth below,
number of assumptions and limitations. Although we are responsible for all of the disclosure conta
and we believe the information from the industry publication and other third-party sources include
reliable, such information is inherently imprecise. The content of the below sources, except to the
forth in this prospectus, does not constitute a portion of this prospectus and are not incorporated he

ECAR *The Current Ecosystem of Learning Management Systems in Higher Education: S Perspectives* (September 2014)

IDC *Worldwide and U.S. Human Capital Management Applications 2015-2019 Forecas*

MarketsandMarkets *Learning Management Systems (LMS) Market: Worldwide Market F* (2013-2018) (October 2013)

Brandon Hall Group *LMS Trends 2014: Satisfaction and Spending* (February 2014)

The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety
those described in the section titled Risk Factors and elsewhere in this prospectus. These and ot
results to differ materially from those expressed in the estimates made by the independent parties a

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of common stock in this offering
$ million, based on an assumed initial public offering price of $ per share, the midpoint
on the cover page of this prospectus, after deducting underwriting discounts and commissions and
expenses payable by us. If the underwriters exercise in full their over-allotment option to purchase
estimate that the net proceeds will be approximately $ million, after deducting underwriting d
commissions and estimated offering expenses payable by us.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share wou
net proceeds by $ million, assuming the number of shares offered by us, as set forth on the co
prospectus, remains the same, after deducting underwriting discounts and commissions and estima
payable by us. Each increase (decrease) by 1,000,000 shares in the number of shares offered by us
(decrease) the net proceeds from this offering by $ million, assuming the assumed initial publ
the same, after deducting underwriting discounts and commissions.

The principal purposes of this offering are to increase our capitalization and financial flexibility, in
the marketplace and create a public market for our common stock. As of the date of this prospectus
certainty all of the particular uses for the net proceeds to us from this offering. However, we curren
proceeds to us from this offering primarily for general corporate purposes, including working capit
activities, research and development activities, general and administrative matters and capital expe
use a significant portion of the net proceeds from this offering to fund the expansion of our busines
our direct sales organization and marketing programs, particularly for corporate customers, and ma
research and development teams to support the development of new applications and new features
of, our existing applications. We may also use a portion of the net proceeds from this offering for t
investment in, technologies, solutions or businesses that complement our business, although we ha
commitments or agreements to enter into any such acquisitions or investments. We will have broad
of the net proceeds from this offering and investors will be relying on the judgment of our manage
application of the net proceeds from this offering. Pending these uses, we plan to invest the net pro
this offering in short-term and intermediate-term interest-bearing obligations, investment-grade inv
deposit, or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We intend to retain all availab
earnings, if any, to fund the development and expansion of our business and we do not anticipate p
in the foreseeable future. The terms of our credit facility also restrict our ability to pay dividends, a
into debt instruments in the future that will restrict our ability to declare or pay cash dividends on c
future determination related to dividend policy will be made at the discretion of our board of direct
dependent on a number of factors, including our earnings, capital requirements and overall financi

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2015

on an actual basis;

on a pro forma basis, to reflect (i) the conversion of all outstanding shares of our preferre
of 22,465,711 shares of common stock upon the closing of this offering and (ii) the filin
amended and restated certificate of incorporation; and

on a pro forma as adjusted basis, to further reflect the sale by us of shares of com
at an assumed initial public offering price of $ per share, the midpoint of the price r
cover page of this prospectus, after deducting underwriting discounts and commissions a
expenses payable by us.

You should read the information in this table together with our consolidated financial statements a
elsewhere in this prospectus and the sections titled Selected Consolidated Financial Data, and
Analysis of Financial Condition and Results of Operations.

	As of Ju		
	Actual		Pr For (una
	(in thousands, ex shar		
Cash and cash equivalents	$	13,608	$
Redeemable convertible preferred stock, $0.0001 par value: 22,629,937 shares authorized and 22,465,711 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	$	93,770	$
Stockholders (deficit) equity:			
Preferred stock, $0.0001 par value: no shares authorized, issued or outstanding, actual; and shares authorized and no shares issued or outstanding, pro forma and pro forma as adjusted			
Common stock, $0.0001 par value: 39,900,000 shares authorized, 11,400,351 shares issued and 9,707,643 shares outstanding, actual; shares authorized and shares issued and outstanding, pro forma; and shares authorized and shares issued and outstanding, pro forma as adjusted		1	
Treasury stock, 1,692,708 common shares, at cost		(1)	

Additional paid-in capital	20,590	
Accumulated other comprehensive income	(1)	
Accumulated deficit	(120,567)	
Total stockholders (deficit) equity	(99,978)	
Total capitalization	$ (6,208)	$

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, t
range set forth on the cover page of this prospectus, would increase (decrease) each of cash and
additional paid-in capital, total stockholders (deficit) equity and total capitalization by $
number of shares offered by us, as set forth on the cover page of this prospectus, remains the sa
underwriting discounts and commissions and estimated offering expenses payable by us. We m
decrease the number of shares we are offering. Each increase (decrease) of 1,000,000 shares in
offered by us would increase (decrease) cash and cash equivalents, additional paid-in capital, to
equity and total capitalization by $ million, assuming the assumed initial public offering p
after deducting underwriting discounts and commissions. The pro forma as adjusted informatio
illustrative only and will be adjusted based on the actual initial public offering price and other t
determined at pricing.

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The number of shares of common stock to be outstanding after this offering is based on 32,173,35
outstanding as of June 30, 2015, and excludes:

- 5,467,958 shares of common stock issuable upon the exercise of outstanding stock optio
with a weighted-average exercise price of $3.51 per share;

- 155,000 shares of common stock issuable upon the exercise of outstanding warrants as o
weighted-average exercise price of $1.41 per share;

- 974,896 shares of common stock reserved for future issuance under our 2010 Equity Inc
will cease to be available for issuance at the time our 2015 Equity Incentive Plan become
with this offering;

- 3,000,000 shares of common stock reserved for future issuance under our 2015 Equity In
any automatic increases in the number of shares of common stock reserved for future iss
which will become effective upon the execution of the underwriting agreement for this o

- 500,000 shares of common stock reserved for future issuance under our 2015 Employee
Plan, as well as any automatic increases in the number of shares of common stock reserv
issuance under this benefit plan, which will become effective upon the execution of the u
agreement for this offering.

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DILUTION

If you invest in our common stock in this offering, your interest will be diluted to the extent of the
initial public offering price per share of common stock and the pro forma as adjusted net tangible b
our common stock after the closing of the offering.

Our pro forma net tangible book value as of June 30, 2015 was $ million, or $ per share,
conversion of all outstanding shares of our preferred stock into an aggregate of 22,465,711 shares
the closing of this offering. Pro forma net tangible book value per share is determined by subtracti
from the total book value of our tangible assets and dividing the difference by the number of share
deemed to be outstanding at that date.

After giving effect to the sale of shares of common stock in this offering at an assumed ini
of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, a
underwriting discounts and commissions and estimated offering expenses payable by us, our pro fo
tangible book value as of June 30, 2015, would have been $ million, or $ per share. This
increase in pro forma as adjusted net tangible book value of $ per share to our existing stockh
dilution of $ per share to new investors purchasing common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share
Pro forma net tangible book value per share as of June 30, 2015
Increase in pro forma net tangible book value per share attributable to new investors in this offering
Pro forma as adjusted net tangible book value per share after this offering
Dilution in net tangible book value per share to new investors in this offering

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share woul
pro forma as adjusted net tangible book value per share after this offering by $ per share and t
investors by $ per share, assuming the number of shares offered by us, as set forth on the cove
remains the same and after deducting underwriting discounts and commissions and estimated offer
us. Similarly, each increase of 1,000,000 shares in the number of shares of common stock offered
pro forma as adjusted net tangible book value by $ per share and decrease the dilution to new
share, assuming the assumed initial public offering price remains the same and after deducting und
commissions. Similarly, each decrease of 1,000,000 shares in the number of shares of common sto
decrease the pro forma as adjusted net tangible book value by $ per share and increase the dil
$ per share, assuming the assumed initial public offering price remains the same and after ded
discounts and commissions.

If the underwriters option to purchase additional shares to cover over-allotments is exerci
as adjusted net tangible book value per share after giving effect to this offering would be $ pe

immediate increase to existing stockholders of $ per share, and immediate dilution to new inv
$ per share.

The following table summarizes, as of June 30, 2015, on the pro forma as adjusted basis described

- the total number of shares of common stock purchased from us by our existing stockhold
purchasing shares in this offering;

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the total consideration paid to us by our existing stockholders and by new investors purc
this offering, assuming an initial public offering price of $ per share, the midpoint o
the cover page of this prospectus, before deducting underwriting discounts and commiss
offering expenses payable by us in connection with this offering; and

the average price per share paid by existing stockholders and by new investors purchasin

	Shares Purchased		Total Conside
	Number	Percent	Amount
Existing stockholders	32,173,354	%	$
New investors			
Total		100%	$

The tables and calculations above are based on 32,173,354 shares of common stock outstanding as
exclude:

5,467,958 shares of common stock issuable upon the exercise of outstanding stock optio
with a weighted-average exercise price of $3.51 per share;

155,000 shares of common stock issuable upon the exercise of outstanding warrants as o
weighted-average exercise price of $1.41 per share;

974,896 shares of common stock reserved for future issuance under our 2010 Equity Inc
will cease to be available for issuance at the time our 2015 Equity Incentive Plan become
with this offering;

3,000,000 shares of common stock reserved for future issuance under our 2015 Equity In
any automatic increases in the number of shares of common stock reserved for future iss
which will become effective upon the execution of the underwriting agreement for this o

500,000 shares of common stock reserved for future issuance under our 2015 Employee
well as any automatic increases in the number of shares of common stock reserved for fu
plan, which will become effective upon the execution of the underwriting agreement for

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would i
total consideration paid to us by new investors by $ million assuming the number of shares of
on the cover page of this prospectus, remains the same and before deducting underwriting discount

estimated expenses payable by us.

To the extent any outstanding options or warrants are exercised, new options are issued under our
we issue additional shares of common stock in the future, there will be further dilution to investors
offering. If all outstanding options and warrants as of June 30, 2015 were exercised, then our exist
including the holders of these options and warrants, would own % and new investors would own
of shares of common stock outstanding upon the closing of this offering.

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SELECTED CONSOLIDATED FINANCIAL DATA

You should read the selected consolidated financial data below in conjunction with Management
of Financial Condition and Results of Operations and the consolidated financial statements, relate
information included elsewhere in this prospectus. The selected consolidated financial data in this
to replace the consolidated financial statements and are qualified in their entirety by the consolidat
and related notes included elsewhere in this prospectus.

The following selected consolidated statements of operations data for the years ended December 3
consolidated balance sheet data as of December 31, 2013 and 2014 have been derived from our au
financial statements included elsewhere in this prospectus. The consolidated statement of operatio
December 31, 2012 has been derived from our audited financial statements not included in this pro
consolidated statements of operations data for the six months ended June 30, 2014 and 2015 and th
sheet data as of June 30, 2015 are derived from our unaudited interim consolidated financial staten
in this prospectus. Our unaudited interim consolidated financial statements were prepared on a bas
audited consolidated financial statements and include, in our opinion, all adjustments, consisting o
adjustments, that we consider necessary for a fair presentation of the financial information set fort
included elsewhere in this prospectus. Our historical results are not necessarily indicative of the re
expected in the future.

	Year Ended December 31,		
	2012	2013	2014
	(in thousands, except pe		
Consolidated Statements of Operations Data:			
Revenue:			
Subscription and support	$ 7,403	$ 22,456	$ 38,093
Professional services and other	1,371	3,599	6,259
Total revenue	8,774	26,055	44,352
Cost of revenue:			
Subscription and support[1]	4,346	8,581	12,131
Professional services and other[1]	2,748	2,039	2,982
Total cost of revenue[1]	7,094	10,620	15,113
Gross profit	1,680	15,435	29,239
Operating expenses:			
Sales and marketing[1]	11,912	20,702	35,390
Research and development[1]	4,698	11,242	21,290
General and administrative[1]	3,411	5,321	11,268

Total operating expenses	20,021	37,265	67,948
Loss from operations	(18,341)	(21,830)	(38,709)
Other income (expense):			
Interest income	8	22	32
Interest expense	(7)	(150)	(136)
Change in fair value of warrant liability	(199)	(545)	(2,518)
Other income (expense), net	3	4	(39)
Total other expense, net	(195)	(669)	(2,661)
Loss before income taxes	(18,536)	(22,499)	(41,370)
Income tax expense			(57)
Net loss	$ (18,536)	$ (22,499)	$ (41,427)

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	Year Ended December 31, 2012	2013	2014
	(in thousands, except per s		
Deemed dividends to investors	$	$ (353)	$
Net loss attributable to common stockholders	$ (18,536)	$ (22,852)	$ (41,427)
Net loss per common share attributable to common stockholders, basic and diluted(2)	$ (3.57)	$ (4.05)	$ (4.98)
Weighted average common shares used in computing basic and diluted net loss per common share attributable to common stockholders(2)	5,185	5,642	8,312
Pro forma net loss per common share attributable to common stockholders, basic and diluted (unaudited)(2)			$ (1.37)
Pro forma weighted average common shares used in computing basic and diluted net loss per common share attributable to common stockholders (unaudited)(2)			30,218

(1) Includes stock-based compensation as follows:

	Year Ended December 31, 2012	2013	2014
	(in thousar		
Cost of revenue:			
Subscription and support	$ 7	$ 28	$ 258
Professional services and other	5	8	39
Sales and marketing	473	1,597	2,877
Research and development	442	1,585	3,971
General and administrative	910	374	1,053
Total stock-based compensation	$ 1,837	$ 3,592	$ 8,198

(2)

See Note 1 to our consolidated financial statements for an explanation of the method used to ca
pro forma net loss per common share attributable to common stockholders.

	As of Decembe
	2013
	(in t
Consolidated Balance Sheet Data:	
Cash and cash equivalents	$ 13,138
Working capital, excluding deferred revenue	22,023
Total assets	41,169
Deferred revenue	19,466
Total liabilities	35,155
Redeemable convertible preferred stock	49,092
Total stockholders deficit	(43,078)

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Non-GAAP Financial Measure

In addition to our results determined in accordance with U.S. generally accepted accounting princi
believe the following non-GAAP measure is useful in evaluating our operating performance. We r
measure set forth below as we evaluate our business.

	Year Ended December 31,		
	2012	2013	2014
			(unaudited)
			(in thousands)
Other Financial Data:			
Non-GAAP operating loss [1]	$ (16,286)	$ (17,704)	$ (29,280)

(1) We define non-GAAP operating loss as operating loss before stock-based compensation, payro
on secondary stock purchase transactions and amortization of acquisition-related intangibles.

We believe non-GAAP operating loss provides investors and other users of our financial informati
comparability with our past financial performance and facilitates period-to-period comparisons of
non-GAAP operating loss is useful in evaluating our operating performance compared to that of ot
industry, as this metric generally eliminates the effects of certain items that may vary for different
unrelated to overall operating performance. We use non-GAAP operating loss in conjunction with
measures as part of our overall assessment of our performance, including the preparation of our an
and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate
directors concerning our financial performance.

Our definition may differ from the definitions used by other companies and therefore comparabilit
addition, other companies may not publish this or similar metrics. Thus, our non-GAAP operating
in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with G

We compensate for these limitations by providing investors and other users of our financial inform
non-GAAP operating loss to the related GAAP financial measure, loss from operations. We encou
to review our financial information in its entirety, not to rely on any single financial measure and t
operating loss in conjunction with the related GAAP financial measure.

The following table provides a reconciliation of loss from operations to non-GAAP operating loss:

	Year Ended December 31,		
	2012	2013	2014
			(unaudited)

			(in thousands)
Loss from operations	$ (18,341)	$ (21,830)	$ (38,709)
Stock-based compensation	1,837	3,592	8,198
Payroll tax expense on secondary stock purchase transactions	218	534	1,225
Amortization of acquisition-related intangibles			6
Non-GAAP operating loss	$ (16,286)	$ (17,704)	$ (29,280)

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION / OPERATIONS

The following discussion and analysis of our financial condition and results of operations should b with our consolidated financial statements and related notes that appear elsewhere in this prospec historical consolidated financial information, the following discussion contains forward-looking st plans, estimates and beliefs. Our actual results could differ materially from those discussed in the j statements. Factors that could cause or contribute to these differences include those discussed belo particularly in the section titled Risk Factors and elsewhere in this prospectus.

Overview

We provide an innovative, cloud-based learning management platform for academic institutions ar We built our learning management applications, Canvas, for the education market, and Bridge, for enable our customers to easily develop, deliver and manage engaging face-to-face and online learn platform combines powerful, elegant and easy-to-use functionality with the reliability, security, sca required by our customers.

We offer our platform through a Software-as-a-Service, or SaaS, business model. Customers can ra applications with minimal upfront implementation. Customers also benefit from automatic softwar no downtime. Our SaaS business model substantially reduces the need for our customers to buy an of IT infrastructure, and significantly reduces the cost, complexity and disruptions associated with upgrades of on-premise software.

We were founded in 2008, and in 2011, we launched Canvas, with the goal to make teaching and l we focused on the U.S. education market, targeting colleges and universities. In 2012, we expande K-12 market in the United States. We opened our international headquarters in London, England ir offices in Sydney, Australia and Hong Kong. To date, a substantial majority of our revenue has bee of Canvas to the U.S. education market. While our initial efforts were focused on the education ma companies also needed a cloud-based learning management platform to enable them to better train initial corporate customers licensed Canvas for this purpose. In February 2015, we launched Bridg further realize the benefits of our cloud-based platform with an application specifically designed to result of its recent launch, we have not yet generated significant sales of Bridge.

We sell our applications and services primarily through a direct sales force and we engage in a var online marketing activities designed to provide sales lead generation, sales support and market awa academic customers implement Canvas widely within their institutions and across school districts. initial deployments allows us to efficiently and broadly promote adoption and utilization of Canvas Our corporate customers generally implement Canvas, and now Bridge, by way of initial deployme area, before purchasing additional seats and expanding within the organization. We believe there is to continue to penetrate our existing corporate customers and expand the use of Bridge within thes

As of June 30, 2015, we have grown to serve more than 1,400 customers, representing colleges, un districts, and companies in more than 25 countries. Our customers range from a single school to la academic institutions and accordingly our total contract values range from thousands of dollars to s We generally define a customer as an entity with a subscription contract as of the measurement dat

there is a single contract that applies to entities with multiple subsidiaries or divisions, universities
organizations, only the entity that has contracted for our platform is counted as a customer. For exa
school district is counted as a single customer even

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though the school district encompasses multiple schools. In 2014, no single customer represented r
revenue.

Our subscription fee includes the use of our platform and our technical support and is based on the
also generate revenue from training, implementation services and other types of professional servic
net revenue retention rates of over 100% at each of December 31, 2012, 2013 and 2014. For 2012,
revenue was $8.8 million, $26.1 million and $44.4 million, respectively, representing year-over-ye
70%. For 2012, 2013 and 2014, our net losses were $18.5 million, $22.5 million and $41.4 million
months ended June 30, 2015, our revenue was $30.5 million and we incurred a net loss of $30.6 m

Our Business Model

Since we introduced Canvas in February 2011, we have grown to over 1,400 customers as of June
model focuses on maximizing the lifetime value of a customer relationship and we continue to mal
in order to grow our customer base. These investments include significant upfront costs, including
marketing expenses, such as sales commissions, and costs related to initial training, implementatio
which are generally expensed in the period incurred. The majority of our sales and marketing costs
acquisition of new customers. However, due to our subscription model, we recognize revenue ratal
subscription period. As a result, the profitability of a customer to our business in any particular per
how long a customer has been a subscriber. In general, the associated upfront costs with respect to
in the first year than the aggregate revenue we recognize from those new customers in the first yea
recognition of professional services revenue. We believe that, over time, as our customer base grov
percentage of our revenue is attributable to renewals versus new customers or upsells to existing cu
and marketing and other allocated upfront costs as a percentage of revenue will decrease.

To provide a better understanding of our business model, we are providing our calculation of contr
percentage for the six months ended June 30, 2015 for a set of customer cohorts. Each cohort is co
who commenced their application subscriptions in a particular year. As we introduced Canvas in F
comprises the earliest customer cohort. We believe this cohort analysis will help investors understa
long-term value of our customers.

We define contribution margin for a period as the revenue recognized from the customer cohort in
estimated, allocated variable costs for the period associated with such revenue. The costs allocated
personnel costs associated with the sales and marketing teams that support the customer, such as sa
allocated management overhead expenses. As the majority of our sales and marketing costs are rel
new customers, these costs are mainly allocated to the newest cohort in a given period. Costs alloc
include the costs associated with use of our technology infrastructure and web hosting, and person
operations, professional services and customer success teams that support the customer. These cos
usage, number of support tickets and overall support provided. Personnel costs exclude stock-base
In addition, we exclude all research and development and general and administrative expenses fro
these expenses support the growth of our business generally. We define contribution margin perce
margin divided by revenue associated with such cohort in a given period.

The following table shows contribution margin percentage of each customer cohort during the six
2015:

	Customer Cohort			
	2011	**2012**	**2013**	**2014**
Contribution margin	54%	61%	63%	49

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The contribution margin of our customer cohorts will fluctuate from one period to another dependi
customers remaining in each cohort, upsells of additional features and applications, and changes in
fees, as well as changes in our variable costs. We may not experience similar financial outcomes fr
who subscribe to our applications. We do not yet have enough operating history to measure the life
relationships. Therefore, we cannot predict the average duration of a customer relationship in any c

The allocated expenses or relationship of revenue to variable costs is not necessarily indicative of f
we cannot predict whether future contribution margin analyses will be similar to the above analysi
calculate contribution margin differently than our chosen method and, therefore, may not be direct
not yet achieved profitability, and even if our revenue exceeds these variable costs over time, we m
and maintain profitability.

Key Factors Affecting Our Performance

Investment in Sales and Marketing Organization

We continue to invest in our sales and marketing organization to drive additional revenue and supp
customer base. Any investments we make in our sales and marketing organization will occur in ad
any benefits from such investments, so it may be difficult for us to determine if we are efficiently a
in these areas. We plan to continue to expand sales and marketing to grow our customer base and i
customers. This expansion is expected to include adding sales personnel and expanding our marke
to generate additional leads and build brand awareness.

We intend to expand and continue to invest in our international sales and marketing organization, w
an important factor in our continued growth. As we grow internationally, we may use reseller partn
penetrate new markets. In 2014 and the six months ended June 30, 2015, 4% and 6%, respectively,
derived from outside the United States. Our international operations are relatively new and we hav
operating in international markets, which increases the risk that our international expansion efforts

Investment in Technology

We have aggressively invested, and intend to continue to invest, in developing technology to suppo
expect our research and development expenses to increase as we expand headcount. While we inve
and development, we have also built a foundation for innovation through our approach to the learn
as a learning platform. However, our investments in research and development may result in enhan
applications that may not achieve market adoption, are more expensive to develop than anticipated
generate revenue or may generate less revenue than we anticipate.

Net Revenue Retention Rate

We calculate our net revenue retention rate by dividing the total revenue obtained from a particular
month by the total revenue from that customer from the same month in the immediately preceding
contemplates all changes to revenue for the designated customer, which includes customer termina
quantities of users, changes in pricing, additional applications purchased or applications no longer
net revenue retention for our entire customer base at a given point in time. We believe our net reve
important metric to measure the long-term value of customer agreements and our ability to retain c

revenue retention rate was over 100% at each of December 31, 2013 and 2014 and at each of June

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Financial Operations Overview

Revenue

We generate revenue primarily from two main sources: (1) subscription and support revenue, whic
fees from customers accessing our learning management systems and from customers purchasing a
the standard support that is included in the basic SaaS fees; and (2) related professional services re
comprised of training, implementation services and other types of professional services.

Subscription revenue is derived from customers using our cloud-based learning platform and is dri
number of customers, the number of users at each customer, the price of our applications, and to a
renewal rates. Support revenue is derived from customers purchasing additional support beyond th
included in the basic SaaS fee. Our contracts typically vary in length between one and five years. S
are non-cancelable and are billed in advance on an annual basis. All subscription and support fees
recorded in deferred revenue and recognized ratably over the subscription term. Amounts that have
reflected in our consolidated financial statements.

Professional services and other revenue are derived primarily from implementation, training, and c
standard implementation takes anywhere from 30 to 90 days depending on customer-side complex
includes regularly scheduled and highly-structured activities to ensure customers progress toward a
applications. Most of these interactions take place over the phone and through the use of web meet
Implementation revenue is recorded over the longer of the contract term or the estimated customer

We include training with every implementation and offer additional training for a fee. The training
creating confidence among users so they can be successful with our applications. Most training is p
web meeting technology. Because we have an established standalone value, we record training rev
the training.

In addition to our implementation and training offerings, we provide consulting services for custon
development, integrations, content services and change management consulting. These services are
customer adoption of our applications and to drive usage of features and capabilities that are uniqu
have an established standalone value for these services. In situations where we are unable to utilize
performance method, for example due to either the lack of adequate documentation of time incurre
recognize revenue based on the milestone method if individual milestones with substantive value t
neither of these two methods is able to be utilized, revenue recognition is deferred until the contrac

Cost of Revenue

Cost of subscription and support revenue consists primarily of the costs of our managed hosting pr
third-party service providers, employee-related costs including payroll, benefits and stock-based co
our operations and customer support teams, amortization of capitalized software development cost
technology, and allocated overhead costs, which we define as rent, facilities and costs related to in
IT.

Cost of professional services and other revenue consists primarily of personnel costs of our profess
organization, including salaries, benefits, travel, bonuses and stock-based compensation, as well as

costs.

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Operating Expenses

Sales and Marketing. Sales and marketing expenses consist primarily of personnel costs of our sal
employees, including sales commissions and incentives, benefits and stock-based compensation ex
programs, including lead generation, costs of our annual InstructureCon user conference and alloc
immediately expense sales commissions related to acquiring new customers and upsells from exist
expect sales and marketing expenses will increase as a result of hiring net new quota-carrying sale
and outside the United States, adding to the marketing staff and expanding our annual InstructureC
potentially adding other annual conferences. Over time, we expect sales and marketing expenses w
percentage of total revenue.

Research and Development. Research and development expenses consist primarily of personnel co
team, including payroll, benefits and stock-based compensation expense and allocated overhead co
software development costs that are attributable to developing new applications, features and addi
functionality to our platform and amortize such costs as costs of subscription revenue over the esti
application or incremental functionality, which is generally three years. We expect research and de
increase in absolute dollars as we continue to increase the functionality of our software platform.

General and Administrative. General and administrative expenses consist of personnel costs and re
executive, finance, legal, human resources, recruiting, employee-related information technology, a
including payroll, benefits and stock-based compensation expense; professional fees for external le
consulting services; and allocated overhead costs. We expect that general and administrative expe
absolute dollar basis but decrease as a percentage of total revenue as we focus on processes, syste
our internal support functions to scale with the growth of our business. We also anticipate increase
administrative expenses as we incur the costs of compliance associated with being a publicly-trade
legal, audit and consulting fees.

Other Income (Expense)

Other income (expense) consists primarily of interest expense and the change in fair value of warr
subject to mark-to-market adjustments as of each reporting period. In February 2015, preferred sto
exercised which resulted in the reclassification of the warrant liability of $3.9 million to additional
historically had a minimal amount of debt outstanding on which we pay interest. As we have expa
operations our exposure to fluctuations in foreign currencies has increased.

Income Tax Expense

We are subject to income taxes in the United States and foreign jurisdictions in which we do busin
jurisdictions have statutory tax rates different from those in the United States. Accordingly, our eff
depending on the relative proportion of foreign to U.S. income and changes in tax laws.

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Results of Operations

The following tables set forth certain consolidated financial data in dollar amounts and as a percen

	Year Ended December 31, 2013	2014
		(in thous
Revenue:		
Subscription and support	$ 22,456	$ 38,093
Professional services and other	3,599	6,259
Total revenue	26,055	44,352
Cost of revenue:		
Subscription and support	8,581	12,131
Professional services and other	2,039	2,982
Total cost of revenue	10,620	15,113
Gross profit	15,435	29,239
Operating expenses:		
Sales and marketing	20,702	35,390
Research and development	11,242	21,290
General and administrative	5,321	11,268
Total operating expenses	37,265	67,948
Loss from operations	(21,830)	(38,709)
Other income (expense):		
Interest income	22	32
Interest expense	(150)	(136)
Change in fair value of warrant liability	(545)	(2,518)
Other income (expense), net	4	(39)
Total other expense, net	(669)	(2,661)
Loss before income taxes	(22,499)	(41,370)
Income tax expense		(57)
Net loss	$ (22,499)	$ (41,427)

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	Year Ended December 31,	
	2013	2014
	(as a percentage of t	
Revenue:		
Subscription and support	86%	86%
Professional services and other	14	14
Total revenue	100	100
Cost of revenue:		
Subscription and support	33	27
Professional services and other	8	7
Total cost of revenue	41	34
Gross profit	59	66
Operating expenses:		
Sales and marketing	79	80
Research and development	43	48
General and administrative	20	25
Total operating expenses	142	153
Loss from operations	(83)	(87)
Other income (expense):		
Interest income	0	0
Interest expense	(1)	0
Change in fair value of warrant liability	(2)	(6)
Other income (expense), net	0	0
Total other expense, net	(3)	(6)
Loss before income taxes	(86)	(93)
Income tax expense		0
Net loss	(86)%	(93)%

Six Months Ended June 30, 2014 Compared to the Six Months Ended June 30, 2015

Revenue

	Six Months Ended June 30,	
	2014	2015
	(dollars in	
Subscription and support	$ 15,724	$ 25,94
Professional services and other	2,452	4,55
Total revenue	$ 18,176	$ 30,50

Subscription and support revenue increased $10.2 million for the six months ended June 30, 2015 p
increase in the total number of customers, which grew from approximately 750 as of June 30, 2014
June 30, 2015.

Professional services and other revenue increased $2.1 million for the six months ended June 30, 2
increase in new customers and the sale of premium implementations, which include additional pro
onsite training.

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Cost of Revenue and Gross Margin

	Six Months Ended June 30,	
	2014	2015
	(dollars in	
Cost of revenue:		
Subscription and support	$ 5,086	$ 7,613
Professional services and other	1,118	2,830
Total cost of revenue	$ 6,204	$ 10,443
Gross margin percentage:		
Subscription and support revenue	68%	71
Professional services and other	54	38
Total gross margin	66	66

Total cost of revenue increased $4.2 million for the six months ended June 30, 2015 primarily due employee-related costs, web hosting costs and amortization of developed technology. Total gross as the impact of improved leverage of our web hosting costs relative to the growth in subscription offset by higher costs of professional services and other revenue.

Subscription and support cost of revenue increased $2.5 million for the six months ended June 30, increase in employee-related costs, web hosting and third-party software license costs, amortizatio technology and overhead allocations. Employee-related costs increased $1.2 million as we continu support organization to support our customer growth and improve service levels and offerings. We software license costs increased $1.0 million due to the increase in total customers. Amortization c development costs increased $0.2 million due to the continued development of our software platfo expenses increased $0.1 million primarily due to higher rent expense and the depreciation of capita

Professional services and other costs of revenue increased $1.7 million for the six months ended Ju due to an increase in employee-related costs, travel costs, outside contractors and overhead allocat costs increased $1.3 million as we continued to grow our professional services organization to sup and improve service levels and offerings. Travel costs increased $0.2 million as our premium impl onsite training. Outside contractor costs increased $0.1 due to an increase in seasonal demand for t services. Allocated overhead expenses increased $0.1 million primarily due to higher rent expense capital equipment.

Operating Expenses

Sales and Marketing

	Six Months Ended June 30,	
	2014	2015
	(dollars in	
Sales and marketing	$ 14,191	$ 25,13

Sales and marketing expenses increased $10.9 million for the six months ended June 30, 2015 prin
in employee-related costs and sales commissions, expansion of marketing programs to new interna
markets, travel, overhead allocations and third-party services. Employee-related costs and sales co
million as a result of the hiring of additional employees and growth in our customer base. Marketin
increased $2.1 million as we launched Bridge in February 2015, expanded into international marke
attendance at InstructureCon, our annual user conference.

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Travel and other costs increased $0.9 million as we continued to expand our sales and marketing o
customer base.

Research and Development

	Six Months Ende	
	June 30,	
	2014	2015
		(dollars i
Research and development	$ 7,812	$ 10,9

Research and development expenses increased $3.1 million for the six months ended June 30, 201 increase in employee-related costs as we continue to grow our engineering organization to develop continue to develop additional features for Canvas and Bridge.

General and Administrative

	Six Months Ended	
	June 30,	
	2014	2015
		(dollars in
General and administrative	$ 4,183	$ 13,96

General and administrative expenses increased $9.8 million for the six months ended June 30, 201 increase in employee-related costs, including stock-based compensation, information technology, t and other expenses and overhead allocations. Stock-based compensation increased $6.7 million as expense associated with the purchase by an investor of common stock from current and former em over fair value. Employee-related costs increased $2.4 million as a result of the recruiting and hirin employees. Our information technology expenses increased $0.2 million as we continued to autom Third-party services increased $0.2 million due to tax and legal costs relating to our international e other expenses increased $0.2 million primarily due to our continued growth and international exp overhead expenses increased $0.1 million primarily due to higher rent expense and the depreciatio

Other Income (Expense)

	Six Months Ende	
	June 30,	
	2014	2015
		(dollars in
Other expense, net	$ (1,406)	$ (6

Other income (expense) includes interest income and expense and the impact of foreign currency t losses. Other expense decreased $0.7 million for the six months ended June 30, 2015 as the change

liability decreased due to the exercise of the redeemable convertible preferred stock warrants in Fe

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Year Ended December 31, 2013 Compared to the Year Ended December 31, 2014

Revenue

	Year Ended December 31,	
	2013	2014
	(dollars in	
Subscription and support	$ 22,456	$ 38,09
Professional services and other	3,599	6,25
Total revenue	$ 26,055	$ 44,35

Subscription and support revenue increased $15.6 million during 2014 due to an increase througho
customers, which grew from over 490 as of December 31, 2013 to over 1,000 as of December 31,

Professional services and other revenue increased $2.7 million primarily due to the increase in cust
customers purchasing premium implementations, which included additional professional services

Cost of Revenue and Gross Margin

	Year Ended December 31,	
	2013	2014
	(dollars in	
Cost of revenue:		
Subscription and support	$ 8,581	$ 12,13
Professional services and other	2,039	2,98
Total cost of revenue	$ 10,620	$ 15,11
Gross margin percentage:		
Subscription and support	62%	6
Professional services and other	43	5
Total gross margin	59	6

Total cost of revenue increased $4.5 million from 2013 to 2014 primarily due to an increase in wel
employee-related costs, amortization of developed and acquired technology, allocated overhead ex
services and travel. The increase in gross margin was primarily driven by additional efficiencies in
added additional customers during the period, as well as improved efficiencies within our professi
organization.

