Bazaarvoice Inc
Form S-1
June 27, 2012
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As filed with the Securities and Exchange Commission on June 27, 2012

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

Under

The Securities Act of 1933

Bazaarvoice, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**7372**	**20-2908277**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

3900 N. Capital of Texas Highway, Suite 300

Austin, Texas 78746-3211

(512) 551-6000

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

Brett A. Hurt

Founder, Chief Executive Officer and President

Bazaarvoice, Inc.

3900 N. Capital of Texas Highway, Suite 300

Austin, Texas 78746-3211

(512) 551-6000

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

Copies to:

Paul R. Tobias	**Bryan C. Barksdale**	**Kenneth R. McVay**
Derek L. Willis	**General Counsel and Secretary**	**Steven L. Baglio**
Wilson Sonsini Goodrich & Rosati,	**Bazaarvoice, Inc.**	**Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP**
Professional Corporation	**3900 N. Capital of Texas Highway, Suite 300**	**220 West 42nd Street, 21st Floor**
900 S. Capital of Texas Highway	**Austin, Texas 78746-3211**	**New York, New York 10036**
Las Cimas IV, Fifth Floor	**(512) 551-6000**	**(212) 730-8133**
Austin, Texas 78746-5546		
(512) 338-5400		

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

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

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

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

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

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company ¨

(do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, par value $0.0001 per share	$193,642,750	$22,191.46

(1) Includes additional shares that the underwriters have the option to purchase.
(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

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

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we and the selling stockholders are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued June 27, 2012

8,500,000 Shares

COMMON STOCK

Bazaarvoice, Inc. is offering 1,700,000 shares of its common stock and the selling stockholders are offering 6,800,000 shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

After this offering, our executive officers, directors and beneficial owners of 5.0% or more of our outstanding shares of common stock will own approximately % of our common stock. In addition, our executive officers, directors and beneficial owners of 5.0% or more of our outstanding shares of common stock will receive approximately $ of the proceeds from the sale of shares in this offering, assuming a public offering price of $ per share. We plan to sell approximately $ million worth of shares in this offering, as well as any shares sold upon exercise of the underwriters option to purchase additional shares. The remainder of the shares to be sold in this offering will be sold by the selling stockholders.

Our common stock is listed on the Nasdaq Global Market under the symbol BV. On June 26, 2012, the last reported sale price of our common on the Nasdaq Global Market was $18.50.

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, will be subject to reduced public company reporting requirements. Investing in the common stock involves risks. See <u>Risk Factors</u> beginning on page 11.

PRICE $ A SHARE

	Price to Public	***Underwriting Discounts and Commissions***	***Proceeds to Company***	***Proceeds to Selling Stockholders***
Per Share	*$*	*$*	*$*	*$*
Total	*$*	*$*	*$*	*$*

We have granted the underwriters the right to purchase up to an additional 1,275,000 shares of common stock.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on , 2012.

MORGAN STANLEY *DEUTSCHE BANK SECURITIES* *CREDIT SUISSE*

BMO CAPITAL MARKETS *PACIFIC CREST SECURITIES* *PIPER JAFFRAY*

, 2012

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You should rely only on the information contained in this prospectus or in any free-writing prospectus we may authorize to be delivered or made available to you. We have not, the selling stockholders have not and the underwriters have not authorized anyone to provide you with additional or different information. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus or any free-writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: We have not, the selling stockholders have not and the underwriters have not done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and is a brief overview of key aspects of the offering. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes and the information set forth in the sections of this prospectus titled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. Some of the statements in this prospectus constitute forward-looking statements. See the section of this prospectus titled Special Note Regarding Forward-Looking Statements and Industry Data for more information.

BAZAARVOICE, INC.

Overview

We are a leading provider of social commerce solutions that help our clients capture, display and analyze online word of mouth, including consumer-generated ratings and reviews, questions and answers, stories, recommendations, photographs, videos and other content about our clients brands, products or services. Bazaarvoice, which literally means voice of the marketplace, was founded on the premise that online word of mouth is critical to consumers and businesses because of its influence on purchasing decisions, both online and offline. We enable our clients to place consumers at the center of their business strategies by helping consumers generate and share sentiment, preferences and other content about brands, products or services. Through our technology platforms, our clients leverage online word of mouth to increase sales, acquire new customers, improve marketing effectiveness, enhance consumer engagement across channels, increase success of new product launches, improve existing products and services, effectively scale customer support and decrease product returns.