Subscription and support cost of revenue increased $3.6 million from 2013 to 2014 due to an incre
as a result of customer growth and corresponding headcount increases to service additional custom
increased $2.1 million due to growth in our customer base. Employee-related costs increased $1.2
hiring of additional employees. Allocated overhead expenses increased $0.2 million primarily due
and the depreciation of capital equipment. Amortization of capitalized software development costs
due to continued development of our software platform.

Professional services and other costs of revenue increased $0.9 million from 2013 to 2014 primaril
employee-related costs of $0.7 million as a result of the hiring of additional employees. Third-part
million and travel costs increased $0.1 million.

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Operating Expenses

Sales and Marketing

	Year Ended December 31,	
	2013	2014
	(dollars in	
Sales and marketing	$ 20,702	$ 35,39

Sales and marketing expenses increased $14.7 million from 2013 to 2014 primarily due to higher e
and sales commissions of $10.2 million. Marketing and advertising costs increased $1.6 million as
more market presence through increased exposure and an increase in attendees at our InstructureC
conference. Travel costs increased $1.3 million as a result of our higher customer base, along with
activities expanding into the international markets. Allocated overhead costs increased by $0.7 mil
expense and the depreciation of capital equipment. Third-party services increased $0.5 million due
expansion and information technology expenses increased $0.4 million as we continued to automa

Research and Development

	Year Ended December 31,	
	2013	2014
	(dollars in	
Research and development	$ 11,242	$ 21,29

Research and development expenses increased $10.0 million from 2013 to 2014 primarily due to h
costs of $8.4 million as a result of the hiring of additional employees as we continued to grow our
to develop new applications and continue to develop our existing software platform. Third-party se
million related to additional software platform enhancement costs. Allocated overhead costs increa
primarily due to higher rent expense and the depreciation of capital equipment. Travel costs increa
primarily related to the opening of our Chicago office for developers and the 12 Spokes acquisition
throughout the United States. Information technology expenses increased $0.2 million as we contin
internal systems.

General and Administrative

	Year Ended December 31,	
	2013	2014
	(dollars in	
General and administrative	$ 5,321	$ 11,26

General and administrative expenses increased $5.9 million primarily due to higher employee-relat
as a result of hiring additional employees as we continued to grow our business and required additi
our expanded operations. Professional fees increased $1.2 million a result of our international expa
accounting services. Third-party enterprise software fees increased $0.4 million as we required add
other operating systems to support our expanded operations. Allocated overhead costs increased by
higher rent expense and the depreciation of capital equipment.

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Other Income (Expense)

	Year Ended December 31,	
	2013	2014
	(dollars	
Other expense, net	$ (669)	$ (2,66

Other expense, net increased $2.0 million from 2013 to 2014 due to the expense recorded for the c
warrant liability.

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Quarterly Results of Operations

The following tables set forth our quarterly consolidated statements of operations for each of the fo
ended December 31, 2014 and the quarters ended March 31 and June 30, 2015, as well as the perce
each line item represents for each quarter. We have prepared the quarterly consolidated statements
basis consistent with the audited consolidated financial statements included elsewhere in this prosp
management, the financial information reflects all adjustments, consisting only of normal recurring
consider necessary for a fair presentation of this data. This information should be read in conjuncti
consolidated financial statements and related notes included elsewhere in this prospectus. The resu
are not necessarily indicative of the results for any future period.

	Three Months Ended			
	March 31, 2014	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014
	(unaudited) (in thousands)			
Revenue:				
Subscription and support	$ 7,558	$ 8,166	$ 10,604	$ 11,765
Professional services and other	1,052	1,400	1,836	1,971
Total revenue	8,610	9,566	12,440	13,736
Cost of revenue:				
Subscription and support[1]	2,478	2,608	3,245	3,800
Professional services and other[1]	463	655	861	1,003
Total cost of revenue	2,941	3,263	4,106	4,803
Gross profit	5,669	6,303	8,334	8,933
Operating expenses:				
Sales and marketing[1]	6,231	7,960	8,144	13,055
Research and development[1]	3,506	4,306	4,372	9,106
General and administrative[1]	1,823	2,360	2,707	4,378
Total operating expenses	11,560	14,626	15,223	26,539
Loss from operations	(5,891)	(8,323)	(6,889)	(17,606)
Other income (expense):				
Interest income	18	10	2	2
Interest expense	(28)	(29)	(39)	(40)
Change in fair value of warrant liability	(670)	(721)	(828)	(299)
Other income (expense), net	4	10	(2)	(51)

Total other expense, net	(676)	(730)	(867)	(388)
Loss before for income taxes	(6,567)	(9,053)	(7,756)	(17,994)
Income tax expense			(7)	(50)
Net loss	$ (6,567)	$ (9,053)	$ (7,763)	$ (18,044)

(1) Includes stock-based compensation as follows:

	Three Months Ende			
	March 31, 2014	**June 30, 2014**	**Sept. 30, 2014**	**Dec. 31, 2014**
	(unaudited) (in thousands)			
Cost of revenue:				
Subscription	$ 4	$ 6	$ 14	$ 234
Professional services and other	4	9	11	15
Sales and marketing	42	60	72	2,703
Research and development	45	116	146	3,664
General and administrative	84	121	122	726
Total stock-based compensation	$ 179	$ 312	$ 365	$ 7,342

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	Three Months Ended			
	March 31, 2014	**June 30, 2014**	**Sept. 30, 2014**	**Dec. 31, 2014**
	(as a percentage of total revenu			
Revenue:				
Subscription and support	88%	85%	85%	86%
Professional services and other	12	15	15	14
Total revenue	100	100	100	100
Cost of Revenue:				
Subscription and support	29	27	26	28
Professional services and other	5	7	7	7
Total cost of revenue	34	34	33	35
Gross profit	66	66	67	65
Operating expenses:				
Sales and marketing	72	83	65	95
Research and development	41	45	35	66
General and administrative	21	25	22	32
Total operating expenses	134	153	122	193
Loss from operations	(68)	(87)	(55)	(128)
Other income (expense):				
Interest income	0	0	0	0
Interest expense	0	0	0	0
Change in fair value of warrant liability	(8)	(8)	(7)	(2)
Other income (expense), net	0	0	0	0
Total other expense, net	(8)	(8)	(7)	(3)
Loss before income taxes	(76)	(95)	(62)	(131)
Income tax expense			0	0
Net loss	(76)%	(95)%	(62)%	(131)%

We have historically experienced some seasonality in terms of when we enter into customer agree
and applications, mostly around our academic customer s typical fiscal year end of June 30. This
much lesser extent, and sometimes is not immediately apparent, in our revenue, because we recog
ratably over the term of the subscription. In addition, we may experience variances in total custom
quarter for a variety of business reasons, and the extent to which we gain or lose customers over a
necessarily correlate to the changes in revenue in that quarter or in future periods. As a result, a sl
enter into customer agreements may not be apparent in our revenue for the quarter, as the revenue
is primarily from customer agreements entered into in prior quarters. Historical patterns should no
indicator of our future sales activity or performance.

Our revenue has increased over the periods presented above due to the significant increase in our c
operating expenses generally have increased sequentially in every quarter primarily due to increase
related expenses to support our growth. The increase in stock-based compensation for the three mo
2014 and March 31, 2015 included an investor purchase of common stock from current and former
over the fair value, which resulted in additional stock-based compensation. For further details, see
consolidated financial statements. We anticipate our operating expenses will continue to increase i
future periods as we invest in the long-term growth of our business.

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Our gross margin has continually improved as a result of higher revenue, lower hosting costs as a p
the efficient delivery of professional services.

Backlog

Backlog represents future non-cancellable amounts to be invoiced under our agreements. We have
multiple year subscription contracts for our applications. For these agreements, it is common to inv
contract signing followed by subsequent periodic invoices, generally annually. At any point in the
be amounts that we have not yet been contractually able to invoice. Until such time as these amour
not recorded in revenue, deferred revenue, accounts receivable or elsewhere in our consolidated fi
are considered by us to be backlog. Multiple-year payments are recorded as deferred revenue until
according to our revenue recognition policies and are not considered a component of backlog. As o
and 2014 and June 30, 2015, we had backlog of approximately $72.8 million, $113.2 million and $
respectively. We expect backlog to fluctuate up or down from period to period for several reasons,
duration of customer contracts, varying billing cycles and the timing of customer renewals. Accord
the potential fluctuations in backlog, that it is not a reliable indicator of future revenue and we do n
key management metric internally.

Liquidity and Capital Resources

As of June 30, 2015, we had $13.6 million of cash and cash equivalents. We believe our cash and c
flows from operations and available borrowings under our credit facility will be sufficient to suppo
for at least the next 12 months. Our future capital requirements will depend on many factors includ
revenue retention rates, the timing and extent of spending to support the expansion of sales and ma
development activities, the introduction of new and enhanced offerings, and the continuing market
platform. We may in the future enter into arrangements to acquire or invest in complementary busi
technologies, and intellectual property rights. We may be required to seek additional equity or deb
financing is required from outside sources, we may not be able to raise it on terms acceptable to us
to raise additional capital when desired, our business, operating results and financial condition may

In June 2015, we entered into an amended and restated loan and security agreement, or credit facil
Bank. The agreement provides for up to $15.0 million in revolving borrowings (subject to increase
lender s sole discretion). Availability is subject to a formula based on our monthly recurring rever
credit facility accrue interest at a floating per year rate equal to the prime rate plus 0.5%. The credi
June 2017, at which time the principal amount of all outstanding advances becomes due and payab
pay a fee equal to 0.25% per year, payable quarterly in respect of any unused borrowing capacity u
As of June 30, 2015 we did not have any outstanding borrowing under the credit facility.

To secure our obligations under the credit facility, we granted Silicon Valley Bank a security inter
our tangible and intangible assets, excluding intellectual property. The credit facility contains custo
conditions to borrowing, and covenants, including restrictions on our ability to dispose of assets, m
debt, incur liens and make distributions and dividends to stockholders. The agreement also include
requiring the achievement of minimum bookings on a trailing three month basis, tested monthly. D
an event of default, SVB may accelerate amounts outstanding, terminate the credit facility and fore
As of the date of this prospectus, we were in compliance with all covenants under the terms of the

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The following table shows our cash flows for 2013, 2014 and the six months ended June 30, 2014

	Year Ended December 31,	
	2013	2014
	(in thous	
Net cash used in operating activities	$ (8,634)	$ (20,395)
Net cash (used in) provided by investing activities	(14,405)	10,003
Net cash provided by financing activities	29,741	41,169

Our cash flows are subject to seasonal fluctuations. A significant portion of our contracts have term
academic customers typical fiscal year-end of June 30. Historical experience has shown an increa
contracts as well as anniversary billings, all of which immediately precede the beginning of our ac
fiscal year-end. We typically invoice SaaS fees annually upfront with credit terms of net 30 or 60 d
flows from operations are affected by this seasonality and are typically reflected in higher cash flo
and deferred revenue balances for the second and third quarter of each year.

Operating Activities

Net cash used in operating activities consists primarily of net loss adjusted for certain non-cash ite
compensation, change in fair value of warrant liability, depreciation and amortization and other no
expect that we will continue to use cash from operating activities in 2015 as we continue to invest

Net cash used in operating activities during the six months ended June 30, 2015 primarily reflected
million, offset by non-cash expenses that included $6.7 million of stock-based compensation, $1.3
and amortization, and $0.5 million in change in fair value of warrant liability. Working capital use
decrease of $6.3 million in deferred revenue and accounts receivable primarily resulting from the p
seasonal increases in new, renewed and anniversary contracts and our practice of invoicing our cus
Also contributing to the use of cash was a $2.5 million increase in prepaid expenses. These uses of
$3.9 million increase in accounts payable and a $0.4 million adjustment to straight-line deferred re

Net cash used in operating activities during the six months ended June 30, 2014 primarily reflected
million, offset by non-cash expenses that included $1.4 million for the change in fair value of warr
of depreciation and amortization, and $0.5 million in stock-based compensation. Working capital u
net decrease of $3.5 million in deferred revenue and accounts receivable primarily resulting from t
of customers invoiced during prior periods. These uses of cash were offset by a $0.9 million increa
and a $0.7 million adjustment to straight-line deferred rent expense.

Net cash used in operating activities during 2014 primarily reflected our net loss of $41.4 million,
expenses that included $8.2 million in stock-based compensation, $2.6 million for the change in w
million of depreciation and amortization. Working capital sources of cash included a $12.5 million
revenue primarily resulting from the growth in the number of customers invoiced during the perio
increase in accounts payable and accrued expenses as a result of a higher level of expenses consist
growth of the business. These sources of cash were offset by a $4.3 million increase in accounts re

increased billings to customers consistent with the overall growth of the business, a $2.3 million in
expenses and other assets resulting from a prepayment to one of our third-party hosting service pro
related for all other insignificant items. The change in net cash used in operating activities from 20
due to increases in employee-related costs as we continued to invest in and grow our business.

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Net cash used in operating activities during 2013 primarily reflected our net loss of $22.5 million,
expenses that included $3.6 million of stock-based compensation, $1.5 million of depreciation and
million for the change in warrant liability and $0.3 million related to other insignificant items. Wor
cash included a $7.4 million increase in deferred revenue due to the growth in the number of custo
period, a $2.7 million increase in deferred rent related to the move to our new corporate headquarte
increase in accounts payable and accrued expenses resulting from a higher level of expenses consis
growth of the business. These sources of cash were partially offset by a $2.1 million increase in ac
result of increased billings to customers consistent with the overall growth of the business. A $1.4
prepaid expenses and other assets resulting from a prepayment to one of our third-party hosting ser
change in net cash used in operating activities during 2013 is primarily due to increases in employe
continued to invest in and grow our business.

Investing Activities

Our investing activities have consisted primarily of property and equipment purchases for compute
capitalization of software development costs. Capitalized software development costs are related to
improvements to our existing software platform that expand the functionality for our customers. A
expect that we will continue to invest in the expansion of, and improvements to, our leased spaces,
internationally.

Net cash used in investing activities during the six months ended June 30, 2015 was $3.8 million, c
$3.1 million of purchased property and equipment and capitalized software development costs and
marketable securities, offset by $0.5 million of cash maturities from our marketable securities.

Net cash provided by investing activities during the six months ended June 30, 2014 was $10.3 mi
of $12.5 million for the maturity and sale of marketable securities. These sources of cash were part
$1.2 million of purchased property and equipment, $0.7 million purchase of marketable securities a
acquisition of 12 Spokes.

Net cash provided by investing activities during 2014 was $10.0 million, consisting primarily of $1
maturity and sale of marketable securities. These sources of cash were partially offset by a $2.4 mi
property and equipment and a $1.2 million purchase of marketable securities.

Net cash used in investing activities during 2013 was $14.4 million, consisting primarily of $13.4 m
marketable securities and a $1.0 million purchase of property and equipment.

Financing Activities

Our financing activities have consisted primarily of issuances of preferred stock to fund our operat
extent, proceeds from the exercises of warrants and options. Cash flows used in financing activities
the repayment of capital leases.

Net cash provided by financing activities for the six months ended June 30, 2015, consisted primar
proceeds received from warrant exercises and $0.1 million proceeds received from option exercise
repayment of capital lease obligations.

Net cash provided by financing activities for the six months ended June 30, 2014, consisted primar
proceeds received from option exercises, offset by a $0.1 million repayment of capital lease obliga

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Net cash provided by financing activities for 2014, was $41.2 million, consisting primarily of $39.
received from the issuance of Series E preferred stock and $0.8 million of proceeds received from
million for other insignificant items.

Net cash provided by financing activities for 2013, consisted primarily of net proceeds of $29.9 mi
issuance of Series D preferred stock.

Contractual Obligations and Commitments

Contractual obligations are cash that we are obligated to pay as part of certain contracts that we ha
course of business. Below is a table that shows the projected outlays as of December 31, 2014:

			Payments d
	Total	Less than 1 Year	1-3 Years
			(in thousand
Capital lease obligation	$ 236	$ 236	$
Operating leases obligations	50,135	4,570	13,941
Total	$ 50,371	$ 4,806	$ 13,941

We lease our office facilities under non-cancelable operating leases. As of December 31, 2014, we
various dates through 2025.

Off-Balance Sheet Arrangements

During 2013, 2014 and the six months ended June 30, 2015 we did not have any relationships with
partnerships, such as structured finance or special purpose entities established for the purpose of fa
sheet arrangements or other purposes.

Qualitative and Quantitative Disclosures about Market Risk

We have operations both within the United States and internationally, and we are exposed to mark
course of business.

Foreign Currency Risk

Due to our international operations, we have foreign currency risks related to our revenue and oper
denominated in currencies other than the U.S. dollar, primarily the British Pound Sterling, Euro an
sales contracts are primarily denominated in U.S. dollars with a small number denominated in fore
addition, a portion of our operating expenses are incurred outside the United States and are denom
currencies. Decreases in the relative value of the U.S. dollar to other currencies may negatively aff
operating results as expressed in U.S. dollars. We do not believe an immediate 10% increase or dec

value of the U.S. dollar to other currencies would have a material effect on our operating results.

We have experienced and will continue to experience fluctuations in our net loss as a result of tran
related to revaluing certain current asset and current liability balances that are denominated in curr
functional currency of the entities in which they are recorded. We have recognized immaterial amo
gains and losses in 2013, 2014 and the six months ended June 30, 2015. We have not engaged in th
currency transactions to date, we are evaluating the costs and benefits of initiating such a program
hedge selected significant transactions denominated in currencies other than the U.S. dollar as we
operation and our risk grows.

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Interest Rate Risk

We hold cash and cash equivalents for working capital purposes. We do not buy and hold securitie
purpose of selling them in the near future nor do we intend to hold securities to maturity. Rather, o
the preservation of capital, liquidity and return. From time to time, we may sell certain securities b
generally not to generate profits on short-term differences in price. We do not have material expos
respect to investments, as any investments we enter into are primarily highly liquid investments. W
credit facility with Silicon Valley Bank which was undrawn as of June 30, 2015. The interest accru
facility at a floating rate equal to the prime rate plus 0.5%. A 10% increase or decrease in interest r
material change in either our obligations under the credit facility, even at the borrowing limit, or in

Income Taxes

As of December 31, 2014, we had approximately $59.1 million of federal and state net operating lo
available to reduce future taxable income that will begin to expire in 2028 for federal purposes and
purposes. As of December 31, 2014, we also had federal research and development tax credit carry
approximately $1.1 million and state research and investment credit carryforwards of $0.4 million.
federal and state carryforwards will expire at various dates through 2034.

Utilization of the net operating loss carryforwards may be subject to a substantial annual limitation
change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state p
limitation may result in the expiration of net operating losses and credits before utilization. An ana
limitation of the net operating loss carryforwards has not been performed.

Due to our cumulative losses, we maintain a full valuation allowance against our deferred tax asse
2014. We consider all available evidence, both positive and negative, in assessing the extent to wh
should be applied against our deferred tax assets.

Emerging Growth Company Status

Section 107 of the Jumpstart Our Small Business Startups Act, or JOBS Act, provides that an em
can take advantage of the extended transition period afforded by the JOBS Act for the implementa
accounting standards. However, we have chosen to irrevocably opt out of such extended transit
we will comply with new or revised accounting standards on the relevant dates on which adoption
required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decis
of the extended transition period for complying with new or revised accounting standards is irrevo

Critical Accounting Policies and Estimates

Our management s discussion and analysis of financial condition and results of operations is base
financial statements which have been prepared in accordance with accounting principles generally
States of America. In preparing our financial statements, we make estimates, assumptions and judg
significant impact on our reported revenue, results of operations and net income or loss, as well as
assets and liabilities on our balance sheet during and as of the reporting periods. These estimates, a
judgments are necessary because future events and their effects on our results and the value of our
determined with certainty, and are made based on our historical experience and on other assumptio

reasonable under the circumstances. These estimates may change as new events occur or additiona
and we may periodically be faced with uncertainties, the outcomes of which are not within our con
known for a prolonged period of time. Because the use of estimates is inherent in the financial repo
results could differ from those estimates.

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The critical accounting estimates, assumptions and judgments that we believe have the most signif
consolidated financial statements are described below.

Revenue Recognition

We primarily generate revenue from multiple element arrangements, which typically include subsc
software and support, implementation, training and consulting services. Our customers do not have
possession of the online software solution. Revenue from subscriptions is recognized ratably over t
beginning on the date the subscription is made available to customers. We recognize revenue from
customer life. We recognize revenue from training and consulting services as the services are prov
have not yet met the applicable revenue recognition criteria are recorded as deferred revenue.

As part of accounting for multiple element arrangements, we must assess if each component has va
and should be treated as a separate unit of accounting. There is an in-depth process that we underg
standalone value for each component where we determine if an individual component could be sol
component is sold by other third parties. If the component has standalone value upon delivery, we
component separately. Subscription services have standalone value as they are often sold separate
Implementation services do not have standalone value as they are not sold separately by us or by th
consulting services also have standalone value as they are sold separately by us and by third partie

We allocate total arrangement fees to each element in a multiple element arrangement based on the
hierarchy of each element. We are not able to establish vendor-specific objective evidence, or VSO
of allocating standalone value, for our subscription implementation, training and consulting servic
practices. We note that third party evidence, or TPE, the second most reliable level of allocating st
appropriate for determining the standalone value for any of our services because the pricing for an
subscription or training or consulting services is inconsistent. Therefore, we rely on best estimate o
to allocate value to the various components of our arrangements.

We determine BESP by considering our overall pricing objectives and market conditions. Significa
taken into consideration for our subscription services, which may also include support, training, an
include discounting practices, the size and volume of our transactions, the customer type, price list
and historical stand-alone sales. The determination of BESP is made through consultation with and
committee. As our pricing strategies evolve, we may modify our pricing in the future which could
relative selling prices.

If our judgments change we would not expect to see a material effect on our consolidated financial

We are evaluating the new revenue recognition guidance of ASC 606, effective January 1, 2018 an
new guidance may have a material effect on the presentation of our consolidated financial statemen

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards granted to our emplo
providers, based on the estimated fair value of the award on the date of grant and on a straight-line
period of the award based on the estimated portion of the award that is expected to vest. We use th
pricing model to measure the fair value of our stock-based awards when they

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are granted. We make several estimates in determining our stock-based compensation. These assur
as follows:

Fair Value of Common Stock. As our stock is not publicly traded, we must estimate the f
stock, as discussed in Valuation of Common Stock below.

Expected Term. The expected term represents the period that our stock-based awards are
outstanding. The expected term assumptions were determined based on the vesting terms
contractual lives of the options. The expected term of employee option awards is determ
midpoint between vesting and the contractual term for outstanding awards, or the simplif
do not yet have a sufficient history of option exercises. We consider this appropriate as w
changes to our equity structure in the future and there is no other method that would be m
exercise activity.

Expected Volatility. Since we do not have a trading history of our common stock, the exp
determined based on the historical stock volatilities of our comparable companies. To de
companies, we used the following criteria: software or software-as-a-service companies;
relatively comparable financial leverage; sufficient public company trading history; and
geographical markets. We used the peers stock price volatility over the expected life of
calculate the expected volatility. We intend to continue to apply this process using the sa
companies until a sufficient amount of historical information regarding the volatility of c
becomes available, or unless circumstances change such that the identified companies ar
in which case, more suitable companies whose share prices are publicly available would
calculation.

Risk-Free Interest Rate. The risk-free interest rate is based on the implied yield available
zero-coupon issues with remaining terms similar to the expected term on the options.

Expected Dividend Yield. We have never declared or paid any cash dividends and do not
dividends in the foreseeable future, and, therefore, use an expected dividend yield of zer

We will continue to use judgment in evaluating the assumptions related to our stock-based compen
calculations on a prospective basis.

In addition to the assumptions used in the Black-Scholes option-pricing model, we must also estim
calculate the stock-based compensation expense for our awards. Our forfeiture rate is based on an a
forfeitures, although we do not have sufficient history, over the expected term. We will continue to
appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee tu
Changes in the estimated forfeiture rate can have a significant impact on our stock-based compens
cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed
rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in

stock-based compensation expense recognized in our financial statements. If a revised forfeiture ra
previously estimated forfeiture rate, an adjustment is made that will result in an increase to the sha
expense recognized in our financial statements.

We have also recorded stock-based compensation for investor purchases of common stock and pre
and former employees to the extent the purchase price per share exceeded the fair value of such sh

Valuation of Common Stock

Given the absence of an active market for our common stock, our board of directors was required t
of our common stock at the time of each option grant based upon several factors, including its cons
management and contemporaneous third-party valuations.

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The exercise price for all stock options granted was at the estimated fair value of the underlying co
estimated on the date of grant by our board of directors in accordance with the guidelines outlined
of Certified Public Accountants, *Valuation of Privately-Held-Company Equity Securities Issued as*
value estimate was based on a variety of factors, which included the following:

- contemporaneous valuations performed by unrelated third-party valuation firms;
- the prices, rights, preferences and privileges of our preferred stock relative to those of ou
- the lack of marketability of our common stock;
- our actual operating and financial performance;
- current business conditions and projections;
- our hiring key personnel and the experience of our management;
- our history and the timing of the introduction of new applications and features;
- our stage of development;
- the likelihood of achieving a liquidity event, such as an initial public offering or a merge business given prevailing market conditions;
- the illiquidity of stock-based awards involving securities in a private company;
- the market performance of comparable publicly traded companies; and
- U.S. and global capital market conditions.

To allocate value to our common stock, we utilized either an option pricing method, or OPM, a pro
expected return method, or PWERM, approach or a hybrid method consisting of OPM and PWER
common stock and preferred stock as call options on a business, with exercise prices based on the
the preferred stock. Therefore, the common stock only has value if the funds available for distribut

common stock exceeds the value of the liquidation preference of the preferred stock at the time of
a merger, sale, or initial public offering, assuming the business has funds available to make a liqui
meaningful and collectible by stockholders. The common stock is modeled as a call option with a
an exercise price equal to the remaining value immediately after the preferred stock is liquidated. T
Black-Scholes option-pricing model to price the call option.

The PWERM approach employs various market approach calculations depending upon the likeliho
scenarios. For each of the various scenarios, an equity value is estimated and the rights and prefere
class are considered to allocate the equity value to common shares. The common share value is the
discount factor reflecting the calculated discount rate and the timing of the event. Lastly, the comm
multiplied by an estimated probability for each scenario. The probability and timing of each scenar
discussions between our board of directors and our management team. Under the PWERM, the val
is based upon four possible future events for our company: (1) an initial public offering, (2) an acq
(3) remaining a private concern and (4) a liquidation scenario.

The market approach uses similar companies or transactions in the marketplace. We utilized the gu
of the market approach for determining the fair value of our common stock under the initial public
identified companies similar to our business and used these guideline companies to develop releva
ratios. We then applied these market multiples and ratios to our financial forecasts to create an ind
value. Under the acquisition scenario, we utilized the guideline

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company method and the guideline transaction method of the market approach to determine the fai
stock. The guideline transaction method compares the operating results and market value of the eq
acquired companies similar to our business. Under the liquidation scenario, we assumed no value r
to our common stockholders.

Following this offering, we will rely on the closing price of our common stock as reported by the N
Exchange on the date of grant to determine the fair value of our common stock.

Based on the assumed initial public offering price per share of $, the midpoint of the price r
cover page of this prospectus, the aggregate intrinsic value of our outstanding stock awards as of Ju
million, of which $ million related to vested awards and $ million related to unvested aw

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards U
Revenue from Contracts with Customers (Topic 606), or ASU 2014-09, which amended the existin
Standards Codification. This standard establishes a principle for recognizing revenue upon the tran
or services to customers, in an amount that reflects the expected consideration received in exchang
services. The standard also provides guidance on the recognition of costs related to obtaining and f
contracts. In July 2015, the FASB decided to defer by one year the effective dates of its new reven
for public and nonpublic entities. As a result, this guidance will be effective for public companies f
periods beginning on or after December 15, 2017. Public entities would be permitted to adopt the s
original public entity effective date; early adoption prior to that date would not be permitted. Once
choose to apply the standard using either a full retrospective approach or a modified retrospective a
yet selected a transition method and are currently assessing the potential impact that this standard w
consolidated financial statements.

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LETTER FROM CHIEF EXECUTIVE OFFICER

Dear Instructure Investors,

When we went to market in 2011 with Canvas, our cloud-based learning management system for h
the stagnant LMS market with our simple strategy: Build a company focused on customer satisfact
cloud platform that emphasizes user experience and continuous innovation.

In the last four years, we ve created a successful sales, marketing and innovation machine that co
globally. We ve opened offices on four continents, hired more than 650 employees, expanded our
individual users, and secured contracts with more than 1,400 customers, representing colleges, uni
districts, and companies in 25 countries. Responding to demand from corporate users who liked w
we launched Bridge for corporate learning and training in 2015.

The hallmarks of success high customer satisfaction and retention rates are the key factors, which
from other software companies. Customers love our software and our company s open culture, wh
aspect of our technology, support and business operations.

We ve built a team of smart, creative, passionate people who work hard to provide an awesome ex
customers. Through Canvas and Bridge, we enable educational institutions and corporations to stre
provide anytime, anywhere access to information, and connect people, tools, and ideas seamlessly
easy-to-use platform. We help millions of students, teachers and employees to achieve their educat
We make software that makes people smarter.

-josh

Josh Coates, CEO

Instructure

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BUSINESS

Mission and Vision

Instructure s mission is to make software that makes people smarter. Our vision is to help organiz
technology to maximize the potential of their people.

Overview

We provide an innovative, cloud-based learning management platform for academic institutions ar
We built our learning management applications, Canvas, for the education market, and Bridge, for
enable our customers to easily develop, deliver and manage engaging face-to-face and online learn
platform combines powerful, elegant and easy-to-use functionality with the reliability, security, sca
required by our customers.

In today s dynamic, knowledge-driven economy, quality education and constant learning are critic
succeed. Academic institutions recognize that for students to reach their maximum potential, they r
environment that is interactive and accessible. Similarly, companies need to deliver seamless and e
to better attract, develop and retain talent and compete more effectively.

We develop software that millions of students, teachers and employees use to help achieve their ed
goals. Our applications enhance academic and corporate learning by providing an engaging, easy-t
instructors and learners, enabling frequent and open interactions, streamlining workflow, and allow
sharing of content with anytime, anywhere access to information. Our platform runs on a modern,
that enables users to teach, learn and engage across a wide variety of application environments, op
and locations at any time. Our open standards allow for integration with third-party publishers and
deliver additional learning content and applications. Our platform also provides data analytics capa
real-time reaction to information and benchmarking in order to personalize curricula and increase t
learning process.

We offer our platform through a Software-as-a-Service, or SaaS, business model. Customers can ra
applications with minimal upfront implementation. Customers also benefit from automatic softwar
no downtime. Our SaaS business model substantially reduces the need for our customers to buy an
of IT infrastructure, and significantly reduces the cost, complexity and disruptions associated with
upgrades of on-premise software.

We launched Canvas in February 2011 and have experienced rapid customer adoption in the educa
more than 100 corporate customers have implemented Canvas in order to deliver a more effective,
employees to learn. To better meet the needs of the corporate market, we leveraged our platform to
launched in February 2015. As of June 30, 2015, we had more than 1,400 customers, representing
K-12 school districts, and companies in more than 25 countries.

For 2012, 2013 and 2014, revenue was $8.8 million, $26.1 million and $44.4 million, respectively,
year-over-year growth of 197% and 70%. We have experienced net revenue retention rates of over
December 31, 2012, 2013 and 2014. For 2012, 2013 and 2014, our net losses were $18.5 million, $
million, respectively, as we focused on growing our business. For the six months ended June 30, 20

$30.5 million and we incurred a net loss of $30.6 million.

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Industry Background

The Markets for Learning are Large, Growing and Highly Strategic

In today s dynamic, knowledge-driven economy, students and employees must continuously deve
to compete and succeed. The pivotal role of learning, not only in academic settings but also in the
has driven many organizations to seek out technologies and applications to help improve the creati
effective learning experiences.

The market for academic and corporate learning management software is estimated to be $4.1 billi
to grow to $7.8 billion in 2018, according to MarketsandMarkets. We attribute the rapid growth of
the migration of instructor-led training to online learning, which we believe will increase the adopt
management systems.

Corporate learning management software is part of the broader human capital management market
recruiting, workforce management, performance management and compensation management soft
estimates that these additional markets will be $5.1 billion in 2015, and projected to grow to $6.4 b
believe these additional markets may present opportunities for us to develop additional application
time.

Consumerization of Technology is Changing How People Interact, Learn, Train and Work

Recent innovations in consumer-oriented technology are changing how people expect to interact, l
particular, the ubiquity of social media and highly intuitive consumer and mobile applications have
and employees to expect the same rich functionality, availability and usability from a learning plat
learning management systems to provide a forum for discussion and collaboration to create a truly
experience in addition to being a content delivery system.

Strong User Engagement Leads to Robust Data Analytics

Given today s focus on accountability and performance, both academic institutions and companie
learning outcomes. To do so, an organization must first understand the variables that impact result
metrics, user engagement, and the efficacy of various learning content and technologies for indivi
management system has the potential to provide significant insight to educators and administrators
employees progress toward meeting learning objectives and the factors impacting performance. I
management systems can facilitate insightful benchmarking to allow organizations to explore othe
outcomes.

Strong user engagement with learning management systems is critical to maximize the potential of
utilization enables the learning management system to capture more data, and leads to more insigh
behavior, quality of individual courses and effectiveness of digital content. Better analytics enable
administrators to make more informed decisions about instruction and materials that in turn drive i
outcomes and performance for individuals and companies. This virtuous cycle among user engage
learning outcomes represents the evolution of learning technology. We believe that the market inc
learning management software that delivers both robust analytics and strong user engagement.

Legacy Learning Management Systems Do Not Meet the Needs of Today s Instructors, Student

Many traditional learning management systems are based on legacy technology architectures that c
expectations of today s users. We believe legacy learning management systems face the following

Poor User Experience. Learning management systems were first introduced over a decad
often lack the features and interfaces to deliver a personalized, collaborative, engaging, r

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and always-on experience that users expect today. According to the Brandon Hall Group
not highly satisfied with the feature set of their learning management systems. Users den
such as alerts, text, audio and video communication, collaboration tools, mobile access a
help them achieve learning goals.

Not Mobile. Legacy learning management systems were not built for mobility and efforts
mobile devices have often resulted in a poor user experience. This adversely impacts the
management systems as instructors, students and employees spend an increasing amount
devices.

Unreliable with Poor Uptime. Legacy learning management systems were not designed f
deployment. Traditional on-premise systems require downtime for maintenance, upgrade
fixes, which can adversely impact instructors and students during critical times.

Low Utilization. Legacy learning management systems have historically been plagued by
resulting in low utilization rates. In 2014, ECAR found that only 47% of faculty member
management systems daily and only 41% of faculty members use a learning managemen
students outside the classroom. We believe lack of utilization adversely affects the inves
have made in their learning management systems. According to the Brandon Hall Group
looking to leave their current learning management system and move to a new provider.

Expensive. Legacy learning management systems require substantial upfront and ongoin
infrastructure to implement and maintain an on-premise solution. Organizations often ch
software or to delay upgrades to newer versions due to concerns regarding costs, lengthy
customization cycles, and potential business disruptions. This makes it difficult for orga
quickly to changing needs and often results in outdated or different versions of applicatio
various departments or geographies within organizations.

Limited Reach and Complexity of Data Analytics. While legacy learning management sy
enabled the capture of data, access has been generally limited to administrators and teach
Further, analytics tools currently offered in existing on-premise solutions can be limited
difficult to translate the data into useful, actionable information.

Closed Ecosystem. Legacy learning management solutions are often closed systems, whi
of third-party integrations into a platform. Customers are forced to spend time and often
integration contracts with third-party publishers and software providers. Consequently, it
them to take advantage of the growing and robust set of learning, human resource and ot
in open ecosystems.

Our Platform

We designed our platform to enable users to teach, learn and collaborate anytime, anywhere, acros
application environments, operating systems, devices and locations. We believe our platform offer
benefits:

Intuitive User Experience. We provide elegant and intuitive user interfaces that leverag
navigation techniques, such as drag and drop, to make it easy to use our platform. We de
the ground up, with modern, web-based design features, to create a differentiated user ex
seamless collaboration among instructors and learners to share feedback and encourage c
These interactive features extend learning beyond the physical classroom and facilitate a
experience. Users can easily add audio, wikis, online workspaces, social media options a
tools to their online courses. Furthermore, our video-integrated functionality strengthens
peer-to-peer online relationships and improves overall retention and usage rates.

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Optimized for Mobile. Our mobile-optimized platform allows users to access their applic anywhere. We offer a mobile first responsive design to ensure an optimal experience Canvas, we also have iOS and Android native mobile applications available for free dow and tablets.

High Availability and Uptime. Our software is mission-critical for our users and custom maintaining enterprise-grade reliability at all times. Our standard contracts provide for g uptime. We achieved 99.9% uptime during 2014 while our customer base grew over 75%

High Utilization. Over eight million instructors, students and employees have used our s months ended June 30, 2015. According to self-reported data in an ECAR 2014 survey, education use a learning management system to share content with students, while our in education institutions using Canvas shows that 71% of faculty use Canvas to share conte

Native Cloud-based Software. Our cloud-based delivery model enables customers to rap applications to experience immediate benefit. Software updates are implemented regular single-instance, multi-tenant architecture is designed to scale to support our rapid growth number of customers by over 670 during the 12 months ended June 30, 2015. Our cloud- upfront cost savings over on-premise solutions by reducing the need for expensive IT res infrastructure.

Open Access to Data Analytics. Our platform provides users with open API access to da the analytics in an easy to understand and consumable way, that is optimized for indepen visibility allows learners to view their own progress in real-time, educators to adjust prog curricula for maximum effectiveness and organizations to benchmark user data internally observed.

Open Platform. We are committed to collaboration and openness. Our open standards al organizations to easily deliver additional learning content and applications from third-pa publishers and software providers. This extends the content, tools and services necessary satisfy the diverse needs of our customers without sacrificing the innate simplicity of our platform. Canvas users can deploy third-party content and software applications within t application interface or browse our EduAppCenter.com s growing catalog of approxima integrations. Bridge was specifically designed to integrate easily via open APIs with a va enterprise resource planning and human resources information systems.

Our Growth Strategy

We are pursuing the following strategies to grow our business:

Grow our U.S. Customer Base. We believe that the market for learning management sys
significantly underserved. K-12 academic institutions have yet to widely adopt learning r
while most higher education institutions have adopted legacy systems with which they ar
corporate market, there are both greenfield opportunities and opportunities to displace le
meet customer needs. As a result, we believe there is opportunity to substantially expand
academic and corporate customers. Toward that end, we are making significant investme
sales team, particularly focused on the corporate market.

Further Maximize our Existing Customer Base. The majority of our academic custome
Canvas widely within their institutions and across school districts. This approach to wide
deployments allows us to efficiently and broadly promote adoption and utilization of Ca
students and faculty. We plan to increase revenue from this customer base by selling add
applications and services. We plan to further penetrate our existing corporate customer b
the number of users on our platform and expanding enterprise wide. We believe our user
model and innovative applications provide us with a substantial opportunity to increase t
existing customer base.

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Continue to Expand Internationally. We believe there is a significant opportunity for ou
management platform outside of the United States and we intend to expand our direct an
further penetrate international markets. We opened our international headquarters in Lon
the six months ended June 30, 2015, international customers accounted for 6% of our rev

Continue to Innovate and Offer New Applications. We will continue to make significan
enhance the functionality of our existing applications, expand the number of applications
learning platform and develop into adjacent markets that will benefit our customers. We
to research and development investment. For example, in 2015, we launched Bridge to b
customers because we saw corporate customers adopt Canvas, due to a lack of suitable a

Our Applications

Our applications enhance academic and corporate learning by providing a system of engagement f
enabling frequent and open interactions, streamlining workflow, and allowing the creation and sha
anytime, anywhere access to information. Our applications also provide users with powerful, easy-
intuitively interact with course content and activities. All of our applications run on our extensible
us to easily deploy new applications and features to support the needs of our customers. We use m
to provide anytime, anywhere access to our applications from a wide array of devices, including pe
and smartphones. We also have iOS and Android native mobile applications for Canvas available f

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Canvas

Canvas is designed for our K-12 and higher education customers. Our customers use Canvas s ext
content creation, management and delivery tools to support and enhance face-to-face and online in

Canvas enables instructors and learners to:

- post and discuss content such as assignments, quizzes, announcements and class notes;
- choose, manage and change courses;
- automate classroom activities, including the syllabus, attendance and calendar of course
- perform outcomes-based assessments;
- facilitate text, audio and video communications for enhanced teacher and student engage
- grade assignments, using SpeedGrader, and post grades online;
- access an integrated learning object repository;
- analyze course and student data to improve learning outcomes and teaching methods;
- set personalized academic goals and track performance; and
- provide parental access to assignments and grades.

Canvas supports standards-based integration with hundreds of third-party publishers and software
extensibility of the Canvas application enables our customers to build the learning and teaching en
their unique organizational needs.

Canvas Network

Canvas Network allows anyone around the world access to open online courses for personal and p
Through Canvas Network, academic institutions have the flexibility to offer and deliver courses o
broader audience than just their own employees or on-campus students. Some institutions choose t

online course, or MOOC, format, and some choose to pursue a smaller online course format with r
Institutions already using Canvas can easily move courses onto Canvas Network, extending their r
brand.

Canvas Data

Canvas Data provides access to a complete data set of user activity. This includes course activity i
and evaluations, discreet page views, attendance metrics, user engagement, individual curricula, an
including user and device characteristics. Data is delivered in a format optimized to perform querie
it easier for administrators to benchmark, customize teaching and improve learning outcomes.

Canvas Catalog

Canvas Catalog is a white-label, web-based course catalog and registration system that enables org
maintain a branded marketplace for their online course offerings. Catalog provides a searchable co
course landing pages, collections of courses in specialized programs, automatically distributed cert
recognitions of completion, and online payment gateways for student registration and enrollment.

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Bridge

Bridge is designed to enable corporate customers to deliver impactful learning to accelerate emplo
address the unique development needs of their workforce. Through Bridge, we have streamlined en
offering a consumerized, mobile experience that is easy to use for both administrators and learners

Bridge enables organizations to:

- create courses and training content;
- deliver and track compliance and regulatory requirements;
- create surveys to assess employees knowledge, ability and sentiment;
- personalize courses based on feedback, need or job;
- align employees to support organizational goals;
- assign required training;
- organize and group courses by various categories;
- track employee learning progress;
- provide a mobile experience to allow course access and management anywhere, from an
- extend training to reseller channels and other distribution networks.

Bridge incorporates real-time feedback between managers and employees so that organizations can
changing needs. Bridge offers integrated survey capabilities that enable organizations to diagnose e
misalignment, as well as knowledge gaps, which can then be remediated through targeted and enga
experiences.

Technology and Standards

The technologies used to build our platform and applications are native cloud, multi-tenant and des
of users. We utilize a modern technology stack to take advantage of advancements in web-design,
technologies, scalability, and security. We have implemented industry-standard best security pract
servers and our customers critical information.

Our platform and applications are hosted on cloud infrastructure provided by Amazon Web Servic
services provide full support, rolling release upgrades/updates, backup, and disaster recovery servi
Elastic Compute Cloud, or EC2, along with load balancing, auto scaling and storage, or S3, provid
infrastructure enables us to scale horizontally and rapidly adjust to variances in usage, at the serve
level. Our applications run on virtualized instances in Tier III and Tier IV AWS data center faciliti
industry-standard best security practices. As of June 30, 2015, we used AWS data center facilities
Oregon, Dublin, Ireland, Sydney, Australia and Singapore and intend to expand operations to othe
conditions. These facilities have earned multiple certifications including, but not limited to, SOC 2
ISO27001.

We designed our platform to be resilient to failure and capable of rapid recovery from component
variety of strategies to achieve 99.9% uptime, excluding scheduled maintenance. During 2014, we
We have automated procedures in place to handle coordinated changes across our various instance
key databases in multiple redundant and geographically isolated locations.

Our technology stack is a dynamic web application built with our own automated scaling and prov
We use Web 2.0 technologies like Ruby on Rails and Node.js, which provide users a familiar web

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experience. Our platform is built on underlying open source technologies, taking full advantage of
scalability and flexibility. We utilize Linux and React operating systems, Postgres and Cassandra d
value store. Our platform also provides an API that third-parties can use to add new features and fu

Keeping the platform secure is a primary focus of our operations team due to the sensitive nature o
within the platform. We maintain a high level of diligence around data security and have chosen to
set of security controls and demonstrate compliance with these controls through annual audits and
vulnerability assessments.

Customers

As of June 30, 2015, we had more than 1,400 customers representing colleges, universities, school
in more than 25 countries. We have K-12 customers in 48 of 50 states. The majority of our academ
Canvas widely within their institutions and across school districts. Canvas is used by seven Ivy Le
a customer as an entity with an active subscription contract. In situations where there is a single co
entities with multiple subsidiaries or divisions, universities or schools, only the entity that has cont
counted as a customer. For example, a contracting school district is counted as a single customer e
district encompasses multiple schools. In 2014, no single customer represented more than 10% of
following sets forth a list of representative customers:

Higher Education

Richland Community College, Illinois

University of Colorado | Anschutz Medical Campus

University of Michigan

University of Texas at Austin

Utah Education Network

K-12

Granite School District, Utah

Hall County Schools, Georgia

Knox County Schools, Tennessee

North Carolina Department of Public Instruction

Pasco County Schools, Florida

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International

Best Practice Network, United Kingdom

City University of Hong Kong

London Business School

Trinity Grammar School, Australia

University of Birmingham, United Kingdom

Corporations

Center for Professional Leadership Studies at UNLV

Dawnbreaker

Foundation Center

InMoment

Salud Family Health Centers

Customer Case Studies

By using our applications to deliver an online learning experience, many customers benefit from a
that gives access to insightful analytics, which can lead to significant cost savings. The case studie
results that certain of our customers have achieved by using our platform.

Pasco County Schools

Situation: Beginning in 2008, Pasco County (along with every school district in Florida) was requi
full-time virtual program for K-12 students. In response, the Pasco eSchool was launched in 2009.
spent juggling numerous learning management systems to comply with rigid vendor requirements
delivered using proprietary systems. And just as the eSchool began using Moodle, district schools
independently toward other learning management systems.

Solutions and Benefits: In 2012, Pasco County assembled an internal team to begin investigating a
management system that could simplify the district s technology landscape. After narrowing the c
Pasco County chose Canvas because of its robust feature set, ease of use, customer-responsiveness
allowed the district to customize the learning management system to meet current and future needs
in-school programs. To ensure the success of its implementation goals, the district purchased Prem

Support Packages. Pasco reported the following benefits from using Canvas:

- expanded reach with full time virtual program;
- offered more courses to more students (both virtual and in-school);
- offered and tracked professional development;
- created a culture of teachers comfortable with teaching with technology;
- easily integrated with other education applications; and
- increased communication between teachers, students, and parents.

University of Central Florida

Situation: The University of Central Florida, or UCF, is the second-largest university in the United
offer 210 degree programs and serves approximately 61,000 students. UCF delivers 38% of its tota
needed a learning management system that was flexible and that could be customized to meet UCF

Solutions and Benefits: In 2012, UCF selected Canvas. UCF particularly valued Canvas extensibi
implementing the platform with teachers and students as part of its distributed learning initiative. U
since grown and the university often participates in beta environments for new product and feature
UCF began using Canvas Data to identify patterns and trends in its data. UCF reports the following
Canvas:

- a customized platform to fit its unique needs;
- expanded capacity within the platform by building a suite of custom integrations;

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continual updates incorporate technical and pedagogical improvements, allowing instruc
achieve a balanced approach in their online courses; and

high usage and user adoption.

Richland Community College

Situation: Richland Community College was in need of a new learning management system to repl
currently using, which had been bought by another company and was now being shut down. They
management system that was intuitive and agile, not slow and cumbersome like what they had bee

Solution and Benefits: In May 2012, after evaluating several learning management systems, Richla
chose Canvas because of its student and teacher-friendly, easy-to-use interface. In May 2012, it be
out with select teachers and students. Then in summer 2013, they rolled out Canvas to the entire in
surprise, even though it was a new system for much of the faculty and students, the number of sup
dramatically from day one. In addition to this, Richland reported the following benefits from using

improved faculty/student communication;

experienced lower system and integration frustration;

reduced grading controversy due to easy-to-use gradebook with straight-forward insight
grades;

less time spent uploading and locating content;

comfort in knowing Canvas support person is there anytime to answer any question they
own; and

teachers and students report feeling comfortable with the learning management system a
successful.

University of Birmingham

Situation: In 2013, the University of Birmingham s legacy virtual learning environment was ready
for the University s digital learning team to seek a teaching and learning environment that was a b
digital strategy for growth and excellence in teaching and learning. The University sought a solutio
deliver a fully-integrated, connected University, but also provide a teaching and learning environm
modern and appealing to both academic staff and digitally-native learners. The University was loo
solution that came with guaranteed reliability, accessibility and scalability, which could also set th

competition.

Solution and Benefits: Canvas offered a collaborative solution for the University s teaching and le
Canvas is a cloud-based platform, which meant it could cope with increased usage at key times thr
year in line with the University s requirements. Canvas user-interface was designed to be easy-t
on multiple web browsers and devices in line with the University s requirements.

The University of Birmingham implemented the system and set an 18-month window for all conte
Canvas. However, in practice, this period has proven to be much shorter, with staff actively choosi
platform. Within three months more courses were on Canvas than had been available in the penulti
platform.

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Clearlink

Situation: In early 2014, Clearlink, a provider of content and conversion services, saw the increasi
empowered centralized platform for training their growing sales teams efficiently and effectively.
for a robust and easy-to-use learning management system, they went out into the market looking f
impressed by the growth of Instructure and started exploring our corporate product, Bridge. Clearl
effective solution that could deliver vendor information to the sales floor quickly and consistently,
inbound sales teams away from their phones. In choosing a new learning management system, an e
reporting were both critical components of Clearlink s decision making process. By late 2014, Cl
their learning management system.

Solutions and Benefits: After evaluating Bridge extensively, Clearlink chose Bridge for multiple re

an easy to navigate user interface;

an intuitive user experience for better adoptability;

Bridge easily creates programs and quizzes for content contributors;

quick and efficient response and interaction with the Instructure team; and

instructure cares about Clearlink s success.

Since implementation in January 2015, Clearlink has developed over 43 courses and enrolled close
Each course has provided significant savings to Clearlink by allowing agents to consume trainings
on their mobile devices. The ability to deliver training virtually has deepened learner engageme
to creating quality sales. Additionally, key partners who rely on Clearlink s unique customer acqu
benefiting from Bridge s capabilities. Instead of relying on a costly and time-consuming effort to
materials and support to conduct on-site training events, brand-partners can now share their conten
to be consumed through Bridge. This has saved each organization significant time and expense an
strong relationship of trust. Additionally, the real-time access to training has allowed Clearlink
important metrics such as answer rate percentage, sales conversion and unavailable time.

Sales and Marketing

We sell our applications and services through a direct sales force. Our sales organization includes
who serve as experts in the technical aspects of our applications and customer implementations. M
require us to respond to request for proposals, particularly in the higher education space and to a le
to a minimal extent in the corporate market. As of June 30, 2015, our sales function consisted of 1
majority of whom were direct quota-based sales representatives. As we grow internationally, we m
partnerships as needed to penetrate certain new markets.

We engage in a variety of traditional and online marketing activities designed to provide sales lead
support and promote brand awareness. Our specific marketing activities for lead generation includ
publications, digital advertising, including search engine optimization and search engine marketin
referral marketing. Brand awareness activities include press relations in business, human resource
and blogs, market specific advertising campaigns and speaking engagements, and industry trade-s
also host InstructureCon, our annual user conference for current customers and prospects. Nearly 1
InstructureCon 2015 in Park City, Utah.

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Customer Success

We view strong customer support and services as essential for customer retention even though our
adopt and use. The majority of our services and support is offered by phone and online audio and v
than in person, resulting in a more efficient and cost effective business model for us and our custo
2015, our Customer Success department, responsible for all customer post-sale interaction, consist
located in the United States, the United Kingdom and Australia. Our services and support efforts i

Customer Success Management. We have created a strong Customer Success Managem
customers throughout the deployment and production lifecycle. They provide coverage a
as part of their standard subscription as well as other service offerings.

Implementation Services. We believe that a positive onboarding experience leads to mo
customers, longer customer relationships and greater lifetime value. Our standard imple
takes anywhere from 30 to 90 days depending on customer-side complexity and timeline
includes regularly scheduled and highly-structured activities to ensure customers progre
actually and effectively using our applications. Most of these interactions take place ove
and through online audio and video conferencing.

Training Services. Also critical to customer success is our customers comfort level wit
functionality of our applications. We include training with every implementation and off
a fee. The training offered is intended to engender confidence among users so they can b
platform. Most training is performed remotely by online audio and video conferencing.

Consulting Services. In addition to our implementation and training offerings, we provi
development, integrations, content services, and change management consulting. These
boost customer adoption of our applications and to drive usage of features and capabiliti
Instructure, which we believe increases brand loyalty and lifetime value.

Support. We provide standard support services, which can be upgraded to our premium
include 24/7 coverage and an improved service level agreement. Our Tier 1 offering incl
support services as well as direct support to users by our agents. We also provide extens
videos for the ongoing education and assistance of our users. During the 12 months ende
than 95% of our support users that responded to our survey reported they were satisfied
when surveyed about their interactions with Instructure.

Partner Ecosystem and Integration

We are committed to enabling our customers to build an ecosystem for successful learning. Our op
both our technology and our strategy.

From a technological perspective, we remain focused on implementing industry standards like IMS
Consortium s Learning Tools Interoperability and Learning Information Services, allowing for rob
Canvas and a large spectrum of third-party solutions to be offered to our customers.

Our partnership program invites third-party software, service and content providers, through an ext
easily integrate with our applications and at no or minimal charge to the partner. This allows us to
extend the functionality of our applications. We have over 100 partners, including Pearson, Cengag
Panopto, AspirEdu, Boundless Learning, iParadigms, Verificient Technologies, Zaption and Harva

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Research and Development

Our product, customer success, and sales and marketing teams operate cross-functionally and regu
customers, partners and industry analysts to understand customer needs and general industry trend
applications. Additionally, our research and education team analyzes user data and current online l
collaborates with customers to inform application development and growth into adjacent markets.
improvements are identified, the entire development organization works closely together to design
new functionality and application updates. We have made, and will continue to make, significant i
our existing applications, and expand the number of applications on our extensible learning platfo
customers and allow us to expand into new markets.

Culture and Employees

We are passionate about making learning and working more engaging and accessible for people ev
that same vision at Instructure every day. We maintain seven values that we believe set us apart, d
culture and serve as a strategic advantage as they are directly aligned with the experience we strive
customers.

Customer Experience. We aspire to create an awesome customer experience in every in
applications and people.

Openness. Instructure is built on openness it s part of who we are. Open doors. Open o
created an open work environment without offices to increase collaboration and transpa
open learning platform environment we provide to our customers.

Ownership. Everyone s an owner because each of us can have a significant impact on o
Full-time Instructure employees receive equity grants and can participate in the success
company.

Trust. We have a clear tell us if we re doing something stupid policy. Everyone is en
feedback regardless of level of experience or position. Questioning the status quo is part
us in continuing to disrupt and transform our markets.

Integrity. Simply put, we say what we re going to do and then we do it. We hold people
and commitments. Our objectives and commitments are openly shared throughout the co

Excellence. Achieving excellence isn t easy. But we believe it can be simple. Instructu
leading edge of innovation in our technology, support, and business operations. We do t
smart, creative, passionate people and giving them opportunities to create awesome.

Simplicity. Our platform is designed to make teaching, learning, and engaging easier. Ev
designing software to how we communicate should reflect that. Keep it simple and easy
Since our founding, we have worked hard to retain our open and engaging culture with people who
improving learning. We have received multiple best places to work awards and have maintained
websites. As of June 30, 2015, we had 651 full-time employees.

Competition

We operate in highly competitive markets. Canvas primarily competes with systems offered by Bl
and Moodle in the education market. Bridge primarily competes with systems offered by Cornersto
Software and SumTotal Systems (owned by Skillsoft) along with dozens of small,

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specialized systems for specific industries to large, generalized systems provided as part of a larger
management suite.

We may face future competition in our markets from other large, established companies, as well as
companies.

The principal competitive factors in our markets include the following:

- usability and features;
- reliability and uptime;
- service and support for users and staff;
- software integration and third-party publisher partnerships;
- mobile capabilities;
- data analytics; and
- collaboration and engagement.

We believe that we compete favorably on the basis of these factors. Our ability to remain competit
extent upon our ongoing performance in the areas of product development, partner ecosystem deve
support. In addition, many of our competitors, particularly the large software companies named ab
name recognition, longer operating histories and significantly greater resources. Some competitors
greater resources to the development, promotion and sale of their products than we can to ours, wh
respond more quickly than we can to changes in customer needs. We cannot assure you that our co
or develop products or services that are superior to ours or achieve greater market acceptance.

Intellectual Property

We rely on a combination of trade secret, copyright, and trademark laws, a variety of contractual a
license agreements, assignment agreements, confidentiality and non-disclosure agreements, and co
and technical measures to gain rights to and protect the intellectual property used in our business. V
registration of our trademarks, logos, service marks, and domain names in the United States and in
but we have not, to date, applied for patent protection for any of our inventions. We are the registe
U.S. and international domain names that include the term Instructure, Canvas and Bridge.

A substantial portion of our Canvas application, including the base code, uses open source softw
parties. Open source software is made available to the general public on an as-is basis under the
license. Open source software is generally freely accessible, usable and modifiable. Certain open s
GNU Affero General Public License may require us to offer the components of our software that i
source software for no cost, make available source code for modifications or derivative works we c
incorporating or using the open source software, and license such modifications or derivative work
particular open source license. We also rely on certain intellectual property rights that we license f
proprietary licenses. Though such third-party technologies may not continue to be available to us c
reasonable terms, we believe that alternative technologies would be available to us.

To promote our open platform philosophy, we make available a substantial portion of the source co
to the public on the GitHub platform for no charge, under the terms of the GNU Affero General
modifications of the source code for Canvas from contributors who agree to

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the terms of our contributor agreement. Our contributor agreement provides for assignment of join
copyright to the contribution, and a license to any patent rights of the contributor. Contributors mu
an original work and that the contribution does not violate any third party intellectual property righ

We control access to and use of our proprietary technology and other confidential information thro
and external controls, including contractual protections with employees, contractors, customers, an
software is protected by U.S. and international copyright laws. Our policy is to require employees
contractors to sign agreements assigning to us any inventions, trade secrets, works of authorship, d
processes generated by them on our behalf and agreeing to protect our confidential information, an
employees and contractors have done so. In addition, we generally enter into confidentiality agreen
and customers. We also control and monitor access to, and distribution of our software, documenta
proprietary information. In addition, we intend to expand our international operations, and effectiv
and trade secret protection may not be available to us in every country in which our software is ava

Regulatory

The legal environment of internet-based businesses is evolving rapidly in the United States and els
which existing laws and regulations are applied in this environment, and how they will relate to ou
both in the United States and internationally, is often unclear. For example, we sometimes cannot b
be deemed applicable to us given the global nature of our business, including with respect to such t
security, pricing, credit card fraud, advertising, taxation, content regulation, and intellectual proper
infringement. Moreover, our academic customers are regulated at the state and federal levels by leg
agencies and other policymaking bodies that can directly impact their ability to procure and deploy

Our customers, and those with whom they communicate using our applications, upload and store c
platform. This presents legal challenges to our business and operations, such as rights of privacy or
rights related to the content loaded onto our platform. Both in the United States and internationally
comply with a wide variety of laws and regulations regarding the data stored and processed on our
operation of our business.

Data Privacy and Security Laws

Data privacy and security with respect to the collection of personally identifiable information, or P
focus of worldwide legislation and regulation. We are subject to data privacy and security regulatio
authorities in the U.S. (including the states in which we conduct our business) and potentially in ot

In recent years, there have been a number of well-publicized data breaches involving the unauthori
individuals PII. Many states have responded to these incidents by enacting laws requiring holders
maintain safeguards and to take certain actions in response to a data breach, such as providing pron
breach to affected individuals and state officials or amending existing laws to expand compliance o
are also under consideration that may create additional compliance obligations and penalties. In the
companies must meet specified privacy and security standards, the Data Protection Directive and d
each of the European Member countries require comprehensive information privacy and security p
with respect to PII collected about them. We have in the past relied on compliance with adherence
of Commerce s Safe Harbor Privacy Principles and compliance with the U.S.-EU and U.S.-Swiss
as agreed to and set forth by the U.S. Department of Commerce, and the European Union and Swit

companies doing business in Europe, collecting PII from European

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citizens, and transferring such PII to the United States under the Safe Harbor Framework. As a resu
European Union Court of Justice, or ECJ, opinion in Case C-362/14 (Schrems v. Data Protection C
the adequacy of the U.S.-EU Safe Harbor Framework, the U.S.-EU Safe Harbor Framework is now
EU, to be an invalid means of legitimizing data transfers to the United States under the Data Protec
implementations into EU member state national law. In light of the ECJ opinion in Case C-362/14,
efforts to legitimize data transfers from the European Economic Area, such as the use of so-called
developed by the European Commission. We post on our website our privacy policies and practice
processing, use and disclosure of PII. Our publication of our Safe Harbor certifications, our privacy
statements we publish that provide promises and assurances about privacy and security can subject
federal action if they are found to deceptive or misrepresentative of our practices.

Through contractual obligations with our customers we sometimes agree to certain obligations rela
Educational Rights and Privacy Act, or FERPA, which generally prohibits educational institutions
funding from disclosing PII from a student s education records without the student s consent. We
Children s Online Privacy Protection Act, or COPPA, which applies to operators of commercial w
directed to U.S. children under the age of 13 that collect personal information from children, and to
audience websites with actual knowledge that they are collecting information from U.S. children u
certain laws and regulations that protect the collection, use and disclosure of particular types of dat
to provide services to customers and potential customers subjected to such laws.

Copyrights

U.S. and international copyright and trademark laws protect the rights of third parties from infringe
authorship. Our customers and users can generally use our platform to upload and present a wide v
maintain an active copyright infringement policy and respond to takedown requests by third-party
owners that might result from content uploaded to our platform. As our business expands to other c
respond to regional and country-specific intellectual property considerations, including takedown a
notices in foreign languages, and we must build infrastructure to support these processes. The Digi
Copyright Act, or DMCA, also applies to our business. This statute includes a safe harbor that is in
liability of online service providers for hosting content provided by users that infringes copyrights
infringement policies that we have implemented for our platform are intended to satisfy the DMCA

Facilities

We lease space for our corporate headquarters in Salt Lake City, Utah pursuant to a lease that expi
also lease space in Chicago, Illinois for certain research and development functions pursuant to a le
2022. We maintain our international headquarters in London, England and sales offices in Sydney,
Kong. We believe our facilities are adequate for our current needs.

Legal Proceedings

We may, from time to time, be party to litigation and subject to claims incident to the ordinary cou
growth continues, we may become party to an increasing number of litigation matters and claims.
and claims cannot be predicted with certainty, and the resolution of these matters could materially
of operations, cash flows or financial position. We are not presently party to any legal proceedings
adversely to us, would individually or taken together have a material adverse effect on our busines

financial condition or cash flows.

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MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information regarding our current executive officers, key em
of August 31, 2015:

Name	Age	Position(s)
Executive Officers		
Joshua L. Coates	41	Chief Executive Officer and Director
Steven B. Kaminsky	56	Chief Financial Officer
Marc T. Maloy	41	Executive Vice President Worldwide Sales
Matthew A. Kaminer	41	Senior Vice President, General Counsel an
Key Employees		
S. David Burggraaf	48	Senior Vice President Engineering
Misty D. Frost	44	Senior Vice President Marketing
Mitchell E. Macfarlane	39	Senior Vice President Customer Experienc
Jeff E. Weber	48	Senior Vice President People and Places
Zachary S. Wily	39	Chief Architect
Non-Employee Directors		
Steven A. Collins	50	Director
William M. Conroy	56	Director
Byron B. Deeter	41	Director
E. Nicholaus Efstratis	44	Director
Ellen Levy	46	Director
Adam D. Marcus	39	Director
Lloyd G. Waterhouse	63	Director
Brian C. Whitmer	32	Director

(1) Member of the compensation committee.
(2) Member of the audit committee.
(3) Member of the nominating and corporate governance committee.

Executive Officers

Joshua L. Coates has served as our Chief Executive Officer since October 2010 and as a member o
since January 2010. From 2007 to 2009, Mr. Coates served as Chief Technology Officer of the adv
group at EMC Corporation, a provider of online information backup and recovery services. In 200

Berkeley Data Systems, which operated mozy.com, an online storage company, where he served a
Executive Officer until it was acquired by EMC in 2007. In 1999, Mr. Coates founded Scale Eight
where he served as Founder, Chief Technology Officer and member of the board of directors. Mr.
computer science from University of California, Berkeley. We believe Mr. Coates is qualified to se
directors due to his extensive knowledge of our company and his extensive background in the softw

Steven B. Kaminsky has served as our Chief Financial Officer since May 2012. From March 2008 t
Mr. Kaminsky served as Chief Financial Officer at Radisphere National Radiology Group, Inc., a p

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of standards-based radiology delivery solutions for health systems. Beginning in 2005, he served a
at Plan Data Management, a healthcare technology company, which was acquired by TriZetto Gro
technology company, in 2006, after which Mr. Kaminsky served as Vice President of Finance and
From 2002 to 2005, Mr. Kaminsky served as Chief Financial Officer at ReefEdge, Inc., a software
he held positions at McDonalds Corporation and Ernst & Young LLP. Mr. Kaminsky holds a B.S.
University of Illinois at Urbana-Champagne, an M.B.A. from University of California, Los Angele
Public Accountant (inactive).

Marc T. Maloy has served as our Executive Vice President Worldwide Sales since September 201
as our Senior Vice President Sales since April 2013. From 2001 to 2013, Mr. Maloy served in vari
Inc., a background checking company, most recently as Senior Vice President of Worldwide Sales
From 1998 to 2001, he served as Director of Operations at Certico Verification Services, LLC, a p
background screening company. Mr. Maloy holds a B.S. in human resources and operations mana
School at Indiana University.

Matthew A. Kaminer has served as our Senior Vice President, General Counsel and Secretary sinc
2013 to May 2015, Mr. Kaminer served as General Counsel and Secretary of Collective Inc., a vid
company. From June 2011 to July 2013, he served as General Counsel and Secretary of Epocrates,
information company. From March 2010 to June 2011, Mr. Kaminer served as General Counsel fo
a provider of specialty healthcare communications, publishing and medical education. From 2004
served as Assistant General Counsel and Chief Privacy Officer at WebMD Health Corp., a medica
Mr. Kaminer holds a B.S. in computer science from Pennsylvania State University and a J.D. from
University.

Key Employees

S. David Burggraaf has served as our Senior Vice President Engineering since March 2014. From
Mr. Burggraaf served as Senior Vice President Product Engineering at FamilySearch Organization
history organization. From 2006 to 2010, he served as Vice President Engineering at The Church o
Latter-day Saints. From 1994 to 2006, Mr. Burggraaf served in various roles at Microsoft Corpora

Misty D. Frost has served as our Senior Vice President Marketing since April 2012. From 2004 to
various roles at Datamark, Inc., a provider of enrollment marketing services to the higher educatio
Director of Product Development, Director of Interactive Operations and serving most recently as
Services. Prior to 2004, she served in various marketing roles at Critical Mass Inc., a design agenc
Inc., a communications firm, and Dahlin Smith White, Inc., an advertising firm. Ms. Frost holds a
from the University of Utah.

Mitchell E. Macfarlane has served as our Senior Vice President Customer Experience since Febru
in various other leadership positions since joining us in May 2011. From May 2010 to May 2011,
Principal Program Manager at VMware, Inc., a provider of virtualization and cloud infrastructure
2010, he served as Senior Enterprise Project Manager at InfoTrax Systems, LLC, a provider of ba
Prior to 2006, Mr. Macfarlane served in various roles at General Electric Company, Nu Skin Ente
selling company, and Big Planet Inc., a multi-level marketing company selling internet services. M
B.S. in sociology and an M.B.A. from Brigham Young University.

Jeff E. Weber has served as our Senior Vice President People and Places since May 2013. From Au
Mr. Weber served in various roles at ancestry.com, an online family history company, most recentl
President People and Places from March 2012 to April 2013. From 1996 to 1999, he served as Dire
Outsourcing at The Russell Group, LLC, a human resources outsourcing

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firm. From 1993 to 1996, Mr. Weber served as a Human Resource Generalist at Shell Oil Compan
B.S. in business and an M.B.A. with an emphasis in organizational behavior from Brigham Young

Zachary S. Wily has served as our Chief Architect since March 2014 and served as our Vice Presid
May 2011 to March 2014 and our Director, Engineering from February 2010 to May 2011. From 2
served in various roles at Mozy and EMC.

Non-Employee Directors

Steven A. Collins has served as a member of our board of directors since May 2014. From 2011 to
Mr. Collins served as the Executive Vice President and Chief Financial Officer of ExactTarget Inc
marketing company. From 2003 to 2011, Mr. Collins was with NAVTEQ Corporation, a digital m
served as the Vice President of Finance and the Senior Vice President of Finance & Accounting p
Financial Officer. Mr. Collins currently serves on the board of directors of Shopify, Inc. Mr. Colli
industrial engineering from Iowa State University and an M.B.A. from the Wharton School of the
Pennsylvania. Mr. Collins is a Certified Public Accountant. We believe Mr. Collins is qualified to
directors due to his software industry experience, including his experience in finance.