Word of mouth influences consumers decisions to purchase products and services. Consumers often trust and rely on what other consumers say about a brand, product or service more than traditional advertising, particularly if they consider the content to be authentic and credible. The proliferation of social networks, wikis, blogs and videos has given rise to the social web a new era of Internet-enabled social interaction. The emergence of consumer interaction through the social web has significantly increased the volume and availability of online word of mouth about products and services. This online social interaction is proving to have a significant and growing influence on both online and offline commerce. The rapid adoption of Internet-enabled mobile devices is further amplifying the impact of online word of mouth by making this content even easier, more convenient and faster to generate and access. As a result, there has been a paradigm shift in marketing as traditional methods are being disrupted and businesses are now seeking solutions that embrace online word of mouth to more effectively engage and influence consumers.

Our solutions, which are primarily provided via a Software-as-a-Service, or SaaS, platform, enable clients to:

- capture and display online word of mouth;
- engage consumers directly by answering product- or service-related questions;

analyze feedback and uncover critical insights from online word of mouth; and

distribute content among retail and other brand websites both within and outside our network, which we refer to as syndication.

Our business model focuses on maximizing the lifetime value of a client relationship. We make significant investments in acquiring new clients and believe that we will be able to achieve a favorable return on these investments by growing our relationships over time and ensuring that we have a high level of client retention. As of April 30, 2012, we served 790 active clients, including clients in the retail, consumer products, travel and leisure, technology, telecommunications, financial services, healthcare and automotive industries. We define an active client as an

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organization that has implemented one or more of our solutions and from which we are currently recognizing revenue, and we count organizations that are closely related as one client, even if they have signed separate contractual agreements with us for different brands or different solutions. As of April 30, 2012, we served seven of the ten most valuable U.S. retail brands according to Interbrand s 2012 Best Retail Brands study published in February 2012, 163 of the 2012 Internet Retailer 500 and 96 of the 2012 Fortune 500 companies, including 32 of the top 100 of the Fortune 500. In addition, approximately 300 network clients and approximately 800 express clients have been added to our business as a result of our acquisition of PowerReviews, Inc., or PowerReviews, in June 2012 as further described below in Recent Developments. We sell our solutions through a direct sales team located globally in the markets we serve, including the United States, the United Kingdom, Australia, France, Germany and Sweden.

We believe that our network differentiates us from our competitors, and we measure the reach of our network by the number of impressions served. For the twelve months ended April 30, 2012, we served over 125.4 billion impressions and have served over 330.1 billion total impressions since our inception in May 2005. We define an impression as an instance of online word of mouth delivered to an end user s web browser.

In fiscal years 2010, 2011 and 2012, we generated revenue of $38.6 million, $64.5 million and $106.1 million, respectively. In fiscal years 2010, 2011 and 2012, we generated 25.2%, 24.9% and 25.1% of our revenue, respectively, from outside of the United States.

Industry Overview

We believe word of mouth influences consumers decisions to purchase products or services. Consumers often trust and rely on what others have to say about brands, products or services, particularly if they consider the content authentic and credible. In contrast, consumers often consider what businesses say about their own brands, products and services to be biased and less reliable.

Online social interaction via the social web is transforming the Internet and enabling unprecedented sharing of word of mouth among consumers, allowing them to influence the opinions and decisions of others with speed, ease and scale. The increased volume and availability of online word of mouth has created digitally archived and easily searchable databases of word of mouth about brands, products and services. Businesses recognize the importance of these online social interactions and are realizing that they must be actively engaged in the social web to effectively market their products and services.

Consumers are turning to online word of mouth to research products and services prior to making purchases, both online and offline. In 2012, Forrester Research, Inc. reported that U.S. web-influenced retail sales exceeded $1 trillion in 2010 and that by 2016 an estimated 52.3% of total online and offline retail sales will be influenced by Internet content, which includes online ratings and reviews. The rapid adoption of Internet-enabled mobile devices is further amplifying the impact of online word of mouth by making this content even easier, more convenient and faster to generate and access.

The combination of the Internet, the social web and the proliferation of online word of mouth has created a marketing paradigm shift by giving consumers a new and easier way to directly connect with one another and with brands. This trend is disrupting traditional marketing methods, creating the need for a technology platform to complement companies marketing approaches in the following ways:

Increasing consumer engagement. Traditional brand marketing methods are generally oriented to raising brand awareness and influencing the consumer purchase decision. However, the advent of the social web has created new opportunities for brands to directly engage consumers through their websites and across social networks, not only pre-purchase and at the point of sale to increase conversion, but also post-purchase to provide brands with valuable insights to improve the consumer experience.

Enhancing authenticity. Consumers often question the reliability of a brand s description of its own product. According to a June 2011 report by The Nielsen Company, a leading consumer research firm,

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when making purchase decisions, consumers often trust recommendations from people they know, as well as reviews posted by unknown consumers online, more than they do advertisements on television, on the radio, in print, or in other traditional media. As a result, brands are striving to create active online communities that foster word of mouth about their products and services.