William M. Conroy has served as a member of our board of directors since May 2013. Since March
served as President of Conroy Advisors, LLC, a consulting company. From March 2010 to March
Solutions Executive in the information management organization of IBM. From 2002 to 2010, Mr.
President, Chief Executive Officer and a member of the board of directors of Initiate Systems, Inc.
until it was acquired by IBM in 2010. From 2001 to 2002, he served as President and Chief Operat
Commerce, Inc., a research solutions company. From 2000 to 2001, he served as a Partner with Ins
global private equity firm. From 1997 to 2000, Mr. Conroy served as Executive Vice President and
of TenFold Corporation, a software company. Prior to joining TenFold, he served in various capac
Corporation, most recently as group vice president. Mr. Conroy holds a B.S. in business administr
Green State University. We believe Mr. Conroy is qualified to serve on our board of directors due
investment experience and his service on the boards of directors of other companies in the informa

Byron B. Deeter has served as a member of our board of directors since May 2013. Mr. Deeter is a
Venture Partners, a venture capital firm, where he has held various positions since he joined the fi
presently a member of the firm s management company. From 2004 to 2005, he was a director at
various positions in Trigo Technologies, Inc., a product information management software compa
and Chief Executive Officer from January 2000 to November 2000 and Vice President Business D
November 2000 to April 2004. From 1998 to 2000, Mr. Deeter worked as an Associate with TA A
firm, and from 1996 to 1998, as an Analyst at McKinsey & Company. Mr. Deeter served on the bo
Eloqua, Inc. from 2007 to 2013, until Eloqua was acquired by Oracle, on the board of directors of
Inc. from 2007 to July 2014 and on the board of directors of Criteo S.A. from April 2010 to Janua
a B.A. in political economies of industrial societies from the University of California, Berkeley. W
qualified to serve on our board of directors due to his experience with SaaS and marketing compa

E. Nicholaus Efstratis has served as a member of our board of directors since January 2010. Since
served as a Managing Director at Epic Ventures, a venture capital firm. He has been a venture cap
stage technology companies since 1999. Prior to focusing on the technology sector, Mr. Efstratis a
and operated Ranchlife Adventures, a working cattle and guest ranch located in Montana. Mr. Efst

entrepreneurship and an M.B.A. from Brigham Young University. We believe Mr. Efstratis is qual
board of directors due to his investment experience in the information technology industry.

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Ellen Levy has served as a member of our board of directors since August 2015. Since April 2012,
Managing Director of Silicon Valley Connect, LLC, a management consulting company. From 20
Dr. Levy served in various roles at LinkedIn Corporation, a professional social networking interne
recently as Vice President Strategic Initiatives since March 2010. Dr. Levy holds a B.A. from the U
and an M.A. and Ph.D. in cognitive psychology from Stanford University. We believe Dr. Levy is
board of directors due to her experience working with software and other technology companies.

Adam D. Marcus has served as a member of our board of directors since January 2014. Mr. Marcu
at OpenView Venture Partners, a venture capital firm, where he has held various positions since he
From 2005 to 2009, he served as an Associate and Senior Associate at Battery Ventures, a venture
to 2005, Mr. Marcus led corporate development for the Boston Celtics. Mr. Marcus holds a B.S. in
from Franklin and Marshall College and an M.B.A. from the Tuck School of Business at Dartmou
Mr. Marcus is qualified to serve on our board of directors due to his investment experience in the i
industry and his experience with SaaS and marketing companies.

Lloyd G. Waterhouse has served as a member of our board of directors since August 2015. From J
Mr. Waterhouse served as the Chief Executive Officer of McGraw-Hill Education, a division of T
Companies, Inc., a content and analytics provider. From 2006 to December 2007, Mr. Waterhouse
Executive Officer and President of Harcourt Education Group, a global education company, and se
director and consultant from August 2004 to September 2006. From 2001 to 2004, he served as Ch
Chairman of Reynolds and Reynolds Co., a leading provider of integrated solutions to automotive
2010, Mr. Waterhouse has served on the board of directors of SolarWinds, Inc., and from April 20
on the board of directors of ITT Educational Services, Inc. Mr. Waterhouse holds a B.S. in finance
University and an M.B.A. from Youngstown State University. We believe Mr. Waterhouse is qual
board of directors due to his experience as a senior executive, particularly within the education ind
publicly-traded companies.

Brian C. Whitmer, one of our co-founders, has served as a member of our board of directors since
between September 2008 and January 2010. Since July 2014, Mr. Whitmer has served as Founder
alternative and augmentative communication company. From September 2012 to December 2013,
our Chief Product Officer. From 2008 to September 2012, Mr. Whitmer served as our Vice Preside
2007 to 2008, Mr. Whitmer served as a research lab assistant at Brigham Young University. From
various software development positions at the Missionary Training Center of The Church of Jesus
Saints. Mr. Whitmer holds a B.S. and M.S. in computer science from Brigham Young University.
is qualified to serve on our board of directors due to his extensive knowledge of our company and
experience.

Family Relationships

There are no family relationships among any of the directors or executive officers.

Board Composition

Our business and affairs are managed under the direction of our board of directors, which currently
members. Certain members of our board of directors were elected pursuant to the provisions of a v
certain of our major stockholders. Under the terms of this voting agreement, the stockholders who

agreement have agreed to vote their respective shares so as to elect as directors: (1) one director de
Venture Fund IV (Mr. Efstratis); (2) one director designated by OpenView Venture Partners, L.P. (
director designated by Bessemer Venture Partners VIII L.P.

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(Mr. Deeter); (4) the person serving as Chief Executive Officer (Mr. Coates); (5) one director desi
of our common stock (Mr. Whitmer); and (6) two directors designated by the holders of our comm
stock, voting together as a single class (Mr. Collins and Mr. Conroy). The voting agreement will te
of this offering and none of our stockholders will have any special rights regarding the election or
of our board of directors. There is no contractual arrangement by which Dr. Levy and Mr. Waterh
our board of directors.

Our board of directors will consist of members upon the closing of this offering. In accord
and restated certificate of incorporation to be filed in connection with this offering, immediately a
board of directors will be elected annually to serve until the next annual general meeting of stockh

Director Independence

Generally, under the listing requirements and rules of the New York Stock Exchange, or the NYS
must comprise a majority of our board of directors within one year of the completion of this offeri

Our board of directors has undertaken a review of its composition, the composition of its committe
of each director. Our board of directors has determined that, other than Mr. Coates, by virtue of hi
and Chief Executive Officer and Mr. Whitmer, by virtue of his prior employment with us, none of
relationship that would interfere with the exercise of independent judgment in carrying out the res
and that each is independent as that term is defined under the applicable rules and regulations o
requirements and rules of the NYSE. Accordingly, a majority of our directors are independent, as
NYSE rules. In making this determination, our board of directors considered the current and prior
non-employee director has with our company and all other facts and circumstances our board of d
in determining their independence, including the beneficial ownership of our capital stock by each

Board Committees

Our board of directors has the authority to appoint committees to perform certain management and
Our board of directors has established an audit committee, a compensation committee and a nomin
governance committee. The composition and responsibilities of each committee are described bel
on these committees until their resignation or until otherwise determined by the board of directors.
this offering, the charters for each of these committees will be available on our website at www.ins
Information contained on or accessible through our website is not a part of this prospectus, and the
address in this prospectus is an inactive textual reference only

Audit Committee

Our audit committee consists of , and , each of whom satisfi
requirements under the NYSE listing standards and Rule 10A-3(b)(1) of the Exchange Act. The ch
committee is . Our board of directors has determined that each of
is an audit committee financial expert within the meaning of SEC regulations. Our
determined that each member of our audit committee has the requisite financial expertise required
requirements of the NYSE. In arriving at this determination, the board of directors has examined e
member s scope of experience and the nature of their employment in the corporate finance sector.

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The primary purpose of the audit committee is to discharge the responsibilities of our board of dire
accounting, financial and other reporting and internal control practices and to oversee our independ
accounting firm. Specific responsibilities of our audit committee include:

- selecting a qualified firm to serve as the independent registered public accounting firm to
statements;
- helping to ensure the independence and performance of the independent registered publi
- discussing the scope and results of the audit with the independent registered public accou
reviewing, with management and the independent accountants, our interim and year-end
- developing procedures for employees to submit concerns anonymously about questionab
matters;
- reviewing our policies on risk assessment and risk management;
- reviewing related party transactions;
- obtaining and reviewing a report by the independent registered public accounting firm at
describes our internal quality-control procedures, any material issues with such procedur
deal with such issues when required by applicable law; and
- approving (or, as permitted, pre-approving) all audit and all permissible non-audit servic
independent registered public accounting firm.

Compensation Committee

Our compensation committee consists of , and , each of who
has determined to be independent under the NYSE listing standards and the rules and regulations o
non-employee director as defined in Rule 16b-3 promulgated under the Exchange Act and an
defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The ch
compensation committee is .

The primary purpose of our compensation committee is to discharge the responsibilities of our boa
our compensation policies, plans and programs and to review and determine the compensation to b
officers, directors and other senior management, as appropriate. Specific responsibilities of our co
include:

reviewing and approving, or recommending that our board of directors approve, the com
executive officers;

reviewing and recommending to our board of directors the compensation of our directors

reviewing and approving, or recommending that our board of directors approve, the term
arrangements with our executive officers;

administering our stock and equity incentive plans;

selecting independent compensation consultants and assessing whether there are any con
of the committee s compensation advisors;

reviewing and approving, or recommending that our board of directors approve, incentiv
equity plans, severance agreements, change-of-control protections and any other compen
our executive officers and other senior management, as appropriate;

reviewing and establishing general policies relating to compensation and benefits of our

reviewing our overall compensation philosophy.

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Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of and , ea
directors has determined to be independent under the NYSE listing standards. The chairman of our
corporate governance committee is .

Specific responsibilities of our nominating and corporate governance committee include:

- identifying, evaluating and selecting, or recommending that our board of directors appro
to our board of directors;
- evaluating the performance of our board of directors and of individual directors;
- reviewing developments in corporate governance practices;
- evaluating the adequacy of our corporate governance practices and reporting;
- reviewing management succession plans; and
- developing and making recommendations to our board of directors regarding corporate g
matters.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, offic
including those officers responsible for financial reporting. Following the closing of this offering, t
Conduct and Ethics will be available on our website at www.instructure.com. Information containe
through our website is not a part of this prospectus, and the inclusion of our website address in this
textual reference only. We intend to disclose any amendments to the Code of Business Conduct an
of its requirements, on our website to the extent required by the applicable rules and exchange requ
of our website address in this prospectus does not incorporate by reference the information on or a
website into this prospectus.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has ever been an officer or employee of our
executive officers serve, or have served during the last fiscal year, as a member of the board of dire
committee or other board committee performing equivalent functions of any entity that has one or
serving as one of our directors or on our compensation committee.

2014 Non-Employee Director Compensation

The following table sets forth information regarding compensation earned by or paid to our non-en
2014. Mr. Coates did not receive any additional compensation for his service on our board of direc

Name	Fees Earned or Paid in Cash	Option Awards(1)	Oth Compe
Steven A. Collins	$	$ 168,976(2)	$
William M. Conroy			4
Byron B. Deeter			
E. Nicholaus Efstratis			
Ellen Levy(4)			
Adam D. Marcus			
Lloyd G. Waterhouse(4)			
Brian C. Whitmer			(

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(1) The amounts reported do not reflect the amounts actually received by our non-employee direct
amounts reflect the aggregate grant date fair value of each stock option granted to our non-emp
2014, as computed in accordance with Financial Accounting Standards Board, or FASB, Accou
Codification, or ASC, 718. Assumptions used in the calculation of these amounts are included
financial statements included in this prospectus. As required by SEC rules, the amounts shown
estimated forfeitures related to service-based vesting conditions. Our non-employee directors v
will only realize compensation with regard to these options to the extent the trading price of ou
greater than the exercise price of such options. The table below lists the aggregate number of sh
outstanding option awards held by each of our non-employee directors.

Name	Nur C C Dec
Steven A. Collins	
William M. Conroy.	
Byron B. Deeter	
E. Nicholaus Efstratis	
Ellen Levy	
Adam D. Marcus	
Lloyd G. Waterhouse	
Brian C. Whitmer	

(2) In May 2014, in connection with the appointment of Mr. Collins to the board of directors and i
service as a director, we granted Mr. Collins an option to purchase 85,535 shares of our comm
price of $3.25 per share. All shares subject to the option are early exercisable, which are subjec
repurchase any unvested shares if Mr. Collins ceases to provide continued services with us thro
date. The shares are scheduled to vest over a two-year period as follows: 1/24th of the shares v
continued service with us through each relevant vesting date. The vesting of Mr. Collin s optio
full upon a change of control.

(3) Reflects compensation for advisory services paid to Mr. Conroy pursuant to a consulting agree
with Mr. Conroy in February 2013.

(4) Dr. Levy and Mr. Waterhouse joined our board of directors in August 2015.

(5) Includes (a) $30,004 earned in 2013, which were paid during 2014, pursuant to Mr. Whitmer s
severance arrangements and (b) $33,333 for consulting services paid to Mr. Whitmer pursuant
we entered into with Mr. Whitmer in December 2013.

Non-Employee Director Compensation Policy

We have adopted a non-employee director compensation policy, pursuant to which our non-emplo
eligible to receive compensation for service on our board of directors and committees of our board

Cash Compensation

Commencing upon the execution of the underwriting agreement for this offering, each non-employ
an annual cash retainer of $30,000 for serving on our board of directors. The chairperson and mem
committees of our board of directors will be entitled to the following additional annual cash retaine

Committee	Chairperson
Audit Committee	$ 20,0
Compensation Committee	10,0
Nominating and Corporate Governance Committee	7,5

All annual cash compensation amounts will be payable in equal quarterly installments in arrears, o
fiscal quarter for which the service occurred, pro-rated based on the days served in the applicable f

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Each director may elect to receive their annual cash compensation in the form of restricted stock u
RSUs will be granted on the date of our annual stockholder meeting and will vest in full on the las
immediately prior to the next annual stockholder meeting, subject to the director s continued servi
date.

Equity Compensation

IPO Grant. On the date of this offering, each of Ellen Levy and Lloyd G. Waterhouse, will be gra
of $350,000. The value of this award will be determined based on the price per share set forth on t
prospectus. This award will vest as to 50% on the last market trading day immediately prior to the
meeting after the date of this offering and 50% of this award will vest on the last market trading d
the second annual stockholder meeting after the date of this offering, subject, in each case, to the d
through such vesting date. On the date of this offering, each of William M. Conroy and Byron B. D
RSU with a value of $262,500. The value of this award will be determined based on the price per s
cover page of this prospectus. This award will vest as to one-third on the last market trading day in
first annual stockholder meeting after the date of this offering and two-thirds of this award will ves
trading day immediately prior to the second annual stockholder meeting after the date of this offeri
to the director s continued service through such vesting date.

Initial Grant. On the date of a non-employee director s initial appointment to our board of directo
market trading day, the first market trading day thereafter, such director will receive (1) a RSU wit
pro-rated based on the number of days that have elapsed as of the date of appointment since our las
stockholders (or if an annual meeting has not yet been held, the date of this offering), or the Pro-ra
RSU with a value of $175,000, or the Annual Portion. The value of the awards granted will be dete
market value per share of common stock on the applicable grant date. The Pro-rated Portion will v
market trading day immediately prior to the next annual stockholder meeting following such direct
to the director s continued service through such vesting date. The Annual Portion will vest on the
immediately prior to the second annual stockholder meeting following such director s appointmen
director is initially elected at an annual stockholder meeting, such director will receive a RSU with
award will vest as to 50% on the last market trading day immediately prior to our next annual stoc
will vest on the last market trading day immediately prior to the second annual stockholder meetin
subject, in each case, to the director s continued service through such vesting date.

Biennial Grant. On the date of each annual stockholder meeting, each non-employee director who
after the date of such meeting, and whose IPO Grant, Initial Grant or most recent Biennial Grant, a
vested on the last market trading day immediately prior to the date of such annual stockholder mee
with a value of $350,000. The value of the awards granted will be determined based on the fair ma
common stock on the applicable grant date. The award will vest as to 50% on the last market tradi
to the next annual stockholder meeting and 50% will vest on the last market trading day immediate
following annual stockholder meeting, subject, in each case, to the director s continued service th

Change in Control. All RSUs issued pursuant to the non-employee director compensation policy w
change in control or corporate transaction, each as defined in the 2015 Equity Incentive Plan, subj
continued service through the effective date of such transaction.

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EXECUTIVE COMPENSATION

Our named executive officers, consisting of our principal executive officer and the next two most l
executive officers, as of December 31, 2014, were:

- Joshua L. Coates, our Chief Executive Officer;
- Steven B. Kaminsky, our Chief Financial Officer; and
- Marc T. Maloy, our Executive Vice President Worldwide Sales.

2014 Summary Compensation Table

The following table presents all of the compensation awarded to or earned by our named executive

Name and Principal Position	Year	Salary	Non-Equity Incentive Plan Compensation	Al Com
Joshua L. Coates *Chief Executive Officer*	2014	$ 1	$	$
Steven B. Kaminsky *Chief Financial Officer*	2014	214,346	49,950(1)	
Marc T. Maloy *Executive Vice President Worldwide Sales*	2014	256,944	141,786(3)	

(1) Represent amounts earned in 2014, which were paid during 2015, under our executive bonus p
achievement of company and individual performance goals. Our 2014 company goals related t
development objective and financial management objectives. The 2014 annual performance bo
named executive officers based on company performance (80%) and individual performance (2
determined was appropriate in order to reinforce the importance of integrated and collaborative
Mr. Coates waived his right to receive any payments under the executive bonus plan, our boar
that Mr. Kaminsky was entitled to 106% of his target bonus and Mr. Maloy was not eligible to
executive bonus plan.

(2) Includes (a) the value of company paid premiums of $59 for life insurance and (b) $1,000 of sa
contributions defined in our 401(k) plan.

(3) Represents sales commissions earned by Mr. Maloy in 2014. The amounts earned under his in
opportunity were based on the achievement of sales targets.

(4)

Includes (a) the value of company paid premiums of $59 for life insurance and (b) $2,800 of sa
contributions defined in our 401(k) plan.

Outstanding Equity Awards as of December 31, 2014

The following table presents information regarding outstanding equity awards held by our named e
December 31, 2014. All awards were granted under our 2010 Equity Incentive Plan.

			Option Awards				
Name	**Grant Date**	**Vesting Commencement Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price Per Share[1]**	**Option Expiration Date**	**Numb Sha o Unit Stock Have Ves**
Joshua L. Coates					$		
Steven B. Kaminsky		05/21/2012					129
	05/31/2013	05/31/2013	44,014[2][3]		1.38	05/30/2023	
Marc T. Maloy	04/11/2013	04/03/2013	225,000[2]		0.67	04/10/2023	

(1) The exercise price per share reflects the fair market value per share of our common stock on th
determined by our board of directors.

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(2) All shares subject to the option are early exercisable, which are subject to our right to repurcha
the named executive officer ceases to provide continued services with us through the relevant v
are scheduled to vest over a four-year period as follows: 25% of the shares underlying the optio
anniversary of the vesting commencement date and thereafter 1/48th of the shares vest each mo
service with us through each relevant vesting date.
(3) Pursuant to the offer letter between the named executive officer and us, the vesting of such nam
stock and option awards will accelerate under certain circumstances as described under Emp
Control Arrangements.
(4) Shares acquired pursuant to an early exercise provision and subject to a right of repurchase, wh
with the vesting schedule. See footnote (2).
(5) This amount reflects the fair market value of our common stock of $6.13 per share as of Decem
determined by our board of directors.

Emerging Growth Company Status

We are an emerging growth company, as defined in the JOBS Act. As an emerging growth com
from certain requirements related to executive compensation, including, but not limited to, the requ
nonbinding advisory vote on executive compensation and to provide information relating to the rat
of our Chief Executive Officer to the median of the annual total compensation of all of our employ
the Investor Protection and Securities Reform Act of 2010, which is part of the Dodd-Frank Wall S
Consumer Protection Act.

Pension Benefits

Our named executive officers did not participate in, or otherwise receive any benefits under, any p
sponsored by Instructure during 2014.

Nonqualified Deferred Compensation

Our named executive officers did not participate in, or earn any benefits under, a non-qualified def
sponsored by Instructure during 2014.

Employment and Change in Control Arrangements

We have offer letters with each of our executive officers other than Mr. Coates. The offer letters ge
at-will employment and set forth the executive officer s initial base salary, initial equity grant amo
employee benefits. In addition, each of our named executive officers has executed of our standard
and inventions agreement. The key terms of employment with our executive officers are described

Offer Letters

Joshua L. Coates. We have no employment agreement or offer letter with Joshua L. Coates, our Ch
and we currently do not anticipate entering into one in the future. Mr. Coates s current annual bas
is an at-will employee and receives no benefits different from those available to all our full-time em
perquisites.

Steven B. Kaminsky. In April 2012, we extended an offer letter to Steven B. Kaminsky, our Chief I
offer letter has no specific term and constitutes an at-will employment arrangement. Mr. Kaminsky
salary is $238,500 and his annual target bonus is 30% of his base salary. The offer letter provided I
relocation support up to a maximum amount of $75,000 to assist with his relocation to the Compar
In connection with his employment, Mr. Kaminsky was granted a stock option for 364,978 shares
exercise price of $0.15 per share. In addition, pursuant to his offer letter, Mr. Kaminsky was eligib
stock option grant if we completed a qualified financing by the one-year anniversary of Mr. Kamir
Accordingly, in connection with the sale and issuance of our Series D preferred stock, we granted I
option for 44,014 shares of common stock with an exercise price of $1.38 per share. The shares un
as to 25% on the one-year anniversary of the vesting commencement date and 1/48th of the shares

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month thereafter, subject to Mr. Kaminsky s continued service with us through each relevant vesti grants will vest in full if his employment is terminated without cause or he resigns for good re defined in the applicable stock option agreements underlying these options) in connection with a c three months prior to or 12 months after such change in control.

Marc T. Maloy. In March 2013, we extended an offer letter to Marc T. Maloy, our Executive Vice Sales. The offer letter had no specific term and constitutes an at-will employment arrangement. Mr base salary is $250,000. The offer letter provided Mr. Maloy with relocation support up to a maxim to assist with his relocation to our headquarters in Utah. In connection with his employment, Mr. M option for 245,000 shares of common stock with an exercise price of $0.67 per share. The shares u as to 25% on the one-year anniversary of the vesting commencement date and 1/48th of the shares thereafter, subject to Mr. Maloy s continued service with us through each relevant vesting date. M receive sales commissions based on the achievement of sales targets.

Change in Control and Severance Agreements

In August 2015, we entered into executive agreements with each of our executive officers and cert agreement with each executive officer provides that if such officer is terminated for any reason oth disability or the officer voluntarily resigns for good reason, such officer would be entitled to receiv severance benefits:

- a payment equal to 6 months of such officer s then-current base salary, paid over the 6 m such officer s separation from service;
- reimbursement of COBRA premiums for such officer and his or her eligible dependents, to 6 months; and
- a lump sum payment equal to 80% of such officer s annual target bonus, pro-rated based months of service in the year in which the separation of service occurs.

In addition, these agreements provide that if such officer is terminated for any reason other than ca if the officer voluntarily resigns for good reason within 3 months prior to (and contingent upon the change in control) or 12 months after a change in control, such officer would be entitled to receive benefits:

- a payment equal to 9 months of such officer s then-current base salary, paid over the 9 m such officer s separation from service;
- reimbursement of COBRA premiums for such officer and his or her eligible dependents, to 9 months;

a lump sum payment equal to 80% of such officer s annual target bonus, pro-rated based months of service in the year in which the separation of service occurs, provided that the termination is on or after March 31 of the year of termination; and

100% acceleration of vesting of all then-unvested equity awards held by such officer.

Payment of any severance benefits is conditioned on the executive officer s timely execution of a in our favor.

Equity Benefit Plans

We believe that our ability to grant equity-based awards is a valuable and necessary compensation long-term financial interests of our employees, consultants and directors with the financial interest addition, we believe that our ability to grant options and other equity-based awards helps us

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to attract, retain and motivate employees, consultants and directors and encourages them to devote
business and financial success. The principal features of our equity incentive plans and our 401(k)
below. These summaries are qualified in their entirety by reference to the actual text of the plans,
401(k) plan, are filed as exhibits to the registration statement of which this prospectus is a part.

2015 Equity Incentive Plan

Our board of directors adopted the 2015 Equity Incentive Plan, or the 2015 Plan, in August 2015 a
approved the 2015 Plan in 2015, which will become effective upon the execution and delivery
agreement related to this offering. Once the 2015 Plan is effective, no further grants will be made
Incentive Plan, or the 2010 Plan.

Stock Awards. The 2015 Plan provides for the grant of incentive stock options, or ISOs, nonstatuto
NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance
other forms of equity compensation, or collectively, stock awards, all of which may be granted to
officers, non-employee directors and consultants of us and our affiliates. Additionally, the 2015 Pl
of performance cash awards. ISOs may be granted only to employees. All other awards may be gra
including officers, and to non-employee directors and consultants.

Share Reserve. Initially, the aggregate number of shares of our common stock that may be issued
under the 2015 Plan after the 2015 Plan becomes effective is 3,000,000 shares. Additionally, the n
common stock reserved for issuance under our 2015 Plan will automatically increase on January 1
on January 1, 2016 (assuming the 2015 Plan becomes effective before such date) and continuing th
January 1, 2025, by 4.5% of the total number of shares of our capital stock outstanding on Decemb
calendar year, or a lesser number of shares determined by our board of directors. The maximum nu
common stock that may be issued upon the exercise of ISOs under the 2015 Plan is 12,000,000 sha

No person may be granted stock awards covering more than 1,000,000 shares of our common stoc
during any calendar year pursuant to stock options, stock appreciation rights and other stock award
determined by reference to an increase over an exercise or strike price of at least 100% of the fair
the stock award is granted. Additionally, no person may be granted in a calendar year a performan
more than 1,000,000 shares of our common stock or a performance cash award having a maximum
$2,000,000. Such limitations are designed to help assure that any deductions to which we would o
respect to such awards will not be subject to the $1,000,000 limitation on the income tax deductibi
to any covered executive officer imposed by Section 162(m) of the Code.

If a stock award granted under the 2015 Plan expires or otherwise terminates without being exercis
cash, the shares of our common stock not acquired pursuant to the stock award again will become
issuance under the 2015 Plan. In addition, the following types of shares of our common stock unde
become available for the grant of new stock awards under the 2015 Plan: (1) shares that are forfeit
us prior to becoming fully vested; (2) shares withheld to satisfy income or employment withholdin
used to pay the exercise or purchase price of a stock award. Shares issued under the 2015 Plan may
shares or reacquired shares bought by us on the open market. As of the date of this prospectus, no
and no shares of our common stock have been issued under the 2015 Plan.

Administration. Our board of directors, or a duly authorized committee thereof, has the authority to
Plan. Our board of directors may also delegate to one or more of our officers the authority to (1) de
than other officers) to be recipients of certain stock awards, and (2) determine the number of share
subject to such stock awards. Subject to the terms of the 2015 Plan, our

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board of directors or the authorized committee, referred to herein as the plan administrator, determ
grant, the numbers and types of stock awards to be granted and the terms and conditions of the stoc
period of their exercisability and vesting schedule applicable to a stock award. Subject to the limita
plan administrator will also determine the exercise price, strike price or purchase price of awards g
consideration to be paid for the award.

The plan administrator has the authority to modify outstanding awards under our 2015 Plan. Subje
2015 Plan, the plan administrator has the authority to reduce the exercise, purchase or strike price o
award, cancel any outstanding stock award in exchange for new stock awards, cash or other consid
action that is treated as a repricing under generally accepted accounting principles, with the consen
affected participant.

Stock Options. ISOs and NSOs are granted pursuant to stock option agreements adopted by the pla
administrator determines the exercise price for a stock option, within the terms and conditions of th
that the exercise price of a stock option generally cannot be less than 100% of the fair market valu
the date of grant. Options granted under the 2015 Plan vest at the rate specified by the plan admini

The plan administrator determines the term of stock options granted under the 2015 Plan, up to a m
Unless the terms of an optionholder s stock option agreement provide otherwise, if an optionholde
with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the opti
exercise any vested options for a period of three months following the cessation of service. The op
extended in the event that exercise of the option following such a termination of service is prohibit
securities laws or our insider trading policy. If an optionholder s service relationship with us or an
due to disability or death, or an optionholder dies within a certain period following cessation of ser
a beneficiary may generally exercise any vested options for a period of 12 months in the event of d
in the event of death. In the event of a termination for cause, options generally terminate immediat
of the individual for cause. In no event may an option be exercised beyond the expiration of its ter

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock op
by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker
exercise, (3) the tender of shares of our common stock previously owned by the optionholder, (4) a
option if it is an NSO, and (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by
and distribution, or pursuant to a domestic relations order. An optionholder may designate a benefi
exercise the option following the optionholder s death.

Tax Limitations on Incentive Stock Options. The aggregate fair market value, determined at the tim
common stock with respect to ISOs that are exercisable for the first time by an optionholder during
all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit
as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to
more than 10% of our total combined voting power or that of any of our affiliates unless (1) the op
least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) th
not exceed five years from the date of grant.

Restricted Stock Awards. Restricted stock awards are granted pursuant to restricted stock award ag
plan administrator. Restricted stock awards may be granted in consideration for (1) cash, check, ba
(2) services rendered to us or our affiliates, or (3) any other form of legal consideration. Common s
restricted stock award may, but need not, be subject to a share repurchase option in our favor in acc
schedule to be determined by the plan administrator.

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A restricted stock award may be transferred only upon such terms and conditions as set by the plan
otherwise provided in the applicable award agreement, restricted stock awards that have not vested
repurchased by us upon the participant s cessation of continuous service for any reason.

Restricted Stock Unit Awards. Restricted stock unit awards are granted pursuant to restricted stock
adopted by the plan administrator. Restricted stock unit awards may be granted in consideration fo
consideration. A restricted stock unit award may be settled by cash, delivery of stock, a combinatio
deemed appropriate by the plan administrator, or in any other form of consideration set forth in the
award agreement. Additionally, dividend equivalents may be credited in respect of shares covered
award. Except as otherwise provided in the applicable award agreement, restricted stock units that
forfeited upon the participant s cessation of continuous service for any reason.

Stock Appreciation Rights. Stock appreciation rights are granted pursuant to stock appreciation gra
the plan administrator. The plan administrator determines the strike price for a stock appreciation r
cannot be less than 100% of the fair market value of our common stock on the date of grant. Upon
appreciation right, we will pay the participant an amount not to exceed the product of (1) the exces
market value of our common stock on the date of exercise over the strike price, multiplied by (2) th
common stock with respect to which the stock appreciation right is exercised. A stock appreciation
2015 Plan vests at the rate specified in the stock appreciation right agreement as determined by the

The plan administrator determines the term of stock appreciation rights granted under the 2015 Pla
ten years. Unless the terms of a participant s stock appreciation right agreement provides otherwis
relationship with us or any of our affiliates ceases for any reason other than cause, disability or dea
generally exercise any vested stock appreciation right for a period of three months following the ce
stock appreciation right term may be further extended in the event that exercise of the stock apprec
such a termination of service is prohibited by applicable securities laws. If a participant s service r
of our affiliates, ceases due to disability or death, or a participant dies within a certain period follow
the participant or a beneficiary may generally exercise any vested stock appreciation right for a per
event of disability and 18 months in the event of death. In the event of a termination for cause, stoc
generally terminate immediately upon the occurrence of the event giving rise to the termination of
In no event may a stock appreciation right be exercised beyond the expiration of its term.

Performance Awards. The 2015 Plan permits the grant of performance-based stock and cash award
performance-based compensation that is not subject to the $1,000,000 limitation on the income tax
compensation paid to a covered executive officer imposed by Section 162(m) of the Code. To help
compensation attributable to performance-based awards will so qualify, our compensation commit
awards so that stock or cash will be issued or paid pursuant to such award only after the achieveme
pre-established performance goals during a designated performance period.

Our compensation committee may establish performance goals by selecting from one or more of th
criteria, including without limitation: (1) earnings (including earnings per share and net earnings; (
return; (3) return on equity or average stockholder s equity; (4) return on assets, investment, or ca
price; (6) margin (including gross margin); (7) income (before or after taxes); (8) operating income
operating cash flow; (11) sales or revenue targets; (12) increases in revenue or product revenue; (1
reduction goals; (14) improvement in or attainment of working capital levels; (15) economic value
metric); (16) market share; (17) cash flow; (18) share price performance; (19) debt reduction; (20)

completion of projects or processes; (21) stockholders equity; (22) capital expenditures; (23) deb
profit or net operating profit; (25) workforce diversity; (26) growth of net income or operating inc
(28) bookings; (29) employee retention; (30) user satisfaction; (31) the number of users, including

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to unique users; (32) budget management; (33) partner satisfaction; and (34) entry into or completi
partnerships or transactions.

Our compensation committee may establish performance goals on a company-wide basis, with res
business units, divisions, affiliates, or business segments, and in either absolute terms or relative to
or more comparable companies or the performance of one or more relevant indices. Unless otherw
of directors (i) in the award agreement at the time the award is granted or (ii) in such other docume
performance goals at the time the performance goals are established, our compensation committee
adjustments in the method of calculating the attainment of the performance goals as follows: (1) to
and other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of c
exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of
as determined under GAAP; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7)
business divested by our company achieved performance objectives at targeted levels during the ba
period following such divestiture; (8) to exclude the effect of any change in the outstanding shares
reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, co
combination or exchange of shares or other similar corporate change, or any distributions to comm
than regular cash dividends; (9) to exclude the effects of stock based compensation and the award
bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures
expensed under GAAP; (11) to exclude the goodwill and intangible asset impairment charges that
recorded under GAAP; (12) to exclude the effect of any other unusual, non-recurring gain or loss o
item; and (13) to exclude the effects of entering into or achieving milestones involved in licensing

Other Stock Awards. The plan administrator may grant other awards based in whole or in part by r
stock. The plan administrator will set the number of shares under the stock award and all other ter
awards.

Changes to Capital Structure. In the event that there is a specified type of change in our capital str
split or recapitalization, appropriate adjustments will be made to (1) the class and maximum numb
issuance under the 2015 Plan, (2) the class and maximum number of shares by which the share res
automatically each year, (3) the class and maximum number of shares that may be issued upon the
class and maximum number of shares subject to stock awards that can be granted in a calendar yea
the 2015 Plan pursuant to Section 162(m) of the Code) and (5) the class and number of shares and
price, or purchase price, if applicable, of all outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, the pla
discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving
parent company;

- arrange for the assignment of any reacquisition or repurchase rights held by us to the sur
or parent company;

accelerate the vesting of the stock award and provide for its termination prior to the effec
transaction; or

make a payment equal to the excess of (1) the value of the property the participant would
exercise of the stock award over (2) the exercise price otherwise payable in connection w

Our plan administrator is not obligated to treat all stock awards, even those that are of the same typ

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Under the 2015 Plan, a corporate transaction is generally the consummation of (1) a sale or other d substantially all of our consolidated assets, (2) a sale or other disposition of at least 90% of our out merger, consolidation or similar transaction following which we are not the surviving corporation, consolidation or similar transaction following which we are the surviving corporation but the share outstanding immediately prior to such transaction are converted or exchanged into other property b transaction.