Increasing relevance. Most traditional marketing campaigns are designed to appeal to a wide audience and therefore often lack the relevance that both marketers and consumers desire. The emergence of the social web allows brands to reach targeted networks of consumers and helps consumers connect with people similar to them or in similar situations.

Changing marketing content. Traditional marketing methods depend on internally developed or agency-developed creative content for their marketing campaigns. Brands can now easily leverage online word of mouth to utilize as content for their traditional marketing vehicles, such as email campaigns, online banners, mobile applications, print campaigns, in-store signage and even packaging.

Improving speed and quality of consumer feedback. Traditional market research methods can be time-consuming and costly to implement. As a result, brand marketers are turning to online word of mouth as a timely and cost-effective way to gain insights into consumer behavior and preferences.

Developing more valuable insights. Traditional marketing methods have limited ability to capture and efficiently derive insights from online word of mouth. Data derived from online word of mouth can provide deeper and different insights into consumer behavior and preferences than are generally possible via traditional marketing and consumer market research methods.

Our Market Opportunity

We believe that we have captured, and can continue to capture, a portion of the dollars spent on offline and online advertising, e-commerce services and market research.

According to a 2011 forecast by MAGNAGLOBAL, a division of IPG s Mediabrands, the worldwide advertising market is estimated to reach $449 billion in 2012. A 2011 MAGNAGLOBAL report projects the market to grow to over $600 billion by 2016.

The worldwide market for market research was estimated to be $31.2 billion in 2010, according to a 2011 report by ESOMAR B.V.

As online audiences have shifted toward increased social interaction, brands are expanding their advertising spend to target consumers engaged in online social interaction. Given the broad reach of our network and the important impact that our social commerce solutions have on consumer purchasing behavior, we believe that we are competitively positioned to capture a share of the growing social media marketing spend.

We estimate there are over 10,000 companies in the sectors we serve worldwide with annual revenue of at least $50 million, many of which can benefit from our platforms and solutions. In addition, several of these companies have multiple brands, which we consider incremental additions to our market opportunity.

Our Competitive Strengths

We believe that the following competitive strengths differentiate us from our competitors and serve as barriers to entry:

Market leadership with robust SaaS solutions.

We are a leading provider of social commerce solutions and the leading provider of online ratings and reviews. Our Conversations platform offers a proven and robust feature set to meet our clients needs, including

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Ratings & Reviews, Questions & Answers, Campaigns and Applications for Facebook. We have been able to scale our Conversations platform over time while maintaining an average uptime of over 99.9% over the five-year period ended April 30, 2012. We offer our solutions to our enterprise-level clients as a SaaS platform, which reduces implementation time and costs and offers low total cost of ownership.

Powerful network effects connecting our clients and their consumers.

Through our Conversations platform, we offer syndication capabilities, enabling brands to distribute ratings and reviews and other online word of mouth among retail and other brand websites within our network, as well as websites outside of our network. Our ability to syndicate content across a wide array of websites attracts brands to our network. The multitude and variety of our clients brands attracts retailers to our network because we are able to provide them with access to more online word of mouth than they can collect on their own. Consumers also benefit by having access to a greater volume and variety of online word of mouth when they visit our clients websites. As a result, we believe we benefit from powerful network effects that differentiate us from our competitors.

Analytics capabilities that leverage structured data across our network.

Our Conversations platform s analytics capabilities, which are enhanced by our efforts to structure data, including the structured mapping of products and the attachment of meta-data tags in connection with our content moderation process, allow brands to derive powerful and timely insights about consumer sentiment. Our analytics solutions allow our clients to more easily recognize shifts in consumer sentiment, identify product issues and inform consumer-centric decisions, which can increase sales and consumer satisfaction.

Unique content moderation capabilities that preserve authenticity and ensure brand protection.

We use trained and experienced professionals to moderate online word of mouth captured by our clients 24/7/365, providing active support for 27 languages and multiple dialects and the capacity to support additional languages. Our content moderators filter irrelevant, obscene or illegal material, as well as attach pre-defined labels to categorize online word of mouth. We believe content moderation increases brand and consumer trust in reviews, improves client data quality and helps preserve the authenticity of online word of mouth. In parallel, our proprietary technology, workflows and best practices significantly increase the productivity of our content moderators, allowing us to efficiently moderate content while ensuring a high level of quality in a time-efficient manner. We believe the breadth of our content moderation capabilities is unique in our industry and is critical to our clients ability to successfully utilize online word of mouth.

Differentiated client services capabilities that help our clients achieve measureable results.

Our Client Services team enables our clients to leverage our platform to maximize the impact of online word of mouth and consumer engagement to achieve measurable results not only through technical services but by coaching our clients on best practices to drive review volume and to leverage online word of mouth throughout their businesses. We work with our clients to integrate online word of mouth into key business processes, such as business analytics, product design and research and development, marketing, sales and customer service.

A corporate culture that drives performance.

We regard our culture as a key differentiator and performance driver. Our corporate culture is defined by the following core values: passion, performance, innovation, openness, teamwork, respect and generosity. We believe our culture gives us a competitive advantage in recruiting talent, driving innovation, enhancing productivity and improving client service.

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Our Growth Strategy

The following are key elements of our growth strategy:

- expand our direct sales force globally;
- increase brand penetration and sell new solutions to our existing clients;
- increase the volume and variety of data across our network and help clients derive greater consumer insights;
- further expand internationally and penetrate industry verticals;
- continue to broaden our platform s capabilities through innovation; and
- pursue selective acquisitions and commercial relationships, such as our acquisition of PowerReviews, Inc., or PowerReviews, which was completed on June 12, 2012.

Recent Developments

On June 12, 2012, we completed the acquisition of PowerReviews, a provider of social commerce solutions based in San Francisco, California. PowerReviews solutions are offered through two platforms a network platform that is similar to our Conversations platform and an express platform that provides certain ratings and reviews solutions as a turn-key offering. Through our acquisition of PowerReviews, we added approximately 300 network clients, approximately 800 express clients and 81 new employees to our business. We believe that the acquisition will establish us with small and medium-size businesses and further expand the reach and value of our network. We also expect to achieve significant cost synergies by combining the operations of PowerReviews with our own.

At the closing share price on June 12, 2012, the market value of the consideration for this transaction totaled approximately $169.2 million, including the payment of approximately $30.9 million in cash, the issuance of approximately 6.4 million shares of our common stock and the assumption of vested and unvested options to purchase the common stock of PowerReviews equivalent to options to purchase 1.7 million shares of our common stock, but excluding the potential cash proceeds that may arise from the exercise of these assumed options. The cash portion of the purchase price was funded using proceeds from our initial public offering. The aggregate purchase price for this transaction may be subject to a downward adjustment based on our review of PowerReviews financial condition as of the closing, which is underway. The estimated purchase price for accounting purposes was $150.1 million.

In addition to our acquisition of PowerReviews, we have recently initiated a search for a senior executive to join our management team as president and have undertaken a plan to upgrade and expand our sales organization. We believe that, if we are successful in our search, the addition of a new president, together with our existing management team and our sales force upgrade and expansion, will enhance our management of anticipated growth of operations in both our existing markets and new markets.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the section of this prospectus titled Risk Factors, and include but are not limited to the following:

we are an early stage company with a limited operating history, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment;

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- we experienced a net loss of $24.3 million during our fiscal year ended April 30, 2012, had an accumulated deficit of $65.2 million at April 30, 2012 and may continue to incur losses for the foreseeable future;

- the market for social commerce solutions is new and unproven and our market may not continue to develop as we expect, which could adversely affect our business;

- the fragmented, rapidly evolving and highly competitive nature of the market for social commerce solutions could adversely affect our ability to compete effectively;

- our business depends substantially on renewing agreements with existing clients and selling additional solutions to them, which may be affected by our ability to deliver new solutions, reductions in our clients spending levels and changes in our clients marketing or advertising strategies;

- we face risks associated with our recent acquisition of PowerReviews that may adversely impact our operating results; and

- If we are unable to maintain or expand our direct sales and marketing capabilities, we may not be able to generate anticipated revenue.

Company Information

Our principal executive offices are located at 3900 N. Capital of Texas Highway, Suite 300, Austin, Texas 78746-3211, and our telephone number is (512) 551-6000. Our corporate website address is www.bazaarvoice.com. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it part of this prospectus. We originally incorporated in the State of Delaware in May 2005.

In this prospectus, we, us, our, Company and Bazaarvoice refer to Bazaarvoice, Inc. and its subsidiaries.

Bazaarvoice®, BrandAnswers®, BrandVoice®, PowerReviews® and b:™ are trademarks or logos appearing in this prospectus owned by Bazaarvoice, Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners.

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THE OFFERING

Common stock offered by Bazaarvoice	1,700,000 shares
Common stock offered by the selling stockholders	6,800,000 shares
Total common stock offered	8,500,000 shares
Total common stock to be outstanding after this offering	60,229,937 shares
Use of proceeds	We intend to use the net proceeds from this offering for working capital and other general corporate purposes, which may include the acquisition or license of, or investment in, products, services, technologies or other businesses. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.
Risk factors	See Risk Factors for a discussion of factors that you should consider carefully before deciding whether to purchase shares of our common stock.
NASDAQ Global Market symbol	BV
Fiscal year end	April 30

The number of shares of common stock to be outstanding after this offering is based on 58,529,937 shares outstanding as of April 30, 2012 and excludes:

12,082,847 shares of common stock issuable upon exercise of options outstanding as of April 30, 2012 at a weighted average exercise price of $4.57 per share;