Change of Control. The plan administrator may provide, in an individual award agreement or in an agreement between a participant and us that the stock award will be subject to additional accelerati exercisability in the event of a change of control. For example, certain of our employees may recei that provides for vesting acceleration upon the individual s termination without cause or resignati (including a material reduction in the individual s base salary, duties, responsibilities or authority, the individual s principal place of employment with us) in connection with a change of control. U change of control is generally (1) the acquisition by a person or entity of more than 50% of our com other than by merger, consolidation or similar transaction; (2) a consummated merger, consolidatio immediately after which our stockholders cease to own more than 50% of the combined voting pow entity; or (3) a consummated sale, lease or exclusive license or other disposition of all or substantia assets.

Amendment and Termination. Our board of directors has the authority to amend, suspend, or termi provided that such action does not materially impair the existing rights of any participant without s consent. No ISOs may be granted after the tenth anniversary of the date our board of directors ado

2010 Equity Incentive Plan

Our board of directors adopted and our stockholders approved the 2010 Plan, in January 2010. The most recently in March 2015. The 2010 Plan provides for the grant of incentive stock options, or IS of Section 422 of the Code, to our employees, and for the grant of nonstatutory stock options, or N awards and stock appreciation rights to our employees, directors and consultants.

The 2015 Plan became will become effective upon the execution and delivery of the underwriting offering. As a result, we will not grant any additional options under our 2010 Plan following that d will be terminated. However, any outstanding options granted under the 2010 Plan will remain out terms of the 2010 Plan and stock option agreements, until such outstanding options are exercised o expire by their terms. Options granted under the 2010 Plan have terms similar to those described a options to be granted under the 2015 Plan.

Authorized Shares. The maximum number of shares of our common stock that may be issued unde 11,808,205. The maximum number of shares that may be issued upon the exercise of ISOs under t 11,808,205.

Shares subject to stock awards granted under the 2010 Plan that expire or terminate without being settled in cash do not reduce the number of shares available for issuance under the 2010 Plan. Add pursuant to stock awards under the 2010 Plan that we repurchase or that are forfeited, as well as sh exercise price of a stock award or to satisfy the tax withholding obligations related to a stock awar future grant under the 2010 Plan.

Plan Administration. Our board of directors or a duly authorized committee of our board of directo
Plan and the stock awards granted under it. Subject to the terms of the 2010 Plan, the board of dire
determine and amend the terms of awards, including recipients, the exercise,

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purchase or strike price of stock awards, if any, the number of shares subject to each stock award, t
share of our common stock, the vesting schedule applicable to the awards, together with any vestin
form of consideration, if any, payable upon exercise or settlement of the award and the terms of th
use under the 2010 Plan.

The board of directors has the power to modify outstanding awards under the 2010 Plan. The board
authority to reprice any outstanding option or stock appreciation right, cancel any outstanding stoc
new stock awards, cash or other consideration, or take any other action that is treated as a repricing
consent of any adversely affected participant.

Corporate Transactions. The 2010 Plan provides that in the event of a specified corporate transact
2010 Plan, each outstanding stock award may be assumed or continued or an equivalent stock awa
a successor corporation and any reacquisition or repurchase rights held by us in respect of commo
prior stock awards may be assigned to the successor corporation. If the successor corporation does
continue the stock award or to substitute an equivalent stock award, such stock awards will becom
exercisable prior to the corporate transaction, and any reacquisition or repurchase rights will lapse.
not been assumed, continued, substituted, or exercised prior to the corporate transaction will termi
transaction.

Transferability. A participant may not transfer stock awards under the 2010 Plan other than by wil
distribution, or as otherwise provided under the 2010 Plan.

Plan Amendment or Termination. Our board of directors has the authority to amend, suspend, or te
provided that such action is approved by our stockholders to the extent stockholder approval is nec
action does not impair the existing rights of any participant without such participant s written con
terminated, the 2010 Plan will terminate on the day before the tenth anniversary of the date the 201
the Board. No stock awards may be granted under the 2010 Plan while it is suspended or after it is

2015 Employee Stock Purchase Plan

Our board of directors adopted our 2015 Employee Stock Purchase Plan, or the ESPP, in August 2
approved the ESPP in 2015. The ESPP will become effective immediately upon the ex
underwriting agreement for this offering. The maximum aggregate number of shares of our commo
issued under our ESPP is 500,000 shares (subject to adjustment to reflect any split of our common
number of shares of our common stock reserved for issuance under our ESPP will increase automa
beginning on January 1, 2016 and continuing through and including January 1, 2025, by the lesser
number of shares of our common stock outstanding on December 31 of the preceding calendar yea
common stock; or (3) such lesser number as determined by our board of directors. Shares subject t
under the ESPP that terminate without having been exercised in full will not reduce the number of
issuance under the ESPP. Shares may be authorized but unissued or reacquired common stock, inc
repurchased by us on the open market.

Our board of directors will administer the ESPP. Our board of directors may delegate authority to a
our compensation committee.

Our employees and, if designated by our board of directors, the employees of our parent or subsidi
participate in the ESPP. Employees, including executive officers, may have to satisfy one or more
requirements before participating in the ESPP, as determined by the administrator: (1) customary e
than 20 hours per week and more than five months per calendar year, or (2) continuous employmen
of time, not to exceed two years. An employee may not be granted rights to purchase stock under t
employee (1) immediately after the grant would own

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stock possessing 5% or more of the total combined voting power or value of our common stock, or purchase stock under the ESPP that would accrue at a rate that exceeds $25,000 worth of our stock that the rights remain outstanding. Under the ESPP, we may grant purchase rights that do not meet employee stock purchase plan because of deviations necessary to permit participation by employee nationals or employed outside of the United States, as required by applicable foreign laws.

The administrator may approve offerings with a duration of not more than 27 months, and may spe purchase periods within each offering. Each offering will have one or more purchase dates on whic stock will be purchased for the employees who are participating in the offering. The administrator procedures and sub-plans under the ESPP. No offerings have been approved as of the date of this p

The ESPP permits participants to purchase shares of our common stock through payroll deductions up to 15% of their earnings. The purchase price of the shares will be not less than 85% of the lowe of our common stock on the first day of an offering or on the date of purchase.

A participant may not transfer purchase rights under the ESPP other than by will, the laws of desce otherwise provided under the ESPP. During a participant s lifetime, a purchase right may be exerc participant.

In the event of a specified corporate transaction, such as a merger or change in control, a successor assume, continue or substitute each outstanding purchase right. If the successor corporation does n substitute for the outstanding purchase rights, the offering in progress may be shortened and a new so that the participants purchase rights can be exercised within 10 business days prior to the corp terminate immediately thereafter.

The ESPP will remain in effect until terminated by the administrator in accordance with the terms of directors has the authority to amend, suspend or terminate our ESPP, at any time and for any rea

Health and Welfare Benefits

All of our named executive officers are eligible to participate in our employee benefit plans, incluc and vision insurance plans, in each case on the same basis as all of our other full-time employees.

401(k) Plan

Our 401(k) Plan is a deferred savings retirement plan intended to qualify for favorable tax treatmen the Internal Revenue Code. All of our employees are generally eligible to participate in the 401(k) eligibility requirements, including requirements relating to age. Under the 401(k) Plan, each emplo contributions of up to 100% of their eligible compensation up to the current statutorily prescribed a contributions under the Code. Employees who are 50 years of age or older may contribute addition statutory limits for catch-up contributions. We also make safe-harbor matching contributions up to employee. Pre-tax contributions by employees and any employer contributions that we make to the income earned on those contributions are generally not taxable to employees until withdrawn. Emp we make to the 401(k) Plan are generally deductible when made. Employee contributions are held law. An employee s interest in his or her pre-tax deferrals, including, with the exception of certain contributions, any matching contributions made by us, is 100% vested when contributed. For 2014

matching contributions.

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Limitation on Liability and Indemnification of Directors and Officers

Upon the closing of this offering, our amended and restated certificate of incorporation will contai liability of our current and former executive officers and directors for monetary damages to the ful Delaware law. Delaware law provides that directors of a corporation will not be personally liable f any breach of fiduciary duties as directors, except liability:

- for any transaction from which the director derives an improper personal benefit;
- for any act or omission not in good faith or that involves intentional misconduct or a kno
- under Section 174 of the Delaware General Corporation Law (unlawful payment of divic shares); or
- for any breach of a director s duty of loyalty to the corporation or its stockholders.

Such limitation of liability does not apply to liabilities arising under federal securities laws and doe availability of equitable remedies, such as injunctive relief or rescission.

Our amended and restated certificate of incorporation and our bylaws will provide that we are requ executive officers and directors to the fullest extent permitted by Delaware law. Our bylaws will al satisfaction of certain conditions, we shall advance expenses incurred by an executive officer and c final disposition of any action or proceeding, and permit us to secure insurance on behalf of any of or other agent for any liability arising out of his or her actions in that capacity regardless of whethe permitted to indemnify him or her under the provisions of Delaware law. Our amended and restate incorporation and bylaws will also provide our board of directors with discretion to indemnify our and other agents when determined appropriate by the board. We have entered and expect to contin agreements to indemnify our directors and executive officers. With certain exceptions, these agree indemnification for related expenses including, among other things, attorneys fees, judgments, fi incurred by any of these individuals in any action or proceeding. We believe that these bylaw prov indemnification agreements are necessary to attract and retain qualified persons as directors and of customary directors and officers liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate o bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of the may also reduce the likelihood of derivative litigation against our directors and officers, even thou successful, might benefit us and other stockholders. Furthermore, a stockholder s investment may the extent that we pay the costs of settlement and damage awards against directors and officers as r indemnification provisions. At present, there is no pending litigation or proceeding involving any c or employees for which indemnification is sought and we are not aware of any threatened litigatior claims for indemnification.

Rule 10b5-1 Sales Plans

Our directors and officers may adopt written plans, known as Rule 10b5-1 plans, in which they wil
to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker
to parameters established by the director or officer when entering into the plan, without further dir
director or officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan
directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 pla
possession of material nonpublic information, subject to compliance with the terms of our insider t
180 days after the date of this offering, the sale of any shares under such plan would be subject to t
that the director or officer has entered into with the underwriters.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIO

The following is a summary of transactions since January 1, 2012 to which we have been a particip

the amount involved exceeded or will exceed $120,000; and

any of our directors, executive officers, or holders of more than 5% of our capital stock,
immediate family of the foregoing persons, had or will have a direct or indirect material
compensation and other arrangements that are described in the section titled Executive
approved by our compensation committee.

We believe the terms obtained or consideration that we paid or received, as applicable, in connecti
described below were comparable to terms available or the amounts that would be paid or received
arm s-length transactions.

Sales of Preferred Stock

In August 2012, we issued an aggregate of 1,862,198 shares of our Series C preferred stock at a pu
share for an aggregate purchase price of $10.0 million. In May 2013, we issued an aggregate of 3,7
Series D preferred stock at a purchase price of $7.95 per share for an aggregate purchase price $30
2014, we issued an aggregate of 2,737,100 shares of our Series E preferred stock at a purchase pric
for an aggregate purchase price $40.0 million. The following table summarizes purchases of prefer
more than 5% of our capital stock and their affiliated entities and our directors. None of our execut
shares of preferred stock.

Name	Shares of Series C Preferred Stock	Shares of Series D Preferred Stock	Sha Se Pr S
Entities affiliated with Bessemer Venture Partners[(1)]		3,270,440	2
Entities affiliated with Insight Venture Partners[(2)]			2,0
Entities affiliated with Epic Ventures[(3)]	783,865	415,093	4
Entities affiliated with OpenView Venture Partners[(4)]	1,078,333		

(1) Includes shares of preferred stock purchased by Bessemer Venture Partners VIII Institutional L
Venture Partners VIII L.P. Mr. Deeter, a member of our board of directors, is a partner of Bess

(2) Includes shares of preferred stock purchased by Insight Venture Partners (Cayman) VIII, L.P.,
(Co-Investors) VIII, L.P., Insight Venture Partners (Delaware) VIII, L.P., Insight Venture Partn
(Delaware) III, L.P., Insight Venture Partners Coinvestment Fund III, L.P. and Insight Venture

(3) Includes shares of preferred stock purchased by Epic Expansion Capital, LLC, Epic Venture Fu
SBIC LLC. Epic Ventures is the manager of Zions SBIC LLC. Mr. Efstratis, a member of our b

Managing Director at Epic Ventures.

(4) Includes shares of preferred stock purchased by OpenView Venture Partners, L.P., OpenView OpenView Venture Partners II, L.P. and OpenView Affiliates Fund II, L.P. Mr. Marcus, a men directors, is a Managing Partner of OpenView Venture Partners.

Repurchase and Subsequent Sale of Securities

In January 2012, we repurchased an aggregate of 344,828 shares of our Series A preferred stock at per share and 465,118 shares of our common at a purchase price of $2.15 per share, for an aggrega million. In February 2012, we sold an equal number of shares at the same prices for an aggregate p million to certain holders of 5% of our capital stock and their affiliated entities and our directors.

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The following table summarizes the capital stock we repurchased from Joshua L. Coates, our Chie
Brian C. Whitmer, a member of the board of directors:

Name	Shares of Common Stock Repurchased	Shares of Se A Preferre Stock Repurc
Joshua L. Coates		344
Brian C. Whitmer	232,559	

The following table summarizes the capital stock purchased by the holders of 5% of our capital sto
entities and our directors. None of our executive officers purchased shares of capital stock.

Name	Shares of Common Stock	Shar Seri Preferre
Entities affiliated with OpenView Venture Partners(1)	269,333	
Entities affiliated with Epic Ventures(2)	195,785	

(1) Includes shares purchased by OpenView Venture Partners, L.P., OpenView Affiliates Funds, L
Partners II, L.P. and OpenView Affiliates Fund II, L.P. Mr. Marcus, a member of our board of
Partner of OpenView Venture Partners.

(2) Includes shares purchased by Epic Venture Fund IV, LLC and Zions SBIC LLC. Epic Venture
SBIC LLC. Mr. Efstratis, a member of our board of directors, is a Managing Director at Epic V

Other Issuances of Securities

In February 2013, we sold 37,221 shares of our common stock to Conroy Investments, LLC, an en
William Conroy, a member of our board of directors, at a per share price of $4.03, for an aggregate
$150,000.

In February 2015, we issued 384,575 shares of our Series A preferred stock and 176,470 shares of
stock upon the exercise of outstanding warrants held by Joshua L. Coates, our Chief Executive Off
exercise price of $0.26 and $0.85, respectively, for an aggregate purchase price of $250,000.

Investor Rights Agreement

In April 2014, we entered into an amended and restated investor rights agreement with holders of c
common stock, including entities affiliated with Insight Venture Partners, Bessemer Venture Partn
OpenView Venture Partners, and our chief executive officer. Messrs. Deeter, Efstratis and Marcus
of directors, are affiliated with Bessemer Venture Partners, Epic Ventures and OpenView Venture
After the closing of this offering, these holders will be entitled to certain registration rights, includ

that we file a registration statement or request that their shares be covered by a registration stateme
filing. The investor rights agreement also provides for a right of first refusal in favor of certain hol
with regard to certain issuances of our capital stock. The rights of first refusal will not apply to, an
closing of this offering. For a description of these registration rights, see the section titled Descrip
Stock Registration Rights.

Offer Letters

We have entered into offer letters with our executive officers. For more information regarding thes
section titled Executive Compensation Employment, Severance and Change of Control Agreem

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Equity Grants

We have granted stock options to our executive officers and a member of our board of directors. F
stock options, see the section titled Executive Compensation and Management Non-Employe

Indemnification Agreements

Our amended and restated certificate of incorporation will contain provisions limiting the liability
amended and restated bylaws provides that we will indemnify our directors and executive officers
permitted under Delaware law. Our amended and restated certificate of incorporation and bylaws v
board of directors with discretion to indemnify our other officers, employees and agents when dete
the board of directors. In addition, we have entered into an indemnification agreement with each o
executive officers, which requires us to indemnify them. For more information regarding these agr
titled Executive Compensation Limitations on Liability and Indemnification Matters.

Related Party Transaction Policy

We have adopted a formal written policy that our executive officers, directors, key employees, hol
any class of our voting securities, and any member of the immediate family of and any entity affili
foregoing persons, is not permitted to enter into a related-party transaction with us without the pric
committee, or other independent body of our board of directors in the event it is inappropriate for c
review such transaction due to a conflict of interest. Any request for us to enter into a transaction v
director, principal stockholder or any of their immediate family members or affiliates, in which the
exceeds $120,000 must first be presented to our audit committee for review, consideration and app
rejecting any such proposal, our audit committee will consider the relevant facts and circumstances
relevant to our audit committee, including, but not limited to, whether the transaction will be on te
than terms generally available to an unaffiliated third-party under the same or similar circumstance
related-party s interest in the transaction.

All of the transactions described in this section were entered into prior to the adoption of this polic
had a written policy for the review and approval of transactions with related persons, our board of
reviewed and approved any transaction where a director or officer had a financial interest, includin
described above. Prior to approving such a transaction, the material facts as to a director s or offic
in the agreement or transaction were disclosed to our board of directors. Our board of directors too
account when evaluating the transaction and in determining whether such transaction was fair to us
of all our stockholders.

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PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common
2015 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5
- each of our named executive officers
- each of our directors; and
- all of our executive officers and directors as a group.

The percentage of shares beneficially owned before the offering shown in the table is based on 32,
common stock outstanding as of June 30, 2015, after giving effect to the conversion of all outstand
preferred stock into common stock upon the closing of this offering. The percentage of shares bene
offering assumes the sale by us of shares of common stock in this offering. The percentage of
owned assumes no exercise of the underwriters over-allotment option to purchase additional shar

Beneficial ownership is determined according to the rules of the SEC and generally means that a p
ownership of a security if he, she or it possesses sole or shared voting or investment power of that
options and warrants that are exercisable within 60 days of June 30, 2015. Shares of our common s
stock options are deemed outstanding for computing the percentage of the person holding such opt
of any group of which the person is a member but are not deemed outstanding for computing the p
person. Except as indicated by the footnotes below, we believe, based on the information furnished
named in the table below have sole voting and investment power with respect to all shares of comm
they beneficially own, subject to community property laws where applicable. The information doe
beneficial ownership for any other purpose, including for purposes of Section 13(d) and 13(g) of th

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Ins
3000 East, Suite 700, Salt Lake City, UT 84121.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned
Greater than 5% stockholders	
Entities affiliated with OpenView Venture Partners[1]	7,429,696
Entities affiliated with Epic Ventures[2]	7,085,684
Entities affiliated with Bessemer Venture Partners[3]	3,979,719

Entities affiliated with Insight Venture Partners[4]	3,134,269
Directors and Named Executive Officers	
Joshua L. Coates	3,996,713
Steven B. Kaminsky[5]	408,992
Marc T. Maloy[6]	245,000
Steven A. Collins[7]	85,535
William M. Conroy[8]	178,754
Byron B. Deeter[3]	3,979,719
E. Nicholaus Efstratis[2] [9]	7,144,408
Ellen Levy[10]	
Adam D. Marcus[1]	7,429,696
Lloyd G. Waterhouse[12]	
Brian C. Whitmer[11]	1,864,123
All current executive officers and directors as a group (12 persons)[13]	25,332,940

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* Represents beneficial ownership of less than one percent

(1) Includes (a) 174,468 shares held by OpenView Affiliates Fund II, L.P., (b) 262,879 shares held Fund, L.P., (c) 3,540,378 shares held by OpenView Venture Partners II, L.P. and (d) 3,451,971 OpenView Venture Partners, L.P. OpenView Management, LLC, the general partner of OpenV L.P., OpenView Affiliates Fund, L.P., OpenView Venture Partners II, L.P. and OpenView Ven sole voting and investment power with respect to the shares held by these entities. The managi Management, LLC is Scott Maxwell. Mr. Marcus, a member of our board of directors, is a ma OpenView Venture Partners. The address for each of these entities is 303 Congress Street, 7th 02210.

(2) Includes (a) 859,209 shares held by Epic Expansion Capital Annex, LLC, (b) 410,565 shares h Capital, LLC, (c) 4,009,218 shares held by Epic Venture Fund IV, LLC and (d) 1,806,692 shar LLC. EPIC Management Partners, LLC is the manager of Epic Expansion Capital Annex, LLC and Kent Madsen have shared voting and investment power with respect to the shares held by Annex, LLC, Epic Expansion Capital, LLC, Epic Venture Fund IV, LLC and Zions SBIC LLC beneficial ownership of the securities held by such entities, except to the extent of any pecunia Mr. Efstratis, a member of our board of directors, is a managing director at Epic Ventures. The entities is One South Main Street, 8th Floor Salt Lake City, UT 84111.

(3) Includes (a) 2,172,927 shares held by Bessemer Venture Partners VIII Institutional L.P. (Bes (b) 1,806,792 shares held by Bessemer Venture Partners VIII L.P. (Bessemer VIII and toget Institutional, the Bessemer Entities). Deer VIII & Co. L.P. is the general partner of each of Deer VIII & Co. Ltd. is the general partner of Deer VIII L.P. Each of Deer VIII & Co. L.P. and may be deemed to have voting and dispositive power over the shares held by the Bessemer Ent Edmund Colloton, David J. Cowan, Byron B. Deeter, a member of our board of directors, Rob Jeremy S. Levine are the directors of Deer VIII Ltd. Investment and voting decisions with resp Bessemer Entities are made by the directors of Deer VIII Ltd. acting as an investment committ partner, director, officer, manager, member or employee of Deer VIII & Co. L.P. or Deer VIII ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of any sh Entities. The address for the Bessemer Entities is c/o Bessemer Venture Partners 1865 Palmer Larchmont, NY 10538.

(4) Includes (a) 972,452 shares held by Insight Venture Partners VIII, L.P.; (b) 251,546 shares hel Partners (Cayman) VIII, L.P.; (c) 34,705 shares held by Insight Venture Partners (Co-Investors shares held by Insight Venture Partners (Delaware) VIII, L.P., (e) 909,153 shares held by Insig Coinvestment Fund III, L.P. and (f) 657,981 shares held by Insight Venture Partners Coinvestm L.P. Insight Holdings Group, LLC (Holdings) is the sole shareholder of Insight Venture As and Insight Venture Associates Coinvestment III, LTD (IVA Coinvestment LTD). IVA Ltd Insight Venture Associates VIII, L.P. (IVP LP), which is the general partner of Insight Ven Insight Venture Partners (Cayman) VIII L.P., Insight Venture Partners (Delaware) VIII, L.P. a Partners VIII (Co-Investors), L.P. IVA Coinvestment LTD is the general partner of Insight Ve Coinvestment III, L.P. (IVA Coinvestment LP), which is the general partner of Insight Ven Fund (Delaware) III, L.P. and Insight Venture Partners Coinvestment Fund III, L.P. Each of Je Parekh, Peter Sobiloff, Michael Triplett and Jeffrey Lieberman is a member of the board of ma Because Messrs. Horing, Parekh, Sobiloff, Triplett and Lieberman are members of the board o Holdings is the sole shareholder of IVA Ltd and IVA Coinvestment LTD, Messrs. Horing, Par Lieberman have voting and dispositive power over the shares held by these entities. The forego

by Holdings, IVA Ltd or IVA Coinvestment LTD that it is the beneficial owner of the shares h
principal business address of the entities affiliated with Insight Venture Management, LLC is c
Partners, 1114 Avenue of the Americas 36th Floor, New York, NY 10036.

(5) Includes (a) 364,978 shares and (b) 44,014 shares issuable pursuant to stock options exercisabl
June 30, 2015.

(6) Consists of (a) 20,000 shares and (b) 225,000 shares issuable pursuant to stock options exercisa
June 30, 2015.

(7) Represents 85,535 shares issuable pursuant to stock options exercisable within 60 days of June

(8) Represents 178,754 shares held by Conroy Investments, LLC, with respect to which Mr. Conro
investment power.

(9) Includes 58,724 shares held by NKE Investments, LLC. Mr. Efstratis has voting and dispositiv
held by this entity.

(10) Dr. Levy joined our board of directors in August 2015.

(11) Includes (a) 1,064,123 shares held by The Brian and Paula Whitmer Revocable Trust dated Ap
(b) 800,000 shares held by Whitmer Family Enterprises, LLC, with respect to all of which Mr.
voting and investment power.

(12) Mr. Waterhouse joined our board of directors in August 2015.

(13) Includes (a) 24,978,391 shares held by the directors and executive officers and (b) 354,549 sha
stock options exercisable within 60 days of June 30, 2015.

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DESCRIPTION OF CAPITAL STOCK

General

The following description of our capital stock and certain provisions of our amended and restated c
incorporation and amended and restated bylaws to be in effect immediately after the closing of the
and are qualified by reference to these documents. Copies of these documents will be filed with the
registration statement, of which this prospectus forms a part. The descriptions of our common stoc
reflect changes to our capital structure that will occur upon the closing of this offering.

Our amended and restated certificate of incorporation will provide for common stock and will auth
undesignated preferred stock, the rights, preferences and privileges of which may be designated fro
board of directors.

Upon the closing of this offering, our authorized capital stock will consist of 210,000,000 shares, a
$0.0001 per share, of which:

- 200,000,000 shares are designated as common stock; and
- 10,000,000 shares are designated as preferred stock.

As of June 30, 2015, we had outstanding:

- 32,173,354 shares of common stock, which assumes the conversion of all outstanding sh into shares of common stock immediately upon the closing of this offering;
- 5,467,958 shares of common stock issuable upon the exercise of outstanding stock optio weighted-average exercise price of $3.51 per share; and
- 155,000 shares of common stock issuable upon the exercise of outstanding warrants with exercise price of $1.41 per share.

Our outstanding capital stock was held by 180 stockholders of record as of June 30, 2015.

Common Stock

Voting Rights

Each holder of common stock is entitled to one vote for each share of common stock held on all m
of stockholders, except as otherwise expressly provided in our amended and restated certificate of
by applicable law. Cumulative voting for the election of directors is not provided for in our amend

of incorporation, which means that the holders of a majority of the shares of common stock can ele
then standing for election.

Dividends and Distributions

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the l
shares of common stock are entitled to receive dividends out of funds legally available at the times
our board of directors may determine. We do not anticipate paying any cash dividends in the fores

Liquidation Rights

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our
distributable ratably among the holders of common stock and any participating preferred stock out
payment of liquidation preferences, on any outstanding shares of preferred stock and payment of o

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The rights, preferences, and privileges of holders of common stock are subject to, and may be adve
rights of holders of shares of any series of preferred stock that we may designate and issue in the fu

Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion or redempti

Preferred Stock

As of June 30, 2015, there were 22,465,711 shares of preferred stock outstanding, which will conv
closing of this offering, into 22,465,711 shares of common stock.

Upon the closing of this offering, our board of directors may, without further action by our stockho
preferences, privileges and restrictions of up to an aggregate of 10,000,000 shares of preferred stoc
and authorize their issuance. These rights, preferences and privileges could include dividend rights
voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of s
series or the designation of such series, any or all of which may be greater than the rights of our co
issuance of our preferred stock could adversely affect the voting power of holders of our common
that such holders will receive dividend payments and payments upon liquidation. In addition, the is
could have the effect of delaying, deferring or preventing a change of control or other corporate ac
this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue
stock.

Options

As of June 30, 2015, 5,467,958 shares of common stock were issuable upon the exercise of outstan
a weighted-average exercise price of $3.51 per share. For additional information regarding the term
section titled Executive Compensation Employee Benefit Plans.

Warrants

As of June 30, 2015, 155,000 shares of common stock were issuable upon exercise of outstanding
common stock with a weighted-average exercise price of $1.41 per share. Of such shares 25,000 ar
exercise price of $2.98 per share, if the aggregate loan balance under our credit facility exceeds $7
provide for the adjustment of the number of shares issuable upon the exercise of the warrants in th
recapitalizations, reclassifications and consolidations. Unless exercised earlier, these warrants shal
after the closing of this offering.

Registration Rights

We are party to an investor rights agreement which provides that holders of our preferred stock, in
5% of our capital stock and entities affiliated with certain of our directors, have certain registration
below. This investor rights agreement was entered into in April 2011 and has been amended and re
in connection with our preferred stock financings. The registration of shares of our common stock
of registration rights described below would enable the holders to sell these shares without restricti
Act when the applicable registration statement is declared effective. We will pay the registration ex

underwriting discounts and selling commissions, of the shares registered pursuant to the demand, p
registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to s
limit the number of shares such holders may include. The demand, piggyback and Form S-3 registr
below will expire three years after the effective date of the registration statement, of

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which this prospectus forms a part, or with respect to any particular stockholder, such time as that
its shares under Rule 144 of the Securities Act during any 90-day period.

Demand Registration Rights

The holders of 27,246,852 shares of common stock will be entitled to certain demand registration r
beginning 180 days after the closing of this offering, the holders of 75% of these shares may, on no
occasions, request that we file a registration statement having an aggregate offering price to the pu
$10,000,000 to register the offer and sale of all or a portion of their shares.

Piggyback Registration Rights

In connection with this offering, the holders of 27,246,852 shares of common stock were entitled t
percentage of holders waived, their rights to include their shares of registrable securities in this off
register the offer and sale of any of our securities under the Securities Act either for our own accou
other security holders, the holders of these shares will be entitled to certain piggyback registrati
include their shares in such registration, subject to certain marketing and other limitations. As a res
propose to file a registration statement under the Securities Act including a registration statement o
below, other than with respect to a demand registration or a registration statement on Forms S-4 or
shares are entitled to notice of the registration and have the right, subject to limitations that the und
the number of shares included in the registration, to include their shares in the registration.

Form S-3 Registration Rights

The holders of 27,246,852 shares of common stock will be entitled to certain Form S-3 registration
may make a request that we register their shares on Form S-3 if we are qualified to file a registratio
S-3. Such request for registration on Form S-3 must cover securities the aggregate offering price of
of underwriting discounts and commissions, is at least $500,000.

Anti-Takeover Provisions

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Among other things, our amended and restated certificate of incorporation and amended and restat

permit our board of directors to issue up to 10,000,000 shares of preferred stock, with an
privileges as they may designate, including the right to approve an acquisition or other ch

provide that the authorized number of directors may be changed only by resolution of ou

provide that, subject to the rights of any series of preferred stock to elect directors, direct
or without cause, by the holders of at least 66 2/3% of all of our then-outstanding shares

entitled to vote generally at an election of directors;

provide that all vacancies, including newly created directorships, may, except as otherwi
filled by the affirmative vote of a majority of directors then in office, even if less than a q

require that any action to be taken by our stockholders must be effected at a duly called a
of stockholders and not be taken by written consent or electronic transmission;

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provide that stockholders seeking to present proposals before a meeting of stockholders o
for election as directors at a meeting of stockholders must provide advance notice in writ
requirements as to the form and content of a stockholder s notice;

provide that special meetings of our stockholders may be called only by the chairperson
our chief executive officer or by our board of directors pursuant to a resolution adopted b
number of authorized directors; and

not provide for cumulative voting rights, therefore allowing the holders of a majority of t
stock entitled to vote in any election of directors to elect all of the directors standing for e
choose.

The amendment of any of these provisions would require approval by the holders of at least 66 2/3
then-outstanding capital stock entitled to vote generally in the election of directors.

The combination of these provisions will make it more difficult for our existing stockholders to rep
directors as well as for another party to obtain control of us by replacing our board of directors. Be
directors has the power to retain and discharge our officers, these provisions could also make it mo
stockholders or another party to effect a change in management. In addition, the authorization of u
stock makes it possible for our board of directors to issue preferred stock with voting or other right
could impede the success of any attempt to change our control.

These provisions are intended to enhance the likelihood of continued stability in the composition o
and its policies and to discourage coercive takeover practices and inadequate takeover bids. These
designed to reduce our vulnerability to hostile takeovers and to discourage certain tactics that may
However, such provisions could have the effect of discouraging others from making tender offers f
have the effect of delaying changes in our control or management. As a consequence, these provisi
fluctuations in the market price of our stock.

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law, or Section 203. Section 2
public Delaware corporation from engaging in a business combination with an interested stock
years after the date of the transaction in which the person became an interested stockholder, unless

prior to the date of the transaction, the board of directors of the corporation approved eith
combination or the transaction which resulted in the stockholder becoming an interested

the interested stockholder owned at least 85% of the voting stock of the corporation outs
consummation of the transaction, excluding for purposes of determining the number of s
(1) shares owned by persons who are directors and also officers and (2) shares owned by
which employee participants do not have the right to determine confidentially whether sh

plan will be tendered in a tender or exchange offer; or

on or subsequent to the consummation of the transaction, the business combination is ap
board and authorized at an annual or special meeting of stockholders, and not by written
the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not own
interested stockholder.

Section 203 defines a business combination to include:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition involving the interested stockholder of 10%
the corporation;

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subject to exceptions, any transaction involving the corporation that has the effect of incr
share of the stock of any class or series of the corporation beneficially owned by the inte

subject to exceptions, any transaction that results in the issuance or transfer by the corpo
corporation to the interested stockholder; and

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees
financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially ownin
outstanding voting stock of the corporation and any entity or person affiliated with or controlling o
or person.

Choice of Forum

Our amended and restated certificate of incorporation will provide that the Court of Chancery of th
be the exclusive forum for any derivative action or proceeding brought on our behalf; any action as
fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Co
amended and restated certificate of incorporation or our amended and restated bylaws; or any actio
against us that is governed by the internal affairs doctrine. The enforceability of similar choice of f
companies certificates of incorporation has been challenged in legal proceedings, and it is possib
one or more actions or proceedings described above, a court could find the choice of forum provisi
amended and restated certificate of incorporation to be inapplicable or unenforceable.

Limitations of Liability and Indemnification

See the section titled Executive Compensation Limitation on Liability and Indemnification.

Listing

We intend to apply to list our common stock on the New York Stock Exchange under the symbol

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is . The transfer agent and re
. The transfer agent s telephone number is .

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SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, no public market for our common stock existed, and a liquid trading market f
may not develop or be sustained after this offering. Future sales of our common stock in the public
affect prevailing market prices of our common stock from time to time and could impair our future
capital in the future. As described below, only a limited number of shares will be available for sale
due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the p
restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailin
time and our ability to raise equity capital in the future.

Based upon the number of shares outstanding as of June 30, 2015, upon the closing of this offering
stock will be outstanding, assuming no exercise of the underwriters over-allotment option to purc
common stock and no exercise of outstanding options or warrants. All of the shares sold in this off
tradable, except that any shares held by our affiliates, as that term is defined in Rule 144 under the
be sold in compliance with the limitations described below.

The remaining shares of common stock outstanding after this offering are restricted securit
under the Securities Act or are subject to lock-up agreements with us as described below. Followin
lock-up period, restricted securities may be sold in the public market only if the offer and sale is re
and sale qualifies for an exemption from registration, including under Rule 144 or 701 promulgate
Act, described in greater detail below. These remaining shares will generally become available for
as follows:

- no shares will be eligible for sale in the public market on the date of this prospectus; and
- approximately shares will be eligible for sale in the public market upon expiratio
181 days after the date of this prospectus, subject in certain circumstances to the volume
limitations of Rule 144 and Rule 701.

As of June 30, 2015, of the shares of common stock issuable upon exercise of options outst
shares will be vested and eligible for sale 181 days after the date of this prospectus.

We may issue shares of common stock from time to time as consideration for future acquisitions, i
corporate purposes. In the event that any such acquisition, investment or other transaction is signif
shares of common stock that we may issue may in turn be significant. We may also grant registrati
shares of common stock issued in connection with any such acquisition and investment.

In addition, the shares of common stock reserved for future issuance under our 2015 Plan will beco
the public market to the extent permitted by the provisions of various vesting schedules, the lock-u
registration statement under the Securities Act or an exemption from registration, including Rule 1

Rule 144

In general, persons who have beneficially owned restricted shares of our common stock for at least affiliate of the company who owns either restricted or unrestricted shares of our common stock, are securities without registration with the SEC under an exemption from registration provided by Rul Securities Act.

Persons who have beneficially owned restricted shares of our common stock for at least six months their securities provided that (1) such person is not deemed to have been one of our affiliates at

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the time of, or at any time during the 90 days preceding a sale and (2) we are subject to the periodi
of the Exchange Act for at least 90 days before the sale and (3) we are current in our Exchange Ac
sale.

Persons who have beneficially owned restricted shares of our common stock for at least six month
affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additi
which such person would be entitled to sell within any three-month period only a number of securi
the greater of either of the following:

- 1% of the number of shares of our common stock outstanding after this offering, which v
  shares immediately after the closing of this offering, based on the number of shar
  outstanding as of June 30, 2015; or

- the average weekly trading volume of our common stock on the NYSE during the four c
  the filing of a notice on Form 144 with respect to the sale; provided, in each case, that w
  periodic reporting requirements of the Exchange Act for at least 90 days before the sale.

Such sales by affiliates must also comply with the manner of sale, current public information and r
144.

Rule 701

In general, under Rule 701, a person who purchased shares of our common stock pursuant to a wri
or contract and who is not deemed to have been one of our affiliates during the immediately prece
these shares in reliance upon Rule 144, but without being required to comply with the notice, mann
information requirements or volume limitation provisions of Rule 144. Rule 701 also permits affili
shares under Rule 144 without complying with the holding period requirements of Rule 144. All h
however, are required to wait until 90 days after the date of this prospectus before selling such sha
As of June 30, 2015, shares of our outstanding common stock had been issued in reliance o
exercises of stock options. However, substantially all Rule 701 shares are subject to lock-up agreem
and will become eligible for sale upon the expiration of the restrictions set forth in those agreemen

Form S-8 Registration Statements

As soon as practicable after the closing of this offering, we intend to file a Form S-8 registration st
Securities Act to register the issuance of shares of our common stock under our equity compensati
This registration statement will become effective immediately upon filing, and shares covered by s
statement will be eligible for sale in the public markets, subject to vesting restrictions, the lock-up
above and Rule 144 limitations applicable to affiliates. For a more complete discussion of our equi
see the section titled Executive Compensation Employee Benefit Plans.

Lock-Up Arrangements

Our officers, directors and substantially all of our stockholders and option and warrant holders hav
underwriters that for a period of 180 days following the date of this prospectus, subject to certain e
not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of c
securities convertible into or exchangeable or exercisable for any shares of our common stock, ent
would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in w
economic consequences of ownership of our common stock, whether any of these transactions are
of our common stock or other securities, in cash or otherwise. Morgan Stanley & Co. LLC and Go
in their sole discretion, at any time, release all or any portion of the shares from the restrictions in t

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In addition to the restrictions contained in the lock-up agreement described above, we have enterec
certain securityholders, including the investor rights agreement and our standard form option agree
market stand-off provisions imposing restrictions on the ability of such securityholders to offer, se
securities for a period of 180 days following the date of this prospectus.

Registration Rights

Upon the closing of this offering, the holders of 27,246,852 shares of common stock, or their trans
certain rights with respect to the registration of those shares under the Securities Act. If the offer ar
registered, they will be freely tradable without restriction under the Securities Act immediately upo
registration. For a description of these registration rights, see the section titled Description of Cap
Rights.

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MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON
OUR COMMON STOCK

The following summary describes the material U.S. federal income and estate tax consequences of ownership and disposition of our common stock acquired in this offering by Non-U.S. Holders (as discussion does not address all aspects of U.S. federal income and estate taxes and does not deal w local consequences that may be relevant to Non-U.S. Holders in light of their particular circumstan U.S. federal tax consequences other than income and estate taxes. Special rules different from thos apply to certain Non-U.S. Holders that are subject to special treatment under the Code, such as fina insurance companies, tax-exempt organizations, broker-dealers and traders in securities, U.S. expa corporations, passive foreign investment companies, corporations that accumulate earnings to tax, persons that hold our common stock as part of a straddle, hedge, conversion transaction investment or other risk reduction strategy, persons subject to the alternative minimum tax or feder tax on net investment income, partnerships and other pass-through entities, and investors in such p Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, l consequences that may be relevant to them. Furthermore, the discussion below is based upon the p and Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such a repealed, revoked or modified, perhaps retroactively, so as to result in U.S. federal income and esta different from those discussed below. We have not requested a ruling from the U.S. Internal Rever respect to the statements made and the conclusions reached in the following summary, and there ca the IRS will agree with such statements and conclusions. This discussion assumes that the Non-U.S common stock as a capital asset within the meaning of Section 1221 of the Code (generally, pro

Persons considering the purchase of our common stock pursuant to this offering should consult the concerning the U.S. federal income and estate tax consequences of acquiring, owning and disposin in light of their particular situations as well as any consequences arising under the laws of any othe including any state, local or foreign tax consequences.

For the purposes of this discussion, a Non-U.S. Holder is, for U.S. federal income tax purposes, common stock that is neither a U.S. Holder, nor a partnership (or other entity treated as a partnersh income tax purposes regardless of its place of organization or formation). A U.S. Holder means common stock that is for U.S. federal income tax purposes (1) an individual who is a citizen or res corporation or other entity treated as a corporation created or organized in or under the laws of the the District of Columbia, (3) an estate the income of which is subject to U.S. federal income taxati source or (4) a trust if it (a) is subject to the primary supervision of a court within the U.S. and one have the authority to control all substantial decisions of the trust or (b) has a valid election in effec Treasury regulations to be treated as a U.S. person.

Distributions

Subject to the discussion below, distributions, if any, made on our common stock to a Non-U.S. Ho stock to the extent made out of our current or accumulated earnings and profits (as determined und tax principles) generally will constitute dividends for U.S. tax purposes and will be subject to with or such lower rate as may be specified by an applicable income tax treaty. To obtain a reduced rate treaty, a Non-U.S. Holder generally will be required to provide us with a properly executed IRS Fo of individuals), IRS Form W-8BEN-E (in the case of entities), or other appropriate form, certifying

entitlement to benefits under that treaty. This certification must be provided to us or our paying ag
of dividends and must be updated periodically. In the case of a Non-U.S. Holder that is an entity, T

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and the relevant tax treaty provide rules to determine whether, for purposes of determining the app
dividends will be treated as paid to the entity or to those holding an interest in that entity. If a Non-
through a financial institution or other agent acting on the holder s behalf, the holder will be requi
documentation to such agent. The holder s agent will then be required to provide certification to u
either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal
income tax treaty and you do not timely provide the required certification, you may be able to obta
any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effe
the Non-U.S. Holder s conduct of a trade or business within the U.S. (and, if required by an applic
attributable to a permanent establishment that such holder maintains in the U.S.) if a properly exec
stating that the dividends are so connected, is furnished to us (or, if stock is held through a financia
agent, to such agent). In general, such effectively connected dividends will be subject to U.S. feder
income basis at the regular graduated rates. A corporate Non-U.S. Holder receiving effectively con
also be subject to an additional branch profits tax, which is imposed, under certain circumstance
lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder s effecti
and profits, subject to certain adjustments.

To the extent distributions on our common stock, if any, exceed our current and accumulated earni
first reduce the Non-U.S. Holder s adjusted basis in our common stock, but not below zero, and th
to the extent of any excess, and taxed in the same manner as gain realized from a sale or other disp
as described in the next section.

Gain on Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding and foreign accounts, a Non-U.S. H
be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of
(1) the gain is effectively connected with a trade or business of such holder in the U.S. (and, if requ
income tax treaty, is attributable to a permanent establishment that such holder maintains in the U.
Holder is a nonresident alien individual and is present in the U.S. for 183 or more days in the taxab
and certain other conditions are met or (3) we are or have been a United States real property hold
meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding
holder s holding period. In general, we would be a U.S. real property holding corporation if intere
comprised (by fair market value) at least half of our business assets. We believe that we are not, an
becoming, a U.S. real property holding corporation. However, because the determination of wheth
property holding corporation depends on the fair market value of our U.S. real property relative to
our other business assets, there can be no assurance that we will not become a U.S. real property ho
future. Even if we are treated as a U.S. real property holding corporation, gain realized by a Non-U
disposition of our common stock will not be subject to U.S. federal income tax so long as (a) the N
directly, indirectly and constructively, no more than five percent of our common stock at all times
(i) the five-year period preceding the disposition or (ii) the holder s holding period and (b) our com
traded on an established securities market. There can be no assurance that our common stock will
traded on an established securities market.

If you are a Non-U.S. Holder described in (1) above, you will be required to pay tax on the net gai
regular graduated U.S. federal income tax rates, and corporate Non-U.S. Holders described in (a) a

the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applica
you are an individual Non-U.S. Holder described in (2) above, you will be

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required to pay a flat 30% tax on the gain derived from the sale, which gain may be offset by U.S.
you timely file U.S. tax returns reporting the losses (even though you are not considered a resident

Information Reporting Requirements and Backup Withholding

Generally, we must report information to the IRS with respect to any dividends we pay on our com
amount of any such dividends, the name and address of the recipient, and the amount, if any, of tax
report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain
IRS may make its reports available to tax authorities in the recipient s country of residence.

Dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. back
backup withholding generally will not apply to a Non-U.S. Holder who provides a properly execut
(in the case of individuals) or IRS Form W-8BEN-E (in the case of entities) or otherwise establishe

Under current U.S. federal income tax law, U.S. information reporting and backup withholding req
apply to the proceeds of a disposition of our common stock effected by or through a U.S. office of
foreign, except that information reporting and such requirements may be avoided if the holder prov
IRS Form W-8BEN (in the case of individuals) or IRS Form W-8BEN-E (in the case of entities) or
documentary evidence requirements for establishing Non-U.S. Holder status or otherwise establish
Generally, U.S. information reporting and backup withholding requirements will not apply to a pay
proceeds to a Non-U.S. Holder where the transaction is effected outside the U.S. through a non-U.
broker. Information reporting and backup withholding requirements may, however, apply to a paym
proceeds if the broker has actual knowledge, or reason to know, that the holder is, in fact, a U.S. pe
reporting purposes, certain brokers with substantial U.S. ownership or operations will generally be
similar to U.S. brokers.

Any amounts of tax withheld under the backup withholding rules may be credited against the tax li
to backup withholding, provided that the required information is timely furnished to the IRS.

Foreign Accounts

A U.S. federal withholding tax of 30% may apply to dividends on and the gross proceeds of a disp
stock paid to a foreign financial institution (as specifically defined by applicable rules) unless such
agreement with the U.S. government to withhold on certain payments and to collect and provide to
substantial information regarding U.S. account holders of such institution (which includes certain e
institution, as well as certain account holders that are foreign entities with U.S. owners). This U.S.
of 30% will also apply to dividends on and the gross proceeds of a disposition of our common stoc
foreign entity unless such entity provides the withholding agent with either a certification that it do
substantial direct or indirect U.S. owners or provides information regarding substantial direct and i
the entity. The withholding tax described above will not apply if the foreign financial institution or
entity otherwise qualifies for an exemption from the rules. Under certain circumstances, a Non-U.S
eligible for refunds or credits of such taxes. Holders are encouraged to consult with their own tax a
possible implications of these rules to their investment in our common stock.

The withholding provisions described above apply currently to payments of dividends and, pursuan
expected to apply to payments of gross proceeds from a sale or other disposition of common stock

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Federal Estate Tax

If an individual Non-U.S. Holder is treated as the owner of, or has made certain lifetime transfers o
common stock, that person s gross estate will include the value thereof for U.S. federal estate tax p
subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise, even tho
not a citizen or resident of the U.S. at the time of his or her death.

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UNDERWRITERS

Under the terms and subject to the conditions in an underwriting agreement dated the date of this p
underwriters named below, for whom Morgan Stanley & Co. LLC and Goldman, Sachs & Co. are
have severally agreed to purchase, and we have agreed to sell to them, the number of shares indica

Name	Num Sh
Morgan Stanley & Co. LLC	
Goldman, Sachs & Co.	
Jefferies LLC	
Needham & Company, LLC	
Oppenheimer & Co. Inc.	
Raymond James & Associates, Inc.	
Total:	

The underwriters and the representatives are collectively referred to as the underwriters and the
respectively. The underwriters are offering the shares of common stock subject to their acceptance
subject to prior sale. The underwriting agreement provides that the obligations of the several under
accept delivery of the shares of common stock offered by this prospectus are subject to the approva
by their counsel and to certain other conditions. The underwriters are obligated to take and pay for
common stock offered by this prospectus if any such shares are taken. However, the underwriters a
pay for the shares covered by the underwriters over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the publi
listed on the cover page of this prospectus and part to certain dealers. After the initial offering of th
stock, the offering price and other selling terms may from time to time be varied by the representat

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospe
additional shares of common stock at the public offering price listed on the cover page of th
underwriting discounts and commissions. The underwriters may exercise this option solely for the
over-allotments, if any, made in connection with the offering of the shares of common stock offere
the extent the option is exercised, each underwriter will become obligated, subject to certain condi
the same percentage of the additional shares of common stock as the number listed next to the und
preceding table bears to the total number of shares of common stock listed next to the names of all
preceding table.

The following table shows the per share and total public offering price, underwriting discounts and
proceeds before expenses to us. These amounts are shown assuming both no exercise and full exer
option to purchase up to an additional shares of common stock.

	Per Share
Public offering price	$
Underwriting discounts and commissions to be paid by us	$
Proceeds, before expenses, to us	$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and comm
approximately $. We have agreed to reimburse the underwriters for expense relating to cleara
the Financial Industry Regulatory Authority up to $.

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The underwriters have informed us that they do not intend sales to discretionary accounts to excee
of shares of common stock offered by them.

We intend to apply to have our common stock approved for listing on the New York Stock Exchar
symbol INST.

We and all directors and officers and the holders of substantially all of our outstanding stock and s
that, without the prior written consent of the representatives on behalf of the underwriters, we and
period ending 180 days after the date of this prospectus, which we refer to as the restricted period:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any c
grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, d
shares of common stock or any securities convertible into or exercisable or exchangeabl
stock;

- file any registration statement with the SEC relating to the offering of any shares of com
securities convertible into or exercisable or exchangeable for common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, an
consequences of ownership of the common stock

whether any such transaction described above is to be settled by delivery of common stock or such
or otherwise. In addition, we and each such person agrees that, without the prior written consent of
behalf of the underwriters, we or such other person will not, during the restricted period, make any
any right with respect to, the registration of any shares of common stock or any security convertibl
exchangeable for common stock.

The restrictions described in the immediately preceding paragraph do not apply to:

(1) transactions relating to shares of our common stock or other securities acquired in this of
transactions after the completion of this offering;

(2) transfers of shares of our common stock or any security convertible into our common sto
charitable contribution;

(3) transfers of shares of our common stock or any security convertible into our common sto
family member or a trust for the direct or indirect benefit of the party subject to the locku
immediate family member of the party subject to the lock-up agreement (for purposes of
immediate family shall mean any relationship by blood, marriage or adoption, not mo

(4) transfers of shares of our common stock or any security convertible into our common sto

(5) transfers of shares of our common stock or any security convertible into our common sto relations order, divorce decree or court order;

(6) distributions of shares of our common stock or any security convertible into our commo partners, general partners, members, stockholders or holders of similar equity interests i lock-up agreement;

(7) sale of shares to the underwriters;

(8) transfers or distributions of shares of our common stock or any securities convertible int exchangeable for our common stock by a stockholder that is a trust to a trustor or benefi estate of a beneficiary of such trust;

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(9) transfers to us in connection with the repurchase of our common stock in connection wit employment with us of the party subject to the lock-up agreement pursuant to contractua

(10) the disposition of shares of our common stock to us, or the withholding of shares of our transaction exempt from Section 16(b) of the Exchange Act solely in connection with th with respect to the vesting of restricted stock granted under a stock incentive plan, stock pursuant to a contractual employment arrangement described in this prospectus, insofar outstanding as of the date of this prospectus;

(11) the exercise of a stock option granted under a stock incentive plan or stock purchase pla prospectus by the party subject to the lock-up agreement, and the receipt by the party su agreement of shares of our common stock from us upon such exercise, insofar as such o the date of this prospectus, provided that the underlying shares shall continue to be subj transfer set forth in the lock-up agreement and, provided, further that, if required, any pu under Section 16 of the Exchange Act shall clearly indicate in the footnotes thereto that exercise of a stock option, that no shares were sold by the reporting person and that the exercise of the stock option are subject to a lock-up agreement with the underwriters of

(12) a merger, consolidation or other similar transaction involving a change of control that h board of directors, provided that, in the event that such change of control transaction is (12) shall not be applicable and the shares of the party subject to the lock-up agreement the restrictions contained in the lock-up agreement;

(13) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for our common stock provided that (a) such plan does not provide for the transfer of our co restricted period and (b) to the extent a public announcement or filing under the Exchan of or voluntarily made by or on behalf of the party subject to the lock-up agreement or u establishment of such plan, such announcement or filing shall include a statement to the our common stock may be made under such plan during the restricted period;

provided, that, in the case of clauses (2), (3), (4), (5), (6) or (8) above each transferee, donee or dis deliver a lock-up agreement; and, provided, further that in the case of clauses (1), (2), (3), (4), (5), no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership o stock, shall be required or shall be voluntarily made during the restricted period. A change of co (whether by tender offer, merger, consolidation or other similar transaction), in one transaction or transactions, to a person or group of affiliated persons (other than an underwriter pursuant to this o securities if, after such transfer, such person or group of affiliated persons would hold at least 90% entity s) outstanding voting securities and for the avoidance of doubt, this offering is not a change

The representatives, in their sole discretion, may release the common stock and other securities su agreements described above in whole or in part at any time.

In order to facilitate the offering of the common stock, the underwriters may engage in transaction
or otherwise affect the price of the common stock. Specifically, the underwriters may sell more sha
obligated to purchase under the underwriting agreement, creating a short position. A short sale is c
position is no greater than the number of shares available for purchase by the underwriters under th
The underwriters can close out a covered short sale by exercising the over-allotment option or purc
market. In determining the source of shares to close out a covered short sale, the underwriters will
things, the open market price of shares compared to the price available under the over-allotment op
may also sell shares in excess

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of the over-allotment option, creating a naked short position. The underwriters must close out any
purchasing shares in the open market. A naked short position is more likely to be created if the unc
that there may be downward pressure on the price of the common stock in the open market after pr
adversely affect investors who purchase in this offering. As an additional means of facilitating this
underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the
stock. These activities may raise or maintain the market price of the common stock above indepen
prevent or retard a decline in the market price of the common stock. The underwriters are not requ
activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including
Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more u
group members, if any, participating in this offering. The representatives may agree to allocate a n
common stock to underwriters for sale to their online brokerage account holders. Internet distributi
the representatives to underwriters that may make internet distributions on the same basis as other

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in var
may include securities trading, commercial and investment banking, financial advisory, investmen
investment research, principal investment, hedging, financing and brokerage activities. Certain of t
respective affiliates have, from time to time, performed, and may in the future perform, various fin
investment banking services for us, for which they received or will receive customary fees and exp

In addition, in the ordinary course of their various business activities, the underwriters and their re
make or hold a broad array of investments and actively trade debt and equity securities (or related
financial instruments (including bank loans) for their own account and for the accounts of their cus
time hold long and short positions in such securities and instruments. Such investment and securiti
our securities and instruments. The underwriters and their respective affiliates may also make inve
or publish or express independent research views in respect of such securities or instruments and n
recommend to clients that they acquire, long or short positions in such securities and instruments.

Pricing of the Offering

Prior to this offering, there has been no public market for our common stock. The initial public off
determined by negotiations between us and the representatives. Among the factors considered in d
public offering price will be our future prospects and those of our industry in general, our sales, ea
financial and operating information in recent periods, and the price-earnings ratios, price-sales rati
securities, and certain financial and operating information of companies engaged in activities simil

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Pros
Relevant Member State, an offer to the public of any shares of our common stock may not be mad
Member State, except that an offer to the public in that Relevant Member State of any

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shares of our common stock may be made at any time under the following exemptions under the P
they have been implemented in that Relevant Member State:

to any legal entity which is a qualified investor as defined in the Prospectus Directive;

to fewer than 100 or, if the Relevant Member State has implemented the relevant provisi
2010 PD Amending Directive, 150, natural or legal persons (other than qualified investo
in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obta
prior consent of the representatives for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive, provid
shares of our common stock shall result in a requirement for the publication by us or any
prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any shares
Relevant Member State means the communication in any form and by any means of sufficient info
the offer and any shares of our common stock to be offered so as to enable an investor to decide to
our common stock, as the same may be varied in that Member State by any measure implementing
in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and an
the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and i
implementing measure in the Relevant Member State, and the expression 2010 PD Amending Di
2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or c
communicated an invitation or inducement to engage in investment activity (within the m
the Financial Services and Markets Act 2000 (FSMA)) received by it in connection w
shares of our common stock in circumstances in which Section 21(1) of the FSMA does

it has complied and will comply with all applicable provisions of the FSMA with respect
relation to the shares of our common stock in, from or otherwise involving the United Ki

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LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus will be passed upon fo
Palo Alto, California. Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, Ca
underwriters in connection with this offering.

EXPERTS

The consolidated financial statements of Instructure, Inc. at December 31, 2013 and 2014, and for
appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP
public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are incl
such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have submitted with the SEC a registration statement on Form S-1, including exhibits and sche
Securities Act, with respect to the shares of common stock being offered by this prospectus. This p
constitutes part of the registration statement, does not contain all of the information in the registrat
exhibits. For further information with respect to us and the common stock offered by this prospectu
registration statement and its exhibits. Statements contained in this prospectus as to the contents of
document referred to are not necessarily complete, and in each instance, we refer you to the copy o
document filed as an exhibit to the registration statement. Each of these statements is qualified in a
reference.

You can read our SEC filings, including the registration statement, over the internet at the SEC s
You may also read and copy any document we file with the SEC at its public reference facilities at
Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by wr
Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC a
further information on the operation of the public reference facilities. You may also request a copy
cost, by writing us at 6330 South 3000 East, Suite 700, Salt Lake City, UT 84121.

Upon the closing of this offering, we will be subject to the information reporting requirements of t
Act of 1934 and we will file reports, proxy statements and other information with the SEC. These
and other information will be available for inspection and copying at the public reference room an
referred to above. We also maintain a website at www.instructure.com, at which, following the clo
may access these materials free of charge as soon as reasonably practicable after they are electroni
furnished to, the SEC. Information contained on or accessible through our website is not a part of t
inclusion of our website address in this prospectus is an inactive textual reference only.

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INSTRUCTURE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Comprehensive Loss
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders Deficit
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING

The Board of Directors of Instructure, Inc.

We have audited the accompanying consolidated balance sheets of Instructure, Inc. and subsidiarie
2013 and 2014, and the related consolidated statements of operations, comprehensive loss, redeem
stock and stockholders deficit and cash flows for the years then ended. These financial statement
the Company s management. Our responsibility is to express an opinion on these financial statem

We conducted our audits in accordance with the standards of the Public Company Accounting Ove
States). Those standards require that we plan and perform the audit to obtain reasonable assurance
financial statements are free of material misstatement. We were not engaged to perform an audit o
control over financial reporting. Our audits included consideration of internal control over financi
designing audit procedures that are appropriate in the circumstances, but not for the purpose of ex
effectiveness of the Company s internal control over financial reporting. Accordingly, we express
also includes examining, on a test basis, evidence supporting the amounts and disclosures in the fi
assessing the accounting principles used and significant estimates made by management, and evalu
financial statement presentation. We believe that our audits provide a reasonable basis for our opi

In our opinion, the financial statements referred to above present fairly, in all material respects, the
position of Instructure, Inc. and subsidiaries at December 31, 2013 and 2014, and the consolidated
and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting

/s/ Ernst & Young LLP

Salt Lake City, Utah

June 24, 2015

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INSTRUCTURE, INC.

Consolidated Balance Sheets

(in thousands, except per share data)

	December 31,		Jun
	2013	2014	2
Assets			
Current assets:			
Cash and cash equivalents	$ 13,138	$ 43,915	$
Short term marketable securities	9,317	501	
Accounts receivable net of allowance of $53, $135, and $171 at December 31, 2013, 2014, and June 30, 2015 (unaudited), respectively	3,927	8,182	
Prepaid expenses	1,037	2,979	
Other current assets	328	617	
Total current assets	27,747	56,194	
Noncurrent marketable securities	3,990		
Property and equipment, net	7,077	7,761	
Goodwill		989	
Intangible assets, net	1,027	753	
Noncurrent prepaid expenses	677	652	
Other assets	651	677	
Total assets	$ 41,169	$ 67,026	$
Liabilities, redeemable convertible preferred stock and stockholders deficit			
Current liabilities:			
Accounts payable	$ 1,784	$ 2,546	$
Accrued liabilities	3,669	5,605	
Deferred rent		380	
Deferred revenue	16,780	29,380	
Capital lease obligation	271	223	
Total current liabilities	22,504	38,134	
Deferred revenue, net of current portion	2,686	2,574	

Deferred rent, net of current portion	8,385	8,520
Capital lease obligation, net of current portion	223	
Warrant liability	1,002	3,577
Other long-term liabilities	355	763
Total liabilities	35,155	53,568
Commitments and contingencies		
Redeemable convertible preferred stock:		
Redeemable convertible preferred stock, par value of $0.0001 per share; 19,729, 22,630 and 22,630 shares authorized as of December 31, 2013 and 2014 and June 30, 2015 (unaudited), respectively; 19,169, 21,906 and 22,466 shares issued and outstanding as of December 31, 2013 and 2014 and June 30, 2015 (unaudited), respectively; liquidation and redemption value of $49,431, $89,431, $93,580 as of December 31, 2013 and 2014 and June 30, 2015 (unaudited); no shares issued and outstanding pro forma at June 30, 2015	49,092	88,989
Stockholders (deficit):		
Common stock, par value of $0.0001 per share; 35,000, 38,000 and 39,900 shares authorized as of December 31, 2013 and 2014 and June 30, 2015 (unaudited), respectively; 7,367, 11,214 and 11,400 shares issued and 5,674, 9,521 and 9,707 shares outstanding at December 31, 2013, 2014, and June 30, 2015 (unaudited), respectively; 32,173 shares issued and outstanding, pro forma at June 30, 2015 (unaudited) (see Note 1)	1	1
Treasury stock, 1,693 common shares, at cost	(1)	(1)
Additional paid-in capital	5,413	14,392
Accumulated other comprehensive income	5	
Accumulated deficit	(48,496)	(89,923)
Total stockholders (deficit)	(43,078)	(75,531)
Total liabilities, redeemable convertible preferred stock and stockholders deficit	$ 41,169	$ 67,026

See accompanying notes.

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INSTRUCTURE, INC.

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Year Ended December 31,		
	2013	2014	
Revenue:			
Subscription and support	$ 22,456	$ 38,093	$
Professional services and other	3,599	6,259	
Total revenue	26,055	44,352	
Cost of revenue:			
Subscription and support	8,581	12,131	
Professional services and other	2,039	2,982	
Total cost of revenue	10,620	15,113	
Gross profit	15,435	29,239	
Operating expenses:			
Sales and marketing	20,702	35,390	
Research and development	11,242	21,290	
General and administrative	5,321	11,268	
Total operating expenses	37,265	67,948	
Loss from operations	(21,830)	(38,709)	
Other income (expense):			
Interest income	22	32	
Interest expense	(150)	(136)	
Change in fair value of warrant liability	(545)	(2,518)	
Other income (expense), net	4	(39)	
Total other expense, net	(669)	(2,661)	
Loss before income taxes	(22,499)	(41,370)	
Income tax expense		(57)	

Net loss	$ (22,499)	$ (41,427)	$
Deemed dividends to investors	(353)		
Net loss attributable to common stockholders	$ (22,852)	$ (41,427)	$
Net loss per common share attributable to common stockholders, basic and diluted	$ (4.05)	$ (4.98)	$
Weighted average common shares used in computing basic and diluted net loss per common share attributable to common stockholders	5,642	8,312	
Pro forma net loss per common share attributable to common stockholders, basic and diluted (unaudited)		$ (1.37)	
Pro forma weighted average common shares used in computing basic and diluted net loss per common share attributable to common stockholders (unaudited)		30,218	

See accompanying notes.

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INSTRUCTURE, INC.

Consolidated Statements of Comprehensive Loss

(in thousands)

	Year Ended December 31,			
	2013		2014	
Net loss	$	(22,499)	$	(41,427)
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities		5		
Comprehensive loss	$	(22,494)	$	(41,427)

See accompanying notes.

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INSTRUCTURE, INC.

Consolidated Statements of Redeemable Convertible Preferred Stock and Stockh

(in thousands)

	Redeemable Convertible Preferred Stock			Common Stock, $0.001 Par Value			Common Treasury Stock			Additional Paid-In Capital		Accumulate Other Comprehens Income
	Shares		Amount	Shares		Amount	Shares		Amount	Capital		Income
Balances at January 1, 2013	15,395	$	18,863	7,029	$	1	(1,693)	$	(1)	2,130	$	
Exercise of common stock options				338						42		
Vesting of common stock subject to repurchase										2		
Stock-based compensation										3,592		
Repurchase of common stock							(37)		(150)			
Reissuance of treasury stock							37		150			
Issuance of Series D redeemable convertible preferred stock net of issuance costs of $124	3,774		29,876									
Deemed dividends to investors			353							(353)		
Unrealized gain on marketable securities												5
Net loss												
Balances at December 31,	19,169		49,092	7,367		1	(1,693)		(1)	5,413		5

2013								
Exercise of common stock options			3,703				528	
Vesting of common stock subject to repurchase							149	
Stock-based compensation							8,198	
Grant of restricted stock awards			109					
Issuance of Series E redeemable convertible preferred stock net of issuance costs of $103	2,737	39,897						
Common stock issued in 12 Spokes acquisition			35				104	
Unrealized loss on marketable securities								(6)
Reclassification of gain on marketable securities to earnings								1
Net loss								
Balance at December 31, 2014	21,906	88,989	11,214	1	(1,693)	(1)	14,392	
Exercise of common stock options (unaudited)			186				111	
Vesting of common stock subject to repurchase (unaudited)							32	
Stock-based compensation (unaudited)							6,687	
	560	4,149						

Exercise of redeemable convertible preferred stock warrant (unaudited)								
Deemed dividends to investors (unaudited)		632					(632)	
Unrealized loss on marketable securities								(1)
Net loss (unaudited)								
Balance at June 30, 2015 (unaudited)	22,466	$ 93,770	11,400	$ 1	(1,693)	$ (1)	$ 20,590	$ (1)

See accompanying notes

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INSTRUCTURE, INC.

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,	
	2013	**2014**
Operating Activities:		
Net loss	$ (22,499)	$ (41,427)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	1,238	1,760
Amortization of intangible assets	299	306
Amortization of deferred financing costs	49	61
Change in fair value of warrant liability	545	2,575
Excess tax benefit for stock-based compensation	(50)	(872)
Stock-based compensation	3,592	8,198
Other	245	200
Changes in assets and liabilities:		
Accounts receivable, net	(2,067)	(4,335)
Prepaid expenses and other assets	(1,378)	(2,296)
Accounts payable and accrued liabilities	1,435	2,542
Deferred revenue	7,359	12,488
Deferred rent	2,742	515
Other liabilities	(144)	(110)
Net cash used in operating activities	(8,634)	(20,395)
Investing Activities:		
Purchases of property and equipment	(997)	(2,440)
Purchases of intangible assets	(7)	(6)
Proceeds from disposal of property and equipment		37
Purchases of marketable securities	(13,401)	(1,155)
Sale of marketable securities		10,402
Maturities of marketable securities		3,415
Acquisition of 12 Spokes		(250)
Net cash provided by (used in) investing activities	(14,405)	10,003
Financing Activities:		
	29,876	39,897

Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs of $124, $103, $0 and $0 in the years ended December 31, 2013 and 2014 and the six months ended June 30, 2014 and 2015, respectively			
Proceeds from exercise of redeemable convertible preferred stock warrants			
Proceeds from exercise of stock options	42	751	
Payments of line of credit financing costs	(22)	(80)	
Repurchase of common stock	(150)		
Proceeds from the sale of treasury stock	150		
Advances from the revolving credit note facility	2,000		
Repayment of advances from the revolving credit note facility	(2,000)		
Repayment of capital lease obligations	(205)	(271)	
Excess tax benefit for stock-based compensation	50	872	
Net cash provided by financing activities	29,741	41,169	
Net increase (decrease) in cash	6,702	30,777	
Cash, beginning of period	6,436	13,138	
Cash, end of period	$ 13,138	$ 43,915	$
Supplemental cash flow disclosure:			
Cash paid for interest	$ 101	$ 51	$
Non-cash investing and financing activities:			
Leasehold improvements	$ 5,629	$	$
Property and equipment acquired under capital lease	$ 699	$	$
Capital expenditures incurred but not yet paid	$	$ 33	$
Line of credit financing costs	$ 47	$ 58	$
Issuance of common stock for acquisition	$	$ 104	$
Deemed dividends to investors	$ 353	$	$
Vesting of common stock subject to repurchase	$ 2	$ 149	$

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INSTRUCTURE, INC.

Notes to Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Organization

Instructure, Inc. provides an innovative, cloud-based learning management platform for academic
companies worldwide. We built our learning management applications, Canvas, for the education
the corporate market, to enable our customers to easily develop, deliver and manage engaging face
learning experiences. We offer our platform through a Software-as-a-Service, or SaaS, business m
incorporated in the state of Delaware in September 2008. We are headquartered in Salt Lake City,
wholly-owned subsidiaries in the United Kingdom, Australia, the Netherlands and Hong Kong, all
operations in 2014 and Sweden, which commenced operations in February 2015.

We have financed our operations to date primarily with cash receipts from customers and the proc
redeemable convertible preferred stock. We will continue to require additional capital to move for
plan. While we do have borrowings of $15,000,000 available (see Note 6 Credit Facility), there c
funds necessary beyond these amounts will be available in amounts or on terms sufficient to ensur

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principle
the United States, or U.S. GAAP. The accompanying consolidated financial statements include ou
our wholly-owned subsidiaries. All intercompany transactions have been eliminated in consolidati

Unaudited Pro Forma Information

Upon the closing of our initial public offering, or IPO, all outstanding redeemable convertible pref
automatically convert into shares of common stock. The unaudited pro forma stockholders equity
to the conversion of the redeemable convertible preferred stock as of June 30, 2015. The effect of
forma consolidated balance sheet will reduce stockholders deficit by $93,770,000.