202,500 shares of common stock issuable upon exercise of warrants outstanding as of April 30, 2012 at a weighted average exercise price of $9.59 per share;

4,227,906 shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan adopted in January 2012, as more fully described in the section of this prospectus titled Executive Compensation Stock Incentive Plans;

1,137,123 shares of common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan adopted in January 2012, as more fully described in the section of this prospectus titled Executive Compensation Stock Incentive Plans;

6,380,538 shares of common stock issued as consideration in connection with our acquisition of PowerReviews; and

1,656,751 shares of common stock reserved for issuance pursuant to outstanding options under the PowerReviews 2005 Equity Incentive Plan, which we assumed in connection with our acquisition of PowerReviews in June 2012, as more fully described in the section of this prospectus titled Executive Compensation Stock Incentive Plans.

Unless otherwise noted, the information in this prospectus assumes no exercise by the underwriters of their option to purchase 1,275,000 additional shares.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize the consolidated financial and operating data for the periods indicated. The summary consolidated statement of operations data for the fiscal years ended April 30, 2010, 2011 and 2012 and the summary consolidated balance sheet data as of April 30, 2011 and 2012 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the summary financial data presented below in conjunction with our consolidated financial statements and related notes and the sections of this prospectus titled Selected Consolidated Financial and Other Data and Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended April 30,		
	2010	**2011**	**2012**
	(in thousands, except per share data)		
Consolidated Statements of Operations Data:			
Revenue	$ 38,648	$ 64,482	$ 106,136
Cost of revenue[(1)]	15,191	25,615	36,441
Gross profit	23,457	38,867	69,695
Operating expenses:			
Sales and marketing[(1)]	17,803	34,568	49,726
Research and development[(1)]	5,828	10,847	20,789
General and administrative[(1)]	7,651	13,156	21,895
Total operating expenses	31,282	58,571	92,410
Operating loss	(7,825)	(19,704)	(22,715)
Total other income (expense), net	56	208	(803)
Net loss before income taxes	(7,769)	(19,496)	(23,518)
Income tax expense	205	561	811
Net loss	$ (7,974)	$ (20,057)	$ (24,329)
Less accretion of redeemable convertible preferred stock	(43)	(46)	(38)
Net loss applicable to common stockholders	$ (8,017)	$ (20,103)	$ (24,367)
Net loss per share applicable to common stockholders:			
Basic and diluted	$ (0.48)	$ (1.13)	$ (0.92)
Basic and diluted weighted average number of shares	16,637	17,790	26,403
Other Financial Data:			
Adjusted EBITDA[(2)]	$ (4,211)	$ (13,317)	$ (12,901)

(1) Includes stock-based expense as follows (in thousands):

	Year Ended April 30,		
	2010	2011	2012
		(in thousands)	
Cost of revenue	$ 604	$ 978	$ 1,220
Sales and marketing	924	1,122	1,869
Research and development	469	731	1,326
General and administrative	636	1,850	3,295
	$ 2,633	$ 4,681	$ 7,710

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(2) We define Adjusted EBITDA as net loss adjusted for stock-based expense, adjusted depreciation and amortization (which excludes amortization of capitalized internal-use software development costs), income tax expense and other (income) expense, net. Adjusted EBITDA is a financial measure that is not calculated in accordance with U.S. generally accepted accounting principles, or GAAP. For future periods, we will exclude from Adjusted EBITDA integration and other costs related to acquisitions.

Adjusted EBITDA should not be considered as an alternative to net loss, operating loss or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate Adjusted EBITDA in the same manner. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reason we consider them appropriate.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

Adjusted EBITDA is widely used by investors and securities analysts to measure a company s operating performance without regard to items, such as stock-based expense, adjusted depreciation and amortization, income tax expense, integration and other costs related to acquisitions and other income, net, that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;

Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance;

Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and

Our investor and analyst presentations include Adjusted EBITDA as a supplemental measure to evaluate our overall operating performance.

We understand that, although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

Adjusted depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; Adjusted EBITDA does not reflect any cash requirements for these replacements;

Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;

Adjusted EBITDA does not reflect cash requirements for income taxes and integration and other costs related to acquisitions and the cash impact of other income; and

Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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

	Year Ended April 30,		
	2010	2011	2012
		(in thousands)	
Net loss	$ (7,974)	$ (20,057)	$ (24,329)
Stock-based expense	2,633	4,681	7,710
Adjusted depreciation and amortization	981	1,706	2,104
Income tax expense	205	561	811
Total other (income) expense, net	(56)	(208)	803
Adjusted EBITDA	$ (4,211)	$ (13,317)	$ (12,901)

	April 30,	
	2011	2012
	(in thousands)	
Selected Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 15,050	$ 74,367
Short term investments		50,834
Total deferred revenue	32,160	45,586
Total current assets	31,095	147,551
Total current liabilities	35,901	57,400
Total assets	37,972	156,867
Total liabilities	43,589	63,269
Total non-current liabilities	7,688	5,869
Redeemable convertible preferred stock	23,633	
Total stockholders deficit	(29,250)	93,598

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and all of the other information contained in this prospectus before deciding whether to purchase our stock. Our business, prospects, financial condition and operating results could be materially adversely affected by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the other information contained in this prospectus, including our consolidated financial statements and the related notes included elsewhere in this prospectus, before deciding to purchase any shares of our common stock.