Unaudited Interim Financial Information

The accompanying interim consolidated balance sheet as of June 30, 2015 and the consolidated st
comprehensive loss and cash flows for the six months ended June 30, 2014 and 2015, and the con
redeemable convertible preferred stock and stockholders deficit for the six months ended June 3
footnote disclosures are unaudited. The unaudited interim consolidated financial statements have b
consistent with the annual consolidated financial statements and, in the opinion of management, re
necessary to present fairly our consolidated financial position as of June 30, 2015 and our results o
flows for the six months ended June 30, 2014 and 2015. The results for the six months ended June
necessarily indicative of the results expected for the full fiscal year or any other period.

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INSTRUCTURE, INC.

Notes to Consolidated Financial Statements

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires m
estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual result
estimates. Such estimates, which we evaluate on an on-going basis, include allowances for doubtfu
for property and equipment and intangible assets, valuation of marketable securities, valuation allo
income tax assets, valuation of stock-based compensation and common stock, preferred stock warr
selling price of deliverables included in multiple-deliverable revenue arrangements and the weight
used in the recognition of nonrefundable upfront implementation service revenue. We base our est
experience and on various other assumptions which we believe to be reasonable.

Operating Segments

We operate in a single operating segment, cloud-based learning management systems. Operating s
components of an enterprise for which separate financial information is regularly evaluated by the
makers, or CODMs, which are our chief executive officer and chief financial officer, in deciding h
and assess performance. Our CODMs evaluate our financial information and resources and assess
resources on a consolidated basis. Since we operate in one operating segment, all required financia
can be found in the consolidated financial statements.

Net Loss Per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is computed by dividing net loss attri
stockholders by the weighted average number of common shares outstanding for the period, less th
unvested common stock subject to repurchase or forfeiture. Diluted net loss per share attributable t
is computed by giving effect to all potential dilutive common stock equivalents outstanding for the

For purposes of this calculation, options to purchase common stock, common stock and redeemabl
stock warrants, and redeemable convertible preferred stock are considered to be common stock equ
two-class method to calculate our basic and diluted net loss per share of common stock, as our red
preferred stock and common stock are participating securities. The two-class method is an earning
treats a participating security as having rights to earnings that otherwise would have been available
stockholders. However, the two-class method does not impact the net loss per common share attrib
stockholders as we were in a loss position for each of the periods presented and the redeemable co
stockholders do not participate in losses.

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INSTRUCTURE, INC.

Notes to Consolidated Financial Statements

A reconciliation of the denominator used in the calculation of basic and diluted loss per share is as
except per share amounts):

	Year Ended December 31,				
		2013		2014	
Numerator:					
Net loss attributable to common stockholders	$	(22,852)	$	(41,427)	$
Denominator:					
Weighted-average common shares outstanding basic		5,674		8,650	
Less: Weighted-average common stock subject to repurchase		(32)		(338)	
Total weighted-average common shares outstanding basic		5,642		8,312	
Dilutive effect of share equivalents resulting from stock options, unvested restricted stock awards, common stock warrants, common stock subject to repurchase, redeemable convertible preferred stock warrants and redeemable convertible preferred stock (as converted)					
Weighted-average common shares outstanding-diluted		5,642		8,312	
Net loss per common share attributable to common stockholders, basic and diluted	$	(4.05)	$	(4.98)	$

During 2013 and 2014, and the six months ended June 30, 2014 and 2015 (unaudited), we incurred
the effect of our outstanding stock options, unvested restricted stock, common stock warrants, com
repurchase, redeemable convertible preferred stock warrants and redeemable convertible preferred
in the calculation of diluted loss per share as the effect would be anti-dilutive. The following table
a potentially dilutive impact (in thousands):

Year Ended December 31,		Six
2013	2014	2

Options to purchase common stock	6,584	4,491
Common stock warrants	105	155
Redeemable convertible preferred stock warrants	560	560
Common stock subject to repurchase	8	202
Redeemable convertible preferred stock (as converted)	19,169	21,906
Unvested restricted stock awards		88
Total	26,426	27,402

Unaudited Pro Forma Net Loss Per Share Attributable to Common Stockholders

Upon the closing of the proposed IPO, all shares of redeemable convertible preferred stock will au
22,465,711 shares of common stock. The unaudited pro forma net loss per common share attributa
stockholders, basic and diluted, for the year ended December 31, 2014 and the

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six months ended June 30, 2015 have been computed to give effect to the redeemable convertible p
shares had been converted to common stock as of the beginning of the period.

A reconciliation of the numerator and denominator used in the calculation of unaudited pro forma
share is as follows (in thousands, except per share amounts):

	Year I Decemb 20
Numerator:	
Net loss attributable to common stockholders	$ (
Denominator:	
Weighted-average common shares outstanding-basic	
Pro forma adjustment for assumed conversion of redeemable convertible preferred stock to common stock upon the closing of the proposed IPO	
Number of shares used for pro forma basic earnings per share computation	
Dilutive effect of share equivalents resulting from stock options, unvested restricted stock awards, common stock warrants, common stock subject to repurchase and redeemable convertible preferred stock warrants	
Number of shares used for pro forma dilutive earnings per share computation	
Pro forma net loss per common share attributable to common stockholders, basic and diluted	$

Concentration of Credit Risk, Significant Customers and International Operations

Financial instruments that potentially subject us to a concentration of credit risk consist principally
receivable. We deposit cash with high credit quality financial institutions, which at times, may exc
amounts. We have not experienced any losses on our deposits. We perform ongoing credit evaluati
financial condition and generally require no collateral from our customers. We review the expected
accounts receivable and record an allowance for doubtful accounts receivable for amounts that we
collectible.

The following table depicts the largest customer s revenue as a percentage of total revenue:

	Year Ended December 31,		Six M
	2013	2014	20
Customer A	16.7%	9.8%	

The following table depicts the largest customers outstanding net accounts receivable balance as outstanding net accounts receivable balance:

	December 31,	
	2013	201
Customer B	27.1%	2

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There were no other customers with outstanding net accounts receivable balances as a percentage o
net accounts receivable balance greater than 10% as of December 31, 2013 and 2014, and at June 3

In 2014, we began international operations. Because our long-term growth strategy involves furthe
to customers outside of the United States, our business will be susceptible to risks associated with

Cash and Cash Equivalents

We consider all short-term highly liquid investments purchased with original maturities of three m
of acquisition to be cash equivalents.

Marketable Securities

We hold investments in marketable securities, consisting of corporate debt securities and commerc
our marketable securities as available-for-sale investments as we neither buy and hold securities fo
them in the near future nor intend to hold securities to maturity. We classify our marketable securit
consolidated balance sheet for all purchased investments with contractual maturities that are less th
balance sheet date. Our marketable securities are carried at estimated fair value with any unrealize
taxes, included in accumulated other comprehensive income (loss) in stockholders equity. Unreal
against other income (expense), net when a decline in fair value is determined to be other-than-tem
recorded any such impairment charge in the periods presented. We determine realized gains or loss
marketable securities on a specific identification method, and record such gains or losses as other i

Accounts Receivable

Accounts receivable are carried at the original invoiced amount less an allowance for doubtful acc
probability of future collection. When management becomes aware of circumstances that may decr
collection, it records a specific allowance against amounts due, which reduces the receivable to the
management reasonably believes will be collected. For all other customers, management determine
allowance based on historical loss patterns, the number of days that billings are past due and an ev
risk of loss associated with specific accounts. Account balances are written off against the allowan
receivable when the potential for recovery is remote. Recoveries of receivables previously written
payment is received.

The following is a roll-forward of our allowance for doubtful accounts (in thousands):

	Balance Beginning	Charged to Costs or	Dedu

	of Period	Expenses	
Allowance for Doubtful Accounts			
Year ended December 31, 2013	$	$ 53	$
Year ended December 31, 2014	53	109	
Six months ended June 30, 2015 (unaudited)	135	64	

(1) Deductions include actual accounts written-off, net of recoveries.

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Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures that materia
capacities or extend useful lives of property and equipment are capitalized.

Repairs and maintenance costs that do not extend the useful life or improve the related assets are e
Depreciation is computed using the straight-line method over the estimated useful lives of the asse
lease terms (if shorter). The estimated useful life of each asset category is as follows:

	Estimated Use
Computer and office equipment	2-3 year
Purchased software	2-3 year
Furniture and fixtures	2-6 year
Leasehold improvements and other	lesser of lease term or use
Capitalized software development costs	3 years

Certain costs incurred to develop software applications used in the cloud-based learning managem
and included in property and equipment, net on the balance sheets. Capitalizable costs consist of (1
costs of materials and services incurred in developing or obtaining internal-use software; and (2) p
costs for employees who are directly associated with and who devote time to the project. These co
internal labor during configuration, coding and testing activities. Research and development costs
preliminary project stage, or costs incurred for data conversion activities, training, maintenance an
administrative or overhead costs, are expensed as incurred. Costs that cannot be separated between
relatively minor upgrades and enhancements to, internal-use software are also expensed as incurre
the application development stage that significantly enhance and add new functionality to the clou
management system are capitalized as capitalized software development costs. Capitalization begi
preliminary project stage is complete; (2) management with the relevant authority authorizes and c
the software project; (3) it is probable the project will be completed; (4) the software will be used t
intended; and (5) certain functional and quality standards have been met.

When there are indicators of potential impairment, we evaluate recoverability of the carrying value
equipment by comparing the carrying amount of an asset to the estimated undiscounted future cash
generated by the asset. If the carrying amount of the asset exceeds our estimated undiscounted futu
impairment charge is recognized based on the amount by which the carrying value of the asset exc
asset. We did not incur any impairment charges during 2013 and 2014 and the six months ended Ju
(unaudited).

Leases

We lease our facilities under operating leases. For leases that contain rent escalation or rent conces
record rent expense for the total rent payable during the lease term on a straight-line basis over the
record the difference between the rent paid and the straight-line rent as a deferred rent liability in t
balance sheets.

Fair Value

Our short-term financial instruments include accounts receivable, accounts payable and accrued ex
the consolidated financial statements as of December 31, 2013 and 2014, and as of June 30, 2015 (
that approximate fair value due to their short-term maturity dates.

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Goodwill

Goodwill represents the excess cost of the fair value of the net tangible and identifiable intangible
business combination. Goodwill is not subject to amortization, but is monitored annually for impai
if there are indicators of impairment. Management considers the following potential indicators of i
(1) significant underperformance relative to historical or projected future operating results; (2) sign
use of acquired assets or the strategy of our overall business; (3) significant negative industry or ec
significant decline in our stock price for a sustained period. We perform our annual impairment tes
Currently, our goodwill is evaluated at the entity level as it is determined there is only one reportin
two-step impairment test. In the first step, the fair value of each reporting unit is compared to its ca
value exceeds the carrying value of the net assets assigned, goodwill is not considered impaired an
required. If the carrying value exceeds the fair value, then the second step of the impairment test is
determine the implied fair value of the reporting unit s goodwill. If the carrying value of the good
then an impairment charge is recorded. On September 30, 2014, the estimated fair value of our sing
exceeded its carrying amount. Because the fair value of our single reporting unit was in excess of i
there were no indicators that our goodwill had become impaired since that date, there was no impa
September 30, 2014 through December 31, 2014.

During 2013 and 2014 and the six months ended June 30, 2014 and 2015 (unaudited), we did not r
charge. We have no other intangible assets with indefinite useful lives.

Liability for Common Stock Warrants

We account for freestanding warrants to purchase shares of our common stock that are not conside
stock as warrant liabilities on our consolidated balance sheets. Under Accounting Standards Codifi
record the liability-classified common stock warrants issued in conjunction with our credit facility
value because they are free standing and the number of shares exercisable under this warrant to pu
increases if the loan balance exceeds $7,500,000 (see Note 6 Credit Facility). At the end of each r
the estimated fair value of the warrants to purchase shares of common stock are recorded as a chan
warrant liability in the consolidated statements of operations.

Liability for Redeemable Convertible Preferred Stock Warrants

We account for freestanding warrants to purchase shares of our contingently redeemable convertib
warrant liability on our consolidated balance sheets. We record the redeemable convertible preferr
estimated fair value because these warrants may contingently obligate us to redeem the underlying
preferred stock at some point in the future. At the end of each reporting period, changes in the esti
warrant liability is recorded as change in fair value of warrant liability in the consolidated statemen
earlier of the exercise or expiration of the warrants, or the completion of a qualifying liquidation ev
public offering, at which time the redeemable convertible preferred stock issuable upon exercise of

become common stock and the related liability would be reclassified to common stock in stockhol
Note 8 Stockholders Deficit, the redeemable convertible preferred stock warrants were exercised

Revenue Recognition

We generate revenue primarily from two main sources: (1) subscription revenue, which is compris
customers accessing our learning management systems and from customers purchasing additional

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support beyond the standard support that is included in the basic SaaS fees; and (2) related profess
which is comprised of training, implementation services and other types of professional services. V
applications as a service and revenue is recognized when persuasive evidence of an arrangement ex
determinable, collection is reasonably assured, and delivery has occurred or services have been ren

Because we provide our applications as a service and customers do not take possession of the softw
are accounted for as service contracts. For arrangements with multiple deliverables, we follow the
ASC 605-25, *Revenue Recognition for Multiple-Element Arrangements*. In accordance with this gu
multiple-deliverable arrangements are accounted for as separate units of accounting if the delivered
value. If the deliverables in a multiple-deliverable arrangement do not have standalone value, the r
the deliverables is recognized ratably as a single unit of accounting over the period commencing up
deliverable and over the term of that deliverable. We allocate revenue to each deliverable in an arra
selling price hierarchy. The selling price for a deliverable is based on its vendor-specific objective
available, third-party evidence, or TPE, if VSOE is not available, or best estimate of the selling pri
VSOE nor TPE is available. The total arrangement fee for a multiple-deliverable arrangement is al
relative VSOE, TPE, or BESP of each element.

We determine BESP by considering our overall pricing objectives and market conditions. Significa
taken into consideration for our subscription services, which may also include support, training, an
include discounting practices, the size and volume of our transactions, the customer type, price list
and historical stand-alone sales. The determination of BESP is made through consultation with and
committee. As our pricing strategies evolve, we may modify our pricing in the future which could
relative selling prices.

As subscription and support revenue are delivered over the entire length of the arrangement (the se
recognized ratably beginning on the date our service is made available to customers through the en
and all other revenue recognition criteria have been met. Implementation services are nonrefundab
have standalone value. As such, we defer revenue for implementation services in multiple-element
recognize the revenue over the longer of the contract term or customer life. Training and professio
subscriptions and separately (i.e., not sold contemporaneously with the negotiation of a subscriptio
determined each has standalone value. As a result, these services are recognized as revenue when t
delivered, which is generally within two to three months from the date of contract.

We also derive revenue from fees for separate, project-based custom application development, inte
and change management consulting services. Pricing of these projects is generally either fixed fee
based. We recognize revenue from these service arrangements in accordance with ASC 605. To th
project reporting of time incurred and time to complete records exist, we recognize consulting serv
services are performed under the proportionate performance method. In situations where we are un
proportional performance method, for example due to either the lack of adequate documentation of
incurred, we recognize revenue based on the milestone method if individual milestones with substa

customer exist. If neither of these two methods is able to be utilized, revenue recognition is deferre
completed. During 2013 and 2014 and the six months ended June 30, 2014 and 2015 (unaudited) tl
recognized under the proportionate performance method. We recognized $0, $223,000, $8,000 and
under the milestone method for 2013 and 2014 and the six months ended June 30, 2014 and 2015 (

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Cost of Revenue

Cost of subscription revenue consists primarily of our managed hosting provider and other third-pa
employee-related costs including payroll, benefits and stock-based compensation expense for our c
support teams, amortization of capitalized software development costs and acquired technology, an
costs, which we define as rent, facilities and costs related to information technology, or IT.

Cost of professional services and other revenue consists primarily of personnel costs of our profess
organization, including salaries, benefits, travel, bonuses and stock-based compensation, as well as
costs.

Service Availability Warranty

We warrant to our customers: (1) that commercially reasonable efforts will be made to maintain th
the platform for a minimum availability in a trailing 365-day period (excluding scheduled outages,
windows, force majeure, and outages that result from any technology issue originating from any cu
functionality or features of the platform may change but will not materially degrade during any pai
support may change but will not materially degrade during any paid term. To date, we have not exp
losses under these warranties.

Advertising Costs

Advertising costs are expensed as incurred and are included in sales and marketing expenses. Adve
$2,192,000 and $3,849,000 for 2013 and 2014, respectively. Advertising expenses totaled $1,748,0
the six months ended June 30, 2014 and 2015 (unaudited), respectively.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award g
compensation expense using the straight-line method over the period in which the award is expecte
generally the period from the grant date to the end of the vesting period. Forfeitures are estimated a
revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

We use the Black-Scholes option pricing model to determine the fair value of stock options. The B
pricing model is affected by the unit price and a number of assumptions, including the award s ex
interest rate, the expected volatility of the underlying stock and expected dividends.

These assumptions are estimated as follows:

Fair Value of Our Common Stock. Because our common stock is not yet publicly traded,
fair value of common stock. The fair value of the common stock underlying the stock op
our board of directors, which considered numerous objective and subjective factors to de
common stock at each grant date. These factors included, but were not limited to: (1) co
of common stock performed by third-party specialists; (2) the lack of marketability of ou
stock; (3) developments in the business; (4) the prices paid in recent transactions involvi
and (5) the likelihood of achieving a liquidity event, such as an initial public offering or
given prevailing market conditions.

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Risk-Free Interest Rate. We base the risk-free interest rate used in the Black-Scholes opt
implied yield available on U.S. Treasury zero-coupon issues with remaining terms simila
the options.

Expected Term. We estimate the expected term for stock options using the simplified me
historical exercise activity for our company. The simplified method calculates the expect
between the vesting date and the contractual expiration date of the award.

Volatility. We estimate the price volatility factor based on the historical volatilities of ou
as we do not have a sufficient trading history for our common stock. To determine our co
consider public enterprise cloud-based application providers and select those that are sim
life cycle, and financial leverage. We intend to continue to apply this process using the s
companies until a sufficient amount of historical information regarding the volatility of o
share price becomes available, or unless circumstances change such that the identified co
similar to us, in which case, more suitable companies whose share prices are publicly ava
in the calculation.

Dividend Yield. We have not paid and do not expect to pay dividends for the foreseeable

Foreign Currency

The functional currency of our foreign subsidiaries is the U.S. dollar. Monetary assets and liabilitie
foreign currency are revalued into U.S. dollars at the exchange rates in effect at the balance sheet d
expense accounts are revalued on the date of the transaction using the exchange rate in effect on th
Non-monetary assets, liabilities, and equity transactions are converted at historical exchange rates
transaction. Foreign currency transaction gains and losses are recorded in the statement of operatio
(expense), net. The net foreign currency transaction loss for the years ended December 31, 2013 an
months ended June 30, 2014 and 2015 (unaudited) was $0, $67,000, $3,000 and $91,000, respectiv

Research and Development

With the exception of capitalized software development costs, research and development costs are

Commissions

We recognize commission expense related to subscriptions in the period in which the contract is si

Risks and Uncertainties

We are subject to all of the risks inherent in an early stage business. These risks include, but are no
operating history, new and rapidly evolving markets, dependence on the development of new servi
economic and market conditions, changes in level of demand for our services, and the timing of ne
introductions. If we fail to anticipate or to respond adequately to technological developments in ou
customer or supplier requirements, or changes in regulatory requirements or industry standards, or
the development or introduction of services, our business could be harmed.

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Income Taxes

Deferred tax assets and liabilities are accounted for using the asset and liability method and represe
consequences attributable to differences between financial statement carrying amounts of existing
their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates th
effect when these temporary differences are expected to reverse. A valuation allowance is provided
than not that some portion of the deferred tax assets will not be realized. At December 31, 2013 an
deferred tax assets are offset by a valuation allowance. We recognize interest and penalties as a co
expense.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards U
Revenue from Contracts with Customers (Topic 606), or ASU 2014-09, which amended the existin
Standards Codification. This standard establishes a principle for recognizing revenue upon the tran
or services to customers, in an amount that reflects the expected consideration received in exchang
services. The standard also provides guidance on the recognition of costs related to obtaining and f
contracts. In July 2015, the FASB decided to defer by one year the effective dates of its new reven
for public and nonpublic entities. As a result, this guidance will be effective for public companies f
periods beginning on or after December 15, 2017. Public entities would be permitted to adopt the s
original public entity effective date; early adoption prior to that date would not be permitted. Once
choose to apply the standard using either a full retrospective approach or a modified retrospective a
yet selected a transition method and are currently assessing the potential impact that this standard w
consolidated financial statements.

2. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 3	
	2013	**2**
Computer and office equipment	$ 847	$
Purchased software	429	
Capitalized software development costs	445	
Furniture and fixtures	1,047	
Leasehold improvements and other	5,770	

	8,538	1
Less accumulated depreciation and amortization	(1,461)	(
Total	$ 7,077	$

Accumulated amortization for capitalized software development costs was $81,000, $315,000 and
December 31, 2013 and 2014 and June 30, 2015 (unaudited), respectively. Amortization expense f
development costs for the years ended December 31, 2013 and 2014 was $73,000 and $234,000, re
recorded within cost of revenue on the statements of operations. Amortization expense for capitaliz
development costs for the six months ended June 30, 2014 and 2015 was $75,000 and $265,000 (u

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3. Acquisition

On April 15, 2014, we acquired all of the assets of 12 Spokes, Inc., a privately-held software and a
company located in Utah, through an asset purchase transaction. We completed this transaction to
our employee base. The consideration paid for 12 Spokes included $1,000,000 of cash, of which $
front and the remaining will be paid out equally over the next three years on the anniversary of the
payments were recorded as a liability using the present value of the future cash payments of $683,
included in current liabilities. Additionally, we issued 140,000 shares of restricted common stock
$417,000, of which 35,000 of fully vested shares of common stock with a fair value of $104,000 is
price. The remaining 105,000 are unvested shares of restricted common stock with a fair value of
as compensation expense over the vesting period.

The transaction has been accounted for under the acquisition method of accounting. Under the acq
accounting, we allocated the purchase price to the identifiable assets based on their estimated fair
acquisition. No liabilities were acquired in the transaction. We incurred transaction costs of $41,00
transaction, which were included in general and administrative expenses in 2014.

The components of the purchase price and allocation for the acquisition of the 12 Spokes assets are
thousands):

Consideration:	
Cash paid	
Restricted common stock	
Deferred consideration	
Fair value of total consideration	
Identifiable assets acquired:	
Fixed assets: computers	
Intangible assets: non-compete agreements	
Total	
Goodwill	
Total	

The fair value of the non-compete agreements was determined using the discounted cash flow met
flow method measures cash flow with and without competition to determine the fair value of the n
non-compete agreements are being amortized over the estimated useful life of three years based on
employment term plus the non-compete term.

The computers are being depreciated over their estimated useful lives on a straight-line basis.

The excess of the purchase consideration over the fair value of the net tangible and identifiable int
was recorded as goodwill. The goodwill is attributable to assembled workforce acquired. For incor
$1,000,000 is expected to be deductible. The purchase price allocation was finalized as of Decemb

Pro forma results of operations have not been presented because the acquisition was not material in
consolidated financial statements for the period from January 1, 2013 to the date of acquisition.

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4. Intangible Assets

Intangible assets consisted of the following (in thousands):

	Average Remaining Useful Life	Decembe[r] 2013
Domain names	38 Months	$ 1,251
Tradenames and trademarks	29 Months	120
Non-compete agreements	27.5 Months	
Accumulated amortization		(344)
Total		$ 1,027

Amortization expense for intangible assets was $299,000 and $306,000 for the years ended Decem
respectively. Amortization expense for intangible assets was $150,000 and $155,000 for the six mo
2014 and 2015 (unaudited), respectively.

Based on the recorded intangible assets at December 31, 2014, estimated amortization expense is e
(in thousands):

Years Ending December 31,
2015
2016
2017
2018
2019
Total

5. Marketable Securities

Our investment policy is consistent with the definition of available-for-sale securities. We do not b
principally for the purpose of selling them in the near future nor do we intend to hold securities to
policy is focused on the preservation of capital, liquidity and return. From time to time, we may se

the objectives are generally not to generate profits on short-term differences in price.

The following table summarizes, by major security type, our assets that are measured at fair value
thousands).

	December 31, 2013		
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrea Losses**
Corporate debt securities	$ 13,302	$ 7	$

	December 31, 2014		
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrea Losses**
Corporate debt securities	$ 501	$	$

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	June 30, 2015 (unaudite		
	Amortized Cost	Gross Unrealized Gains	Gross Unreal Losses
Corporate debt securities	$ 1,151	$	$

Because we do not intend to sell the investments that are in an unrealized loss position and it is not required to sell any investments before recovery of their amortized cost basis, we do not consider t unrealized loss to be other-than-temporarily impaired as of December 31, 2013.

There were no marketable securities in an unrealized loss position as of December 31, 2014. There marketable securities in an unrealized loss position of $1,000 as of June 30, 2015 (unaudited). Bec sell the investments that are in an unrealized loss position and it is not likely that we will be requir before recovery of their amortized cost basis, we do not consider those investments with an unreali other-than-temporarily impaired at June 30, 2015.

There were no gross realized gains or losses from the sale or maturity of marketable securities duri gross realized gains of $9,000 and gross realized losses of $0 from the sale or maturity of marketab other income (expense) during 2014. There were gross realized gains of $9,000 and $0 gross realiz from the sale or maturity of marketable securities for the six months ended June 30, 2014 and 2015 respectively.

During 2013 and 2014, we recognized gross interest income on securities of $116,000 and $177,00 income was offset by amortization expense on securities of $99,000 and $148,000 during 2013 and reported net within interest income on the statement of comprehensive loss.

During the six months ended June 30, 2014 and 2015, we recognized gross interest income on secu $5,000 (unaudited), respectively. Interest income was offset by amortization expense on securities during the six months ended June 30, 2014 and 2015 (unaudited), respectively.

The estimated fair value of investments by contractual maturity is as follows (in thousands):

	December 31, 201	
Due within one year	$	501
Due after one year and through 5 years		
Due after 5 years and through 10 years		
Due after 10 years		
Total	$	501

6. Credit Facility

In November 2012, we entered into a loan and security agreement with a financial institution, or th
us to incur revolver borrowings of up to $7.0 million, or such lesser amount equal to a percentage o
recurring revenue. Interest on borrowings accrued at a rate equal to the prime rate plus 1.25% to 3.
interest rate determined by reference to a specified operating metric. Accrued interest is payable m
each month with all outstanding borrowings payable on the maturity date. In addition to an upfront
obligated to pay the lender a fee, payable quarterly in arrears, in an amount equal to 0.25% of the a
the available borrowings.

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The credit facility contains customary conditions to borrowing, events of default and covenants, in
restrict our ability to dispose of assets, change our business, merge with or acquire other entities, in
encumbrances, make distributions to holders of our capital stock, make investments or engage in tr
affiliates. The agreement also includes a financial covenant requiring the achievement of minimum
three month basis, tested monthly. During the continuance of an event of default, SVB may accele
terminate the credit facility, and foreclose on the collateral. Amounts borrowed under the credit fac
first priority security interest in substantially all of our assets other than intellectual property and m
capital stock of any of our foreign subsidiaries.

We issued a warrant to purchase 105,000 shares of common stock to the lender in connection with
Note 8 Stockholder s Deficit). The warrant has a ten-year term and an exercise price of $0.66 per

In February 2013, we amended the credit facility to (1) decrease available aggregate revolver borro
from February 2013 to July 2013 and $4.0 million thereafter and (2) change the interest rate on bor
plus 1.50% to 4.50%, with the exact interest rate determined by reference to a specified operating r
obtained net cash proceeds of at least $10.0 million from the sale of our equity securities, then the
that the aggregate available borrowings would increase to $7.0 million, or such lesser amount equa
monthly contracted recurring revenue. In May 2013, we obtained equity funding in excess of $10.0
the credit facility contained a covenant requiring us to have certain minimum new and renewal con

In April 2014, we further amended the credit facility to (1) increase available aggregate revolver bo
the interest rate on borrowings from the prime rate plus 1.00% to prime rate plus 1.75%, with the e
determined by reference to a specified operating metric. The aggregate revolver borrowings increa
April 2015 and, in April 2015, increased to $10.0 million through the maturity date in April 2016,
increased to $15.0 million from April 2015 through September 2015 at our election, so long as we
all terms and conditions under the credit facility. Actual available borrowings under the credit faci
percentage of our monthly contracted recurring revenue. Additionally, the credit facility contained
consummation of contracts during each applicable three-month measurement period.

We issued a warrant to purchase 50,000 shares of common stock to the lender in connection with t
amendment of the credit facility (see Note 8 Stockholder s Deficit). The warrant has a ten-year te
$2.98 per share.

In June 2015, we amended the credit facility to (1) increase available aggregate revolver borrowing
interest rate on borrowings from a rate of prime plus 1.75% to prime plus 0.50%. The aggregate re
$15.0 million (subject to increase to $25.0 million in the lender s sole discretion) through the matu
long as we are in compliance with all terms and conditions under the credit facility. The agreement
covenant requiring the achievement of minimum bookings on a trailing three month basis, tested m
continuance of an event of default, the lender may accelerate amounts outstanding, terminate the cr
foreclose on the collateral.

As of December 31, 2014 and June 30, 2015 (unaudited), we had no borrowings under the credit fa
deferred financing costs associated with the credit facility, were $57,000, $78,000, and $78,000 as
and 2014, and June 30, 2015 (unaudited), respectively.

The fair value of the warrant on the date of grant was $58,000 and was recorded as deferred financ
as interest expense over the term of the credit facility. Given the warrant is liability classified, we

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are recording subsequent changes in the fair value of the warrant to changes in the fair value of wa
statements of operations (see Note 8 Stockholder s Deficit).

The following are the assumptions used in the estimate of the fair value of the warrant on the date

Dividend Yield
Risk-free interest rate
Expected term (in years)
Volatility
Probability of contingent event

7. Geographic Data

We have one operating segment, which is our cloud-based learning management systems. Revenue
based on the physical location of the customer, is (in thousands):

	Year Ended December 31,		
	2013	2014	
United States	$ 25,580	$ 42,366	$
Foreign	475	1,986	
Total revenue	$ 26,055	$ 44,352	$
Percentage of revenue generated outside of the United States	2%	4%	

8. Stockholders Deficit

Common Stock

We had 35,000,000, 38,000,000 and 39,900,000 shares of $0.0001 par value common stock author
2013 and 2014, and June 30, 2015 (unaudited), respectively. There were 7,367,051, 11,214,242, ar
issued at December 31, 2013 and 2014, and June 30, 2015 (unaudited), respectively. There were 1,
common stock held in treasury at December 31, 2013 and 2014 and June 30, 2015 (unaudited). Eac
stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of co
entitled to receive dividends whenever funds are legally available and if declared by the board of d

rights of holders of all classes of stock outstanding having priority rights as to dividends. No divid
or paid on the common stock through June 30, 2015 (unaudited).

During 2013, we issued 338,335 shares of common stock upon the exercise of stock options and re
During 2014, we issued 3,703,024 shares of common stock upon the exercise of stock options and
$751,000.

During the six months ended June 30, 2014 (unaudited), we issued 3,375,621 shares of common st
stock options and received cash of $548,000. During the six months ended June 30, 2015 (unaudite
shares of common stock upon the exercise of stock options and received cash of $111,000.

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Common Stock Warrants

In November 2012, we issued a warrant to purchase 105,000 shares of common stock in connectio
(See Note 6 Credit Facility). The warrant is fully exercisable and expires in November 2022. This
stockholders equity on the consolidated balance sheets.

In April 2014, we issued the lender a second warrant to purchase up to 50,000 shares of common s
an amendment of the credit facility (See Note 6 Credit Facility) at an exercise price of $2.98 per s
exercisable as of December 31, 2014 and June 30, 2015. An additional 25,000 shares may become
aggregate outstanding balance of the credit facility exceeds $7,500,000. We anticipate the probabil
25,000 shares may become exercisable at 20%. The common stock warrant expires upon the earlie
we file a registration statement for an initial public offering that is completed, (2) if we are acquire
our assets are acquired or leased or otherwise disposed, then immediately prior to and contingent u
(3) April 1, 2024. In the event of an acquisition, the common stock warrant will be automatically n
exercise would provide value to the holder. This common stock warrant is classified as a liability a
liability on the consolidated balance sheets with changes in fair value being recorded each reportin
changes in fair value of warrant liability account on the statements of operations.

The following table summarizes information about common stock warrants outstanding as of Dece
and June 30, 2015 (in thousands, except per share amounts):

Warrants to Purchase	Years of Expiration	Number of Shares Underlying W December 31, 2013	December 31, 2014
			(
Common stock	2022	105	105
Common stock	2024		50

Redeemable Convertible Preferred Stock

We have authorized multiple series of redeemable convertible preferred stock with a par value per
collectively, the Series Preferred. The number of authorized and outstanding shares of Series Prefe
2013 and 2014 and June 30, 2015 (unaudited), was:

December 31, 2013	December 31, 2014

	Authorized Shares	Outstanding Shares	Authorized Shares	Outstanding Shares	Aut Sh
Series A	3,894,000	3,510,000	3,894,000	3,510,000	3,
Series B	10,199,000	10,023,000	10,199,000	10,023,000	10,
Series C	1,862,000	1,862,000	1,862,000	1,862,000	1,
Series D	3,774,000	3,774,000	3,774,000	3,774,000	3,
Series E			2,901,000	2,737,000	2,
Total	19,729,000	19,169,000	22,630,000	21,906,000	22,

During 2013, we issued 3,774,000 shares of Series D preferred stock for cash at a purchase price o
Issuance costs of $124,000 were netted against the total proceeds of $30,000,000.

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During 2014, we issued 2,737,000 shares of Series E preferred stock for cash at a purchase price o
Issuance costs of $103,000 were netted against the total proceeds of $40,000,000.

During the six months ended June 30, 2015 (unaudited), we issued 385,000 shares of Series A pref
exercise of the Series A preferred stock warrant at an exercise price of $0.26 per share. The amoun
the exercise was $100,000.

During the six months ended June 30, 2015 (unaudited), we issued 175,000 shares of Series B pref
exercise of the Series B preferred stock warrant at an exercise price of $0.85 per share. The amoun
the exercise was $150,000.

The liquidation preference (in thousands), dividend rate and conversion rates of the Series Preferre
preference, as of December 31, 2014, is:

	Liquidation Preference	Dividend Rate*	O Issu
Series A	$ 912	8%	$
Series B	8,519	8	
Series C	10,000	8	
Series D	30,000	8	
Series E	40,000	8	
Total liquidation preference	$ 89,431		

* Non-cumulative undeclared dividend. No dividends have been declared through June 30, 201
The significant rights, privileges, and preferences of the Series Preferred are as follows:

Dividends

The holders of Series Preferred are entitled to receive 8% of the respective original issue price per
the previous table) in preference to holders of common stock. The dividends are non-cumulative a
when declared by our board of directors. In the event dividends are paid on any share of common s
additional dividend on all outstanding shares of series preferred in a per share amount equal to the
for each share of common stock.