Risks Related to Our Business

We are an early stage company with a limited operating history, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment.

We began our operations in May 2005. Our limited operating history may make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of our limited resources, market acceptance of our existing and future solutions, managing client implementations and developing new solutions. Our current operating model may require changes in order for us to achieve profitability and scale our operations efficiently. For example, we may need to enhance our software architecture to allow us to efficiently and cost effectively develop and implement new solutions, make our solutions easy to implement and download, ensure our marketing engine is designed to drive highly qualified leads cost effectively and implement changes in our sales model to improve the predictability of our sales and reduce our sales cycle. If we fail to implement these changes on a timely basis or are unable to implement them due to factors beyond our control, our business may suffer. You should consider our business and prospects in light of the risks and difficulties we face as an early-stage company.

We have a history of losses and we may not achieve or sustain profitability in the future.

We have incurred significant losses in each fiscal period since our inception in 2005. We experienced a net loss of $24.3 million during fiscal year 2012. At April 30, 2012, we had an accumulated deficit of $65.2 million. The losses and accumulated deficit were due to the substantial investments we made to grow our business and acquire clients. Expenses associated with the purchase of PowerReviews and the integration of PowerReviews customers, employees and operations into our business could further delay our profitability. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to invest to grow our business and acquire clients, develop our platform and develop new products and solutions. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. Many of our efforts to generate revenue from our business are new and unproven, and any failure to increase our revenue or generate revenue from new products and solutions could prevent us from attaining or increasing profitability. Furthermore, to the extent we are successful in increasing our client base, we could also incur increased losses because costs associated with entering into client agreements are generally incurred up front, while revenue is generally recognized ratably over the term of the agreement. We cannot be certain that we will be able to attain or increase profitability on a client-by-client basis or on a quarterly or annual basis. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition and results of operations may suffer.

We operate in a new and unproven market for social commerce solutions. Our success depends upon the continued development of this market, and if the market does not develop as we expect, our business could be harmed.

We are focused on the market for social commerce solutions, which is new and unproven with little market research or data. It is uncertain whether the market in which we operate will continue to develop or if our solutions will achieve and sustain a level of demand and market acceptance sufficient for us to continue to

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generate revenue and achieve profitability. Due to our evolving business model, the uncertain size of our market and the unpredictability of future general economic and financial market conditions, we may not be able to forecast our growth rate accurately.

In particular, we believe our success will depend to a large extent on the willingness of brands to use online word of mouth in their marketing and advertising materials. Many of our potential clients remain hesitant to embrace our solutions, such as Ratings & Reviews, since they are uncomfortable displaying negative reviews about products or services offered on their websites. In addition, many brands may continue to devote significant portions of their marketing and advertising budgets to traditional, offline media or other types of online marketing or advertising initiatives that do not use online word of mouth. Some brands may be open to the idea of making online word of mouth available to consumers and yet may be unwilling or unable to implement third-party SaaS solutions similar to ours. We believe that the continued growth and acceptance of our solutions will depend on the perceived authenticity of online word of mouth and effectiveness of using online word of mouth to influence purchase decisions, both online and offline, and better understand consumer preferences regarding products and services. The existence of fraudulent reviews may call into question the authenticity of online word of mouth. We also depend on the continued growth of the social web and adoption of mobile devices, among other factors. If any of these factors are not realized, then the market for social commerce solutions may not develop as we expect, or it may develop more slowly than we expect, either of which would significantly harm our business and operating results.

The market in which we participate is fragmented, rapidly evolving and highly competitive, and we may be unable to compete successfully with our current or future competitors.

The market for social commerce solutions is highly competitive. The competitive dynamics of our market are unpredictable because it is at an early stage of development, rapidly evolving, fragmented and subject to potential disruption by new technological innovations.

Our main competition is from traditional marketing and advertising programs used by businesses that remain hesitant to embrace social commerce solutions such as Ratings & Reviews. Additionally, some businesses have developed, or may develop in the future, social commerce solutions internally. These businesses may consider their internal solutions adequate, even if our solutions are superior.