Liquidation

The holders of Series Preferred have liquidation preferences over the holders of common stock in t
the previous table, along with any declared but unpaid dividends. If upon a liquidation event, our a
make payment in full to all holders of Series Preferred, payment will be made to the holders of Ser
proportion to the full amounts to which they would otherwise be respectively entitled. After the pa
preferences, the holders of Series Preferred will share in any remaining distribution on an as-if con
holders of common stock up to an amount equal to two times their respective original issue price p
any stock dividends, combinations, splits, recapitalizations and the like, inclusive of their liquidatio
distributions.

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Conversion

Each share of Series Preferred is convertible into common stock at the initial conversion rate as sh
subject to adjustment based on certain anti-dilution provisions, including stock splits, stock divide
combinations, recapitalization or similar events, as provided by our amended and restated certifica
Further, the shares of a particular series of Series Preferred will automatically convert into shares o
the vote or written consent of the holders of a majority of the shares of such series of Series Prefer
share of Series Preferred, other than shares of Series E preferred stock, shall automatically be conv
common stock immediately upon the closing of an initial public offering of our common stock at a
than the original issue price of the Series E preferred stock ($14.614) in which gross cash proceeds
$50,000,000. The shares of Series E preferred stock shall automatically be converted into shares o
immediately upon the closing of an initial public offering of our common stock at a price in which
are at least $50,000,000. If the price in the public offering is less than the original issue price of th
($14.614), the conversion price of the Series E preferred stock shall be reduced to the price per sha

Redemption

The holders of Series Preferred have no voluntary rights to redeem shares. A liquidation or windin
greater than 50% change in control, or a sale of substantially all of our assets would constitute a re
Although the redeemable convertible preferred stock is not mandatorily or currently redeemable, t
constitute a redemption event outside of our control. Accordingly, these shares are considered con
are classified as temporary equity on the accompanying consolidated balance sheets.

Voting

The holders of Series Preferred are entitled to the number of votes equal to the number of shares o
which the preferred stock could be converted. The holders of Series A preferred stock voting as a s
as-converted basis), the holders of Series B preferred stock voting as a single class (on an as-conve
holders of Series D preferred stock voting as a single class (on an as-converted basis), are entitled
the board of directors per respective series. The holders of a majority of the common stock are ent
members of the board of directors. The holders of a majority of the Series Preferred and common s
single class (on an as-converted basis) are entitled to elect two members of the board of directors.

Stockholder Rights

The holders of Series Preferred have protective provisions that require consent of holders of at lea
Series Preferred for specific actions including the following: (1) changes in the corporation s cert
bylaws that would affect, alter, or change the preference or rights of the preferred stock; (2) chang
number of shares of the Series Preferred; (3) declaration, or payment of dividends; (4) redemption
(5) any agreement by Instructure or our stockholders regarding an asset transfer or acquisition; (6)

board of directors; (7) creation of a new class or series of stock ranking on parity with or senior to
right of redemption, liquidation preference, voting or dividends; (8) engaging in transactions with a
by the board of directors; (9) granting exclusive distribution rights to all or substantially all of our
exclusive license to all or substantially all of our intellectual property unless approved by the boar
at least one director elected by the Series Preferred; or (10) making any change in the president, ch
chief financial officer, chief technical officer or chief operating officer or other material change to
thereof, unless approved by the board of directors.

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In addition, the holders of a majority of each respective series of Series Preferred must approve an
or repeal of any provision of the amended and restated certificate of incorporation that alters or cha
powers, preferences or other special rights or privileges or restrictions of such respective series of

Redeemable Convertible Preferred Stock Warrants

In connection with loans from a stockholder in prior years, warrants were issued on various dates f
to purchase Series A and Series B redeemable convertible preferred stock. These warrants are reco
marked to market at each reporting period with changes recorded within change in fair value of wa
consolidated statements of operations and classified and recorded as a warrant liability on the cons

These redeemable convertible preferred stock warrants were exercised during the six months ende
(unaudited). In connection with the exercise of the warrant, the warrant liability was marked to ma
the settlement date. The resulting warrant liability of $3,899,000 and the cash received of $250,00
redeemable convertible preferred stock.

The following table summarizes information about redeemable convertible preferred stock warrant
December 31, 2013 and 2014 and June 30, 2015 (unaudited) (in thousands, except per share amou

Warrants to Purchase	Years of Expiration	Number of Shares Underlying W December 31, 2013	December 31, 2014
Series A redeemable convertible preferred stock	2018	77	77
Series A redeemable convertible preferred stock	2019	308	308
Series B redeemable convertible preferred stock	2015	175	175

9. Stock-Based Compensation

Our 2010 Equity Incentive Plan, or the 2010 Plan, provides for the grant of incentive stock options
stock appreciation rights, and shares of restricted stock. As of December 31, 2014 and June 30, 20
were 9,908,205 and 11,808,205 shares of common stock authorized, respectively. As of December
2015 (unaudited), 9,670,795 and 10,833,309 shares, net of forfeitures, were granted, respectively,
shares remain available for future grants, respectively. We expect to issue new shares of common
exercised.

Certain stock options provide for early exercise provisions of unvested shares. The unvested shares
repurchase right held by us at the original purchase price. Early exercises of options are not deeme
exercises for accounting purposes and accordingly, amounts received for early exercises are initial
liabilities or other long-term liabilities and reclassified to additional paid-in capital as the underlyi
December 31, 2013 and 2014 and June 30, 2015 (unaudited), we had $0, $74,000 and $41,000 rec
to early exercises of stock options, and the related number of unvested shares subject to repurchase
127,391, respectively.

The board of directors determines the terms of each grant. Generally, the options have a vesting pe
have a ten-year contractual life. Certain stock options have provisions to accelerate vesting upon th
events such as a change in control. Certain stock options provide for early exercise

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provisions of unvested shares. All options were granted with an exercise price equal to or greater t
value of our common stock at the date of grant. The fair value of the common stock that underlies
historically been determined by the board of directors based, in part, upon periodic valuation studi
third-party valuation firm.

In performing its valuation analysis, the valuation firm engaged in discussions with management, a
forecasted financial statements, and reviewed corporate documents. In addition, these valuation stu
number of assumptions, including industry, general economic, market and other conditions that co
evaluated at the time of the valuation.

We estimated the grant-date fair value of options granted using the following assumptions in the B
pricing model:

	Year Ended December 31, 2013	2014	Six Months 2014 (una
Dividend yield	None	None	None
Volatility	63.00%	70.00% 71.18%	70.00% 71.1
Risk-free interest rate	0.85% 2.16%	1.65% 1.99%	1.65% 1.99
Expected life (years)	5.6 6.1	5.3 6.1	5.3 6.1

We estimate forfeitures at the time of grant for those awards that are expected to vest and revise th
subsequent periods if actual forfeitures differ from those estimates. All stock-based payment awar
straight-line basis over the requisite service periods of the awards, which are generally the vesting

During 2013, certain investors purchased 671,135 shares of common stock and we purchased 37,2
stock from current and former employees, for an aggregate of 708,356 shares at a weighted averag
$5.85. In addition, during 2013, certain investors also purchased an aggregate of 100,000 shares of
convertible preferred stock from another third-party investor, at a weighted average price per share
transactions were for aggregate consideration of $4,705,000. The purchase price per share was in e
such shares. As a result, during 2013, we recorded the incremental purchase price above fair value
stock-based compensation expense for the sales by the current and former employees and $353,00
dividend for the sales by the third-party investor.

During 2014, certain investors purchased an aggregate of 973,161 shares of common stock from cu
employees, at a weighted average price per share of $13.15. This transaction resulted in aggregate
$12,797,000. The purchase price per share was in excess of the fair value of such shares. As a resu
recorded the incremental purchase price above fair value of $6,898,000 as stock-based compensati
by current and former employees.

During the six months ended June 30, 2015 (unaudited), certain investors purchased an aggregate o
common stock from a former employee, at a weighted average price per share of $13.15. In additio
ended June 30, 2015 (unaudited), certain investors also purchased an aggregate of 801,376 shares o
convertible preferred stock from a current employee and another third-party investor, at a weighted
of $14.62. These transactions resulted in aggregate purchase consideration of $14,109,000. The pu
was in excess of the fair value of such shares. As a result, during the six months ended June 30, 20
recorded the incremental purchase price above

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fair value of $5,353,000 as stock-based compensation expense for the sales by the current and forn
$632,000 as a non-cash deemed dividend for the sale by the third-party investor.

The following two tables show stock-based compensation expense by award type and where the st
expense was recorded in our consolidated statements of operations (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2014	Six
Options	$ 469	$ 1,233	$
Vesting of restricted stock awards		67	
Employee sale of securities to investors	3,123	6,898	
Total stock-based compensation	$ 3,592	$ 8,198	$

	Year Ended December 31, 2013	Year Ended December 31, 2014	Six
Subscription and support cost of revenue	$ 28	$ 258	$
Professional services and other cost of revenue	8	39	
Sales and marketing	1,597	2,877	
Research and development	1,585	3,971	
General and administrative	374	1,053	
Total stock-based compensation	$ 3,592	$ 8,198	$

The following table summarizes the stock option activity for the year ended December 31, 2014 ar
ended June 30, 2015 (unaudited) (in thousands, except per share amounts):

	Shares Underlying Options	Weighted-Average Exercise Price	W A Re

Outstanding at January 1, 2014	6,584	$	0.44
Granted	2,210		3.96
Exercised	(3,703)		0.20
Forfeited or cancelled	(600)		1.57
Outstanding at December 31, 2014	4,491		2.21
Granted (unaudited)	1,437		7.16
Exercised (unaudited)	(186)		0.59
Forfeited or cancelled (unaudited)	(274)		3.41
Outstanding at June 30, 2015 (unaudited)	5,468		3.51
Vested and expected to vest December 31, 2014	3,761		2.44
Exercisable at December 31, 2014	1,743		0.74
Vested and expected to vest June 30, 2015 (unaudited)	4,632		3.39
Exercisable at June 30, 2015 (unaudited)	2,085		1.09

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The activity of the our unvested options for the year ended December 31, 2014 and the six months
(unaudited) is presented below (in thousands, except per share amounts):

	Sha Under Opt
Unvested at January 1, 2014	
Granted	
Vested	(
Forfeited	
Unvested at December 31, 2014	
Granted (unaudited)	
Vested (unaudited)	
Forfeited (unaudited)	
Unvested at June 30, 2015 (unaudited)	

The weighted-average grant-date fair value of each option granted during 2013 and 2014 was $0.7
The total intrinsic value of options exercised was $327,000 and $10,942,000, $9,425,000 and $1,1
2014 and the six months ended June 30, 2014 and 2015 (unaudited), respectively. The total fair va
during 2013 and 2014 and the six months ended June 30, 2014 and 2015 (unaudited) was $351,00
and $823,000, respectively.

As of December 31, 2014 and June 30, 2015, we had $4,253,000 and $7,813,000 (unaudited), resp
stock-based compensation costs related to non-vested awards that are expected to be recognized o
period of 3.1 years and 3.0 years (unaudited), respectively.

In April 2014, in connection with the 12 Spokes acquisition, we issued 105,000 shares of restricte
the employee agreement between us and the former owner of 12 Spokes. The shares are subject to
and vest monthly over the vesting period. These shares were issued for no consideration and theref
shares of $313,000 is recorded as compensation expense over the vesting period. In December 201
and we mutually agreed to a termination agreement. The agreement specified that the employee w
April 2015 for a total vesting of 26,000 shares of restricted common stock. In addition, we agreed
worth of vesting, which resulted in an additional 13,000 shares of restricted common stock. We re

stock-based compensation for the acceleration as a modification of improbable to probable. The re
restricted common stock were forfeited in July 2015 (unaudited).

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The activity for restricted stock awards for the year ended December 31, 2014, and six months end
(unaudited) is as follows (in thousands, except per share amounts):

	Restrict
	Shares
Unvested and outstanding at January 1, 2014	
Granted	109
Vested	(23)
Canceled	
Unvested and outstanding at December 31, 2014	86
Granted (unaudited)	
Vested (unaudited)	(20)
Canceled (unaudited)	
Unvested and outstanding at June 30, 2015 (unaudited)	66

10. Income Taxes

Loss before provision for income taxes was as follows:

	Yea 2
United States	$
Foreign	
Total	$

The following reconciles the differences between income taxes computed at the federal statutory r
provision for income taxes:

	Yea 2
Expected income tax (benefit) expense at the federal statutory rate	$
State tax net of federal benefit	
Stock-based compensation	
Preferred stock warrant liability	
Difference in foreign tax rates	
Research and development credits	
Valuation allowance for deferred tax assets	
Other	
Income tax provision	$

In 2014, we had a current state and foreign income tax expense of $22,000 and $63,000, respective
income tax benefit of $(28,000).

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Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net effects of temporary differences between the carrying amoun
for financial reporting purposes and the amounts used for income tax purposes. Significant compo
assets and liabilities were as follows:

	Yea 2
Deferred tax assets:	
Net operating loss carryforwards	$
Research and development credits	
Accruals and reserves	
Depreciation	
Stock-based compensation	
Total deferred tax assets	
Deferred tax liabilities:	
Intangible assets	
Capitalized costs	
Total deferred tax liabilities	
Valuation allowance	(
Net deferred tax assets	$

At December 31, 2014, we had $22,626,000 in tax-effected federal and state net operating loss car
unused, begin expiring in 2017. Although a portion of these carryforwards are subject to the provis
Code Section 382, we do not believe these limitations will prevent us from fully utilizing these car
we had $2,703,000 of carryforwards related to excess tax benefits for stock-based compensation. T
carryforwards, if unused, begin expiring in 2017. Finally, at December 31, 2014, we had $1,514,00
consisting primarily of federal and state research and development tax credits. These tax credits, if
in 2023.

We review all available evidence to evaluate our recovery of deferred tax assets, including our rec
accumulated losses in all tax jurisdictions over the most recent three years as well as our ability to

periods. We have provided a valuation allowance against our U.S. net deferred tax assets as it is m
these assets will not be realized given the nature of the assets and the likelihood of future utilizatio

The valuation allowance increased by $8,026,000 in 2013 and $10,113,000 in 2014, due to the inc
assets by approximately the same amounts (primarily due to the increase in the net operating loss c

U.S. income taxes on the undistributed earnings of our non-U.S. subsidiaries have not been provid
plan to indefinitely reinvest these amounts and have the ability to do so. Cumulative undistributed
material at December 31, 2013 and December 31, 2014.

We have net operating loss carryforwards of $34,105,000 and $59,070,000, respectively at Decem
which expire at various dates through 2034. We have generated net operating loss carryforwards

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from stock compensation deductions and the amount of federal and state excess tax benefits totalin credited to additional paid-in capital when realized.

We have federal research and development credit carryforwards of $1,120,000 at December 31, 20 dates through 2034. We also have state research and investment credit carryforwards of $393,000 t dates through 2028.

On December 19, 2014 the Tax Increase Prevention Act was signed into law, which contains provi federal research credit through the end of 2014. The federal research credit provisions had previou 2013. A benefit of $483,000 for 2014 federal research credit is reflected in the consolidated financ

Uncertain Tax Positions

We account for uncertainty in income taxes using a two-step process. We first determine whether i that a tax position will be sustained upon examination by the tax authority, including resolutions of litigation processes, based on technical merit. If a tax position meets the more-likely-than-not reco then measured to determine the amount of benefit to recognize in the financial statements. The tax the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlem

The following summarizes activity related to unrecognized tax benefits:

	Yea 20
Unrecognized benefit beginning of the year	$
Gross increases (decreases) prior period positions	
Gross increases (decreases) current period positions	
Unrecognized benefit end of period	$

All of the unrecognized tax benefits decrease deferred tax assets with a corresponding decrease to None of the unrecognized tax benefits would affect our effective tax rate if recognized in the futur

We have elected to recognize interest and penalties related to uncertain tax positions as a compone No interest or penalties have been recorded through December 31, 2014.

We do not expect any significant change in our unrecognized tax benefits within the next 12 mont

We file tax returns in the United States, the United Kingdom, Australia, the Netherlands, Hong Ko
jurisdictions. All of our tax years remain open to examination by major taxing jurisdictions to whic
carryforward attributes generated in past years may still be adjusted upon examination by the Inter
state and foreign tax authorities if they have or will be used in future periods. We are routinely exa
authorities. We do not expect that the results of ongoing examinations will have a material effect o
or results of operations.

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11. Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that could be received upon the sale of an ass
liability in an orderly transaction between market participants at the measurement date. Financial a
prices and financial liabilities are marked to offer prices. Fair value measurements do not include t
value hierarchy prioritizes the quality and reliability of the information used to determine fair valu
the fair value hierarchy is based on the lowest level of input that is significant to the fair value mea
hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by mark

Level 3: Unobservable inputs that are not corroborated by market data.

There were no transfers between Level 1 and Level 2 of the fair value measurement hierarchy duri
and liabilities measured at fair value on a recurring basis as of December 31, 2013, were as follow

		Decembe
	Level 1	Level 2
Assets:		
Money market funds	$ 7,597	$
Corporate debt securities		13,307
Total assets	$ 7,597	$ 13,307
Liabilities:		
Redeemable convertible preferred stock warrant liability	$	$

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2014, were as

		Decembe
	Level 1	Level 2
Assets:		
Money market funds	$ 4,650	$
Corporate debt securities		501

Total assets	$ 4,650	$ 501
Liabilities:		
Redeemable convertible preferred stock warrant liability	$	$
Common stock warrant liability		
Total liabilities	$	$

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Assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 (unaudited) w
(in thousands):

	June 30, 201	
	Level 1	Level 2
Assets:		
Money market funds	$ 4,005	$
Corporate debt securities		1,150
Total assets	$ 4,005	$ 1,150
Liabilities:		
Redeemable convertible preferred stock warrant liability	$	$
Common stock warrant liability		
Total liabilities	$	$

The following table sets forth a summary of the changes in the estimated fair value of the warrant l
measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thou

	Redeemable Convertible Preferred Stoc Warrant Liability
Balance at January 1, 2013	$ 457
Recognized expense	545
Balance at December 31, 2013	1,002
Warrant issuance	
Recognized expense	2,437
Balance at December 31, 2014	$ 3,439
June 30, 2014 (unaudited):	

Balance at January 1, 2014		1,002
Warrant issuance		
Recognized expense		1,366
Balance at June 30, 2014	$	2,368
June 30, 2015 (unaudited):		
Balance at January 1, 2015		3,439
Recognized expense		460
Exercise of warrant		(3,899
Balance at June 30, 2015	$	

The fair values of these outstanding warrants are measured using an option pricing model and prob
return model. Inputs used to determine estimated fair value include the estimated fair value of the u
common stock at the valuation measurement date, the estimated time to exit, risk-free interest rates
probability of contingent event, and estimated volatility. In addition to the above, significant inputs
warrant also includes the estimated likelihood of the exercise contingency being met. Estimated vo
volatility of a peer group. We monitor the historical volatility of peer group companies on a quarte
estimated volatility when significant

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changes in the peer group volatilities occur. Generally, increases (decreases) in the fair value of the
and common stock would result in a directionally similar impact to the fair value measurement.

Fair value is a market-based measurement that should be determined based on the assumptions tha
would use in pricing an asset or liability. The hierarchy level assigned to each security in our mark
and cash equivalents is based on our assessment of the transparency and reliability of the inputs us
such instrument at the measurement date. The fair value of cash equivalents included in the Level
quoted prices that are readily and regularly available in an active market. The fair value of the mar
included in the Level 2 category is based on observable inputs, such as quoted prices for similar as
date; quoted prices in markets that are not active; or other inputs that are observable, either directly
values were obtained from an independent pricing service and were evaluated using pricing model
and may incorporate available trade, bid and other market information and price quotes from well-
pricing vendors and broker-dealers. See Note 4 Intangible Assets for further information regardin
investments.

The carrying amount of our cash, receivables, and payables approximates fair value because of the
these items.

12. Commitments and Contingencies

Litigation

We are involved in legal proceedings, including challenges to trademarks, from time to time arisin
business. Management believes that the outcome of these proceedings will not have a material imp
position, results of operations, or liquidity.

Lease Commitments

We lease office furniture under capital lease agreements that expire in December 2015. The total o
financed under capital leases was $494,000, $223,000 and $73,000 at December 31, 2013 and 201
(unaudited), respectively. Accumulated depreciation on the leased assets was $200,000, $480,000,
at December 31, 2013 and 2014 and June 30, 2015 (unaudited), respectively. Depreciation of asset
capital leases is included in depreciation expense.

We lease office space under non-cancelable operating leases that contain rent escalation clauses an
recognize rent expense on a straight-line basis over the lease period and have accrued for rent expe
During 2013 we entered into a 12 year non-cancellable operating lease for our corporate headquart
incentive allowance of $8,088,000 that we could use for either the payment of tenant improvement
utilized $5,629,000 of the lease incentive allowance for tenant improvements and the remaining $2
abatement for the first 13 months of the lease. As part of the lease agreement, we are subject to 3%

In order to accommodate current and anticipated future growth, we took occupancy in June 2015 o
development facility in Chicago, Illinois. The lease for the research and development facility was e
2014 and is a 7.5 year non-cancellable operating lease that included a lease tenant improvement all
lease also provided a 50% monthly rent abatement for the first 24 months, or approximately $303,0
abatement. As part of the lease agreement, we are subject to 2.5% annual rent escalations.

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INSTRUCTURE, INC.

Notes to Consolidated Financial Statements

At December 31, 2014, future minimum lease payments under non-cancellable operating and capit
(in thousands):

Year Ended December 31:	**Capital**
2015	$ 236
2016	
2017	
2018	
2019	
Thereafter	
Total	236
Less: Portion representing interest	(13)
Capital lease obligation	$ 223

Rent expense under operating leases for 2013 and 2014, was $2,617,000 and $3,317,000, respectiv
six months ended June 30, 2014 and 2015 (unaudited), was $1,528,000 and $1,748,000, respective

On March 31, 2013, we relocated our headquarters to a new office location to accommodate curre
ceased use of the leased property with the intent of entering into sublease arrangements with third-
minimum lease payment obligations. Our original lease agreement goes through August 31, 2017.
into two sublease agreements with third-parties in exchange for escalating monthly rental payment
improvement incentives of approximately $250,000 and $126,000. The sublease agreements go th
the original lease or through August 31, 2017. During 2013, in connection with the exit of the leas
estimated and recorded $79,000 within general and administrative expenses on the statement of co
estimate of the loss on the exit of the leased property. The loss on the exit of the leased property w
calculating the net present value of future minimum lease payments offset by actual monthly suble
difference between the net present value of the net future payments and the actual payments, or ap
being amortized as accretion expense over the remaining lease term within general and administra
statement of comprehensive loss. As of December 31, 2014, there is an unamortized short and lon
balance of $31,000 and $51,000 recorded within other assets on the consolidated balance sheet. A
(unaudited), there is an unamortized short and long-term lease loss reserve balance of $32,000 and
other assets on the consolidated balance sheet.

At December 31, 2014, the net future minimum lease (payments) and sublease rental income to be
non-cancellable operating leases are as follows (in thousands):

Year Ended December 31:	**Payments**
2015	$ (736)
2016	(758)
2017	(519)
2018	
Thereafter	
Total	$ (2,013)

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INSTRUCTURE, INC.

Notes to Consolidated Financial Statements

13. Employee Benefit Plan

We sponsor a qualified 401(k) defined contribution plan, or the 401(k) Plan, available to all qualifi
401(k) Plan allows employees to contribute gross salary though payroll deductions up to the legall
on their jurisdiction. In 2014, we implemented a matching contribution equal to 50% of each partic
contributions, not to exceed $1,000 per participant annually. Participants vest in matching contribu
period after a one year cliff vest. The cost recognized for our contributions to the 401(k) Plan for 2
did not make any contributions for the year ended December 31, 2013. The cost recognized for the
30, 2014 and 2015 (unaudited) was $175,000 and $316,000, respectively.

14. Related-Party Transactions

We incurred $40,000 for consulting services provided by a member of our board of directors durin
and $20,000 for each of the six months ended June 30, 2014 and 2015 (unaudited). We owed $20,0
for such services at December 31, 2013 and 2014 and June 30, 2015 (unaudited), respectively.

We incurred $35,000 for sales and marketing services provided by one of our stockholders for 201
stockholder at December 31, 2013. This agreement was terminated in May 2013.

15. Subsequent Events

In preparing the consolidated financial statements as of and for the year ended December 31, 2014
subsequent events for recognition and measurement purposes through June 24, 2015, the date the i
report was originally issued and the audited annual consolidated financial statements were availabl
original issuance of the consolidated financial statements and through October 9, 2015, we have ev
events or transactions that have occurred that may require disclosure in the accompanying financia
concluded that no events or transactions have occurred that require disclosure in the accompanying

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all costs and expenses, other than underwriting discounts and commi
Instructure, Inc. (the Registrant) in connection with the sale of the common stock being register
estimates except for the Securities and Exchange Commission (SEC) registration fee, the Financ
Authority, Inc. (FINRA) filing fee and the New York Stock Exchange initial listing fee.

SEC registration fee
FINRA filing fee
New York Stock Exchange initial listing fee
Legal fees and expenses
Accounting fees and expenses
Printing and engraving expenses
Transfer agent and registrar fees and expenses
Miscellaneous expenses
Total

* To be provided by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporatio
grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnificatio
circumstances for liabilities, including reimbursement for expenses incurred, arising under the Sec
and restated certificate of incorporation that will be in effect upon the closing of this offering provi
of our directors, officers, employees and other agents to the maximum extent permitted by the Dela
Corporation Law, and our amended and restated bylaws that will be in effect upon the closing of th
indemnification of our directors, officers, employees and other agents to the maximum extent perm
General Corporation Law.

We have entered into indemnification agreements with our directors and officers, whereby we hav
directors and officers to the fullest extent permitted by law, including indemnification against expe
incurred in legal proceedings to which the director or officer was, or is threatened to be made, a pa
that such director or officer is or was a director, officer, employee or agent of Instructure, provided
officer acted in good faith and in a manner that the director or officer reasonably believed to be in,
best interest of Instructure. At present, there is no pending litigation or proceeding involving a dire
Instructure regarding which indemnification is sought, nor is the registrant aware of any threatened

in claims for indemnification.

We maintain insurance policies that indemnify our directors and officers against various liabilities
Securities Act and the Securities Exchange Act of 1934, as amended, that might be incurred by any
capacity as such.

The underwriters are obligated, under certain circumstances, pursuant to the underwriting agreeme
1.1 hereto, to indemnify us and our officers and directors against liabilities under the Securities Ac

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Item 15. Recent Sales of Unregistered Securities.

The following sets forth information regarding all unregistered securities sold since January 1, 201

(1) In February 2012, we issued an aggregate of 344,828 shares of our Series A preferred sto
investors at a purchase price of $2.90 per share and 465,118 shares of our common stock
investors at a purchase price of $2.15 per share, for an aggregate purchase price of $2.0 r

(2) In August 2012, we issued an aggregate of 1,862,198 shares of our Series C preferred sto
investors at a per share price of $5.37, for an aggregate purchase price of $10.0 million.

(3) In February 2013, we issued 37,221 shares of our common stock to one accredited inves
$4.03, for an aggregate purchase price of $150,000.

(4) In May 2013, we issued an aggregate of 3,773,578 shares of our Series D preferred stock
investors at a per share price of $7.95, for an aggregate purchase price of $30.0 million.

(5) In April 2014, we issued an aggregate of 140,000 shares of our common stock to two acc
share price of $2.98, for an aggregate purchase price $417,200, in connection with an ass

(6) In November 2014, we issued an aggregate of 2,737,100 shares of our Series E preferred
investors at a per share price of $14.614, for an aggregate purchase price $40.0 million.

(7) In February 2015, we issued 176,470 shares of our Series B preferred stock to one accre
exercise of an outstanding warrant at a per share exercise price of $0.85, for an aggregat
$150,000.

(8) In February 2015, we issued 384,575 shares of our Series A preferred stock to one accre
exercise of an outstanding warrant at a per share exercise price of $0.26, for an aggregat
$100,000.

(9) From January 2012 to August 31, 2015, we have granted stock options under our 2010 E
purchase an aggregate of 7,849,625 shares of common stock with exercise prices rangin
$8.18 per share to a total of 793 employees, directors and consultants. Of these, stock op
aggregate of 1,118,288 shares have been cancelled without being exercised, 1,109,279 h
aggregate proceeds of $725,380 and options to purchase 5,622,058 shares remain outsta

(10) From January 2012 to August 31, 2015, we have granted restricted stock awards under c
Plan to purchase 109,167 shares of common stock at a purchase price of $2.98 per share
one employee for aggregate proceeds of $325,318.

The offers, sales and issuances of the securities described in paragraphs 1 through 8 above were ex
under Section 4(a)(2) of the Securities Act (or Regulation D promulgated thereunder) in that the tra
issuer not involving any public offering.

The offers, sales and issuances of the securities described in paragraphs 9 and 10 above were exem
under compensatory benefit plans and contracts relating to compensation as provided under either
under the Securities Act or (b) under Section 4(a)(2) of the Securities Act (or Regulation D promul

We did not pay or give, directly or indirectly, any commission or other remuneration, including the
and commissions, in connection with any of the issuances of securities listed above. The recipients
of these transactions represented their intentions to acquire the securities for investment only and n
sale in connection with any distribution thereof, and appropriate legends were placed upon the stoc
these transactions. All recipients had adequate access,

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through their employment or other relationship with us or through other access to information prov
information about us. The sales of these securities were made without any general solicitation or a

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

The list of exhibits is set forth under Exhibit Index at the end of this registration statement and i
reference.

(b) Financial Statement Schedules.

No financial statement schedules are provided because the information called for is not required or
financial statements or the notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specifie
agreement certificates in such denominations and registered in such names as required by the unde
delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted
controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Regist
in the opinion of the Securities and Exchange Commission such indemnification is against public p
Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liab
payment by the Registrant of expenses incurred or paid by a director, officer or controlling person
successful defense of any action, suit or proceeding) is asserted by such director, officer or control
with the securities being registered, the Registrant will, unless in the opinion of its counsel the mat
controlling precedent, submit to a court of appropriate jurisdiction the question whether such inder
against public policy as expressed in the Act and will be governed by the final adjudication of such

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the informati
of prospectus filed as part of this registration statement in reliance upon Rule 430A and c
prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the S
deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-
contains a form of prospectus shall be deemed to be a new registration statement relating
therein, and the offering of such securities at that time shall be deemed to be the initial b

(3) For the purpose of determining liability of the registrant under the Securities Act of 1933
initial distribution of the securities: The undersigned registrant undertakes that in a prima
of the undersigned registrant pursuant to this registration statement, regardless of the und
sell the securities to the purchaser, if the securities are offered or sold to such purchaser b
following communications, the undersigned registrant will be a seller to the purchaser an
offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering r
pursuant to Rule 424;

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(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned
referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material in
undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to

(4) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as
statement relating to an offering, other than registration statements relying on Rule 430B
prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included i
statement as of the date it is first used after effectiveness. Provided, however, that no stat
registration statement or prospectus that is part of the registration statement or made in a
or deemed incorporated by reference into the registration statement or prospectus that is
statement will, as to a purchaser with a time of contract of sale prior to such first use, sup
statement that was made in the registration statement or prospectus that was part of the re
made in any such document immediately prior to such date of first use.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this regi
signed on its behalf by the undersigned, thereunto duly authorized, in the City of Salt Lake City, S
day of October, 2015.

INSTRUCTURE, INC.

/s/ Joshua L. Coate
Joshua L. Coates
Chief Executive Of

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitute
Coates, Steven B. Kaminsky and Matthew A. Kaminer, and each of them, as his true and lawful at
agents, each with the full power of substitution, for him and in his or her name, place or stead, in a
sign any and all amendments to this registration statement (including post-effective amendments),
registration statement for the same offering covered by this registration statement that is to be effe
to Rule 462(b) promulgated under the Securities Act of 1933, and all post-effective amendments th
same, with exhibits thereto and other documents in connection therewith, with the Securities and E
granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do an
every act and thing requisite and necessary to be done in and about the premises, as fully to all inte
she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and
substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by th
the capacities and on the dates indicated.

SIGNATURE	TITLE
/s/ Joshua L. Coates	Chief Executive Officer and Director
Joshua L. Coates	*(Principal Executive Officer)*
/s/ Steven B. Kaminsky	Chief Financial Officer
Steven B. Kaminsky	*(Principal Financial and Accounting Officer)*
/s/ Steven A. Collins	Director
Steven A. Collins	
/s/ William M. Conroy	Director
William M. Conroy	

/s/ Byron B. Deeter Byron B. Deeter	Director
/s/ E. Nicholaus Efstratis E. Nicholaus Efstratis	Director
/s/ Ellen Levy Ellen Levy	Director

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SIGNATURE	TITLE
/s/ Adam D. Marcus Adam D. Marcus	Director
/s/ Lloyd G. Waterhouse Lloyd G. Waterhouse	Director
/s/ Brian C. Whitmer Brian C. Whitmer	Director

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Exhibit Index

Exhibit No.	Description of Document
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation, as amended and as currently in e
3.2	Form of Amended and Restated Certificate of Incorporation to be effective upon the
3.3	Amended and Restated Bylaws, as currently in effect.
3.4	Form of Amended and Restated Bylaws to be effective upon the closing of this offer
4.1*	Form of Common Stock Certificate of the Registrant.
5.1*	Opinion of Cooley LLP.
10.1	Amended and Restated Investor Rights Agreement, by and among the Registrant and stockholders, dated November 21, 2014.
10.2	Form of Indemnity Agreement by and between the Registrant and its directors and o
10.3+	2010 Equity Incentive Plan and Forms of Incentive Stock Option Agreement and No Agreement.
10.4+	2015 Equity Incentive Plan.
10.5+	Form of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notic Incentive Plan.
10.6+	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agree Equity Incentive Plan.
10.7+	2015 Employee Stock Purchase Plan.
10.8+	Form of Executive Agreement by and between the Registrant and its officers.
10.9+*	Non-Employee Director Compensation Policy.
10.10	Lease Agreement by and between the Registrant and Old Mill Building IV, LLC, da
10.11	First Amendment to Lease Agreement by and between the Registrant and Old Mill B October 30, 2014.
10.12	Amended and Restated Loan and Security Agreement by and between the Registrant Bank, dated June 15, 2015.
10.13	Warrant to Purchase Common Stock issued to Silicon Valley Bank, dated November
10.14	Warrant to Purchase Common Stock issued to Silicon Valley Bank, dated April 1, 20
21.1*	List of Subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.

23.2*	Consent of Cooley LLP (reference is made to Exhibit 5.1).
24.1	Power of Attorney (reference is made to the signature page hereto).

* To be filed by amendment.
\+ Indicates management contract or compensatory plan.