We have several direct and indirect competitors that provide third-party social commerce solutions, including companies like Revieworld Ltd. Additionally, we face potential competition from participants in adjacent markets that may enter our markets by leveraging related technologies and partnering with other companies.

We may also face competition from companies entering our market, including large Internet companies like Google, Inc. and Facebook, Inc., which could expand their platforms or acquire a competitor. While these companies do not currently focus on our market, they have significantly greater financial resources and, in the case of Google, a longer operating history. They may be able to devote greater resources to the development and improvement of their services than we can and, as a result, they may be able to respond more quickly to technological changes and clients changing needs. Because our market is changing rapidly, it is possible that new entrants, especially those with substantial resources, more efficient operating models, more rapid product development cycles or lower marketing costs, could introduce new solutions that disrupt the manner in which businesses use online word of mouth and engage with consumers online to address the needs of our clients and potential clients. Our business and operating results could be harmed if any such disruption occurs.

We believe we compete primarily on the basis of product breadth and functionality, scope, quality and breadth of client base, amount and quality of content, service, price, reputation and the efficiency of our operating model. Our competitors or potential competitors may adopt certain aspects of our business model, which could reduce our ability to differentiate our solutions. As market dynamics change, or as new and existing competitors introduce more competitive pricing or new or disruptive technologies, or as clients develop internal solutions for their social commerce needs, we may be unable to renew our agreements with existing clients or

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attract new clients at the same price or based on the same pricing model as previously used. As a result, we may be required to change our pricing model, offer price incentives or reduce our prices in response to competitive pressures, which could harm our revenue, profitability and operating results. Moreover, many software vendors could bundle competitive products or services or offer them at a low price as part of a larger product sale. In addition, some competitors may offer software that addresses one or a limited number of strategic social commerce functions at lower prices or with greater depth than our solutions. As a result, our competitors might be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or client requirements. For all of these reasons, we may not be able to compete successfully against our current and future competitors.

Our quarterly financial results are subject to fluctuations; as a result, we could fail to meet or exceed expectations of analysts or investors, which could cause our stock price to decline.

Our revenue, expenses, operating results and cash flows have fluctuated from quarter to quarter in the past and are likely to continue to do so in the future. These fluctuations are due to, or may in the future result from, many factors, some of which are outside of our control, including:

- the timing differences between when we incur sales commissions, implementation costs and other client acquisition costs associated with new solutions sales and when we generate revenue from these sales, particularly related to larger sales to new clients;
- our ability to sell additional solutions to existing clients and to add new clients, in multiple regions around the world, particularly in the United States and Europe, which has fluctuated and is likely to continue to fluctuate, due to the effectiveness of our sales execution, economic conditions and other factors affecting our sales in each of these regions;
- our ability, and the ability of our clients, to timely implement our solutions;
- the amount, timing and effectiveness of our product development investments and related expenses and delays in generating revenue from these new solutions;
- our ability to adjust our cost structure, particularly our personnel costs, in response to reductions in revenue;
- the cyclical and discretionary nature of marketing spending, especially spending on social commerce solutions;
- the amount and timing of operating expenses and capital expenditures related to the expansion of our operations and infrastructure and client acquisition;
- our failure to achieve the growth rate that was anticipated by us in setting our operating and capital expense budgets;
- active client retention rates, which have ranged on a year-to-year basis from 88.4% to 89.0% for the fiscal years 2010 through 2012;

the timing and success of new solutions, product and service offerings and pricing policies by us or our competitors or any other changes in the competitive dynamics of our industry;

the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill or intangible assets from acquired companies, including in connection with our acquisition of PowerReviews;

unforeseen litigation costs and related settlement costs, particularly those related to intellectual property infringement and our obligation to fulfill related client indemnification obligations;

changes in currency exchange rates and associated costs of hedging to manage foreign currency fluctuations; and

the adoption of new laws or regulations, or interpretations of existing laws or regulations, that restrict, or increase the costs of, providing social commerce solutions or using the Internet as a medium for communications and commerce.

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We offer our solutions primarily through subscription agreements and generally recognize revenue ratably over the related subscription period, which is typically one year. As a result, revenue attributable to a contract signed in a particular quarter will not be fully and immediately recognized in the quarter that the contract is signed. Because we incur most costs associated with generating client contracts at the time of sale, we may not recognize revenue in the same period that we incur the related costs of sale. Timing differences of this nature could cause our margins and our operating income or losses to fluctuate significantly from quarter to quarter, and such fluctuations may be more pronounced in quarters in which we experience a change in the mix of new clients as a percentage of total clients.

Typically, a significant percentage of our bookings occur in the last few weeks of a quarter. Accordingly, a market disruption or other event outside of our control that occurred toward the end of a quarter could have a disproportionate impact on us and could cause us to substantially miss our forecasted results for that quarter.

Fluctuations in our quarterly operating results may lead analysts to change their long-term model for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price to decline. As a result of the potential variations in our quarterly revenue and operating results, we believe that quarter-to-quarter comparisons of our revenue and operating results may not be meaningful, and the results of any one quarter should not be relied upon as an indication of future performance.

Our business depends substantially on renewing agreements with existing clients and selling additional solutions to them. Any decline in our client renewals or expansions would likely harm our future operating results, especially if we are unable to recognize sufficient revenue to offset related client acquisition costs prior to such termination or cancellation of our client agreements.

In order for us to improve our operating results, it is important that our clients renew their agreements with us when the initial term expires and also purchase additional solutions from us. We offer our solutions primarily through subscription agreements and generally recognize revenue ratably over the related subscription period, which is typically one year. Our clients have no renewal obligation after their initial term expires, and we cannot assure you that we will be able to renew agreements with our clients at the same or higher contract value. Moreover, under specific circumstances, our clients may have the right to cancel their agreements with us before they expire, for example, in the event of an uncured breach by us. Our largest 100 active customers during fiscal year 2012 represented 54.6% of our total revenue during that year. If our clients do not renew their agreements, renew on less favorable terms or fail to purchase additional solutions, our revenue may decline, and our operating results would likely be harmed.

For fiscal years 2010, 2011 and 2012, our active client retention rates on a year-to-year basis were 88.4%, 89.7% and 89.0%, respectively. Our retention rates have declined in the past and may decline in the future due to a variety of factors, including:

- the availability, price, performance and functionality of our solutions and competing products and services;
- our ability to demonstrate to new clients the value of our solutions within the initial contract term, particularly if we are unable to introduce planned solutions innovation;
- poor performance or discontinuation of our clients brands;

changes in our clients marketing or advertising strategies;

the timing and quality of ratings and reviews posted to our clients websites and the existence of negative reviews;

reductions in our clients spending levels;

consolidation in our client base;

the development by our clients of internal solutions for their social commerce needs; and

the effects of economic downturns and global economic conditions.

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We incur most of our client acquisition costs at the time of sale. Depending upon the scope of the client s needs, these costs can be significant. In certain cases, clients may have the right to terminate or cancel agreements with us if we fail to maintain service level requirements or we are otherwise in breach under the client agreements. If a client does not renew or cancels its agreement with us, we may not recognize sufficient revenue from that client prior to the termination or cancellation to offset the acquisition costs associated with that client. If the cost to acquire clients is greater than the revenue we generate over time from those clients, our business and operating results will be harmed.

In addition, our costs associated with maintaining and increasing revenue from existing clients may be lower than costs associated with generating revenue from new clients. Therefore, the loss of recurring revenue or a reduction in the rate of revenue increase from our existing clients, even if offset by an increase in revenue from new clients, could have a material adverse effect on our operating results.

We face risks associated with our recent acquisition of PowerReviews that may adversely impact our operating results.

In June 2012, we acquired PowerReviews, a provider of social commerce solutions based in San Francisco, California. This is our first acquisition. We may not successfully evaluate, utilize or integrate the acquired products, technologies or personnel, or accurately forecast the financial impact of the acquisition, including accounting charges or the impact on our existing business. For example, customers of Bazaarvoice and PowerReviews may not continue to use Bazaarvoice or PowerReviews to the same extent as they would have if PowerReviews had remained an independent company, or they may cancel existing agreements. Accordingly, we may not realize the potential benefits of the acquisition. In addition to these risks, the integration of PowerReviews into our company will be a time-consuming and expensive process and will require us to bear ongoing costs associated with maintaining and supporting the existing PowerReviews technology platform. We may lose key PowerReviews employees as a result of the acquisition, which would increase our costs and challenges in supporting the acquired technology. If our integration effort is not successful, if we do not estimate associated costs accurately or if we cannot effectively manage costs, we may not realize anticipated synergies or other benefits of the PowerReviews acquisition, or it may take longer to realize these benefits than we currently expect, either of which could materially harm our business or results of operations.

After the completion of our acquisition of PowerReviews, the Department of Justice, Antitrust Division, or DOJ, notified us that it has opened a preliminary investigation to determine whether the acquisition violated Section 7 of the Clayton Act, 15 U.S.C. Section 18. The DOJ s investigation could be lengthy, and we may be required to produce documents and data and offer to the DOJ other written and oral testimony, which could result in material legal fees and associated costs and require considerable time and attention of our management. Further, if the DOJ determines our acquisition of PowerReviews violates the Section 7 of the Clayton Act, we could be required to divest part, or all, of PowerReview s operations and assets. As a result, this investigation could have a material adverse effect on our operating results and could materially impact our business strategy going forward.

Our actual results may differ significantly from any guidance that we may issue in the future and the consensus expectations of research analysts.

From time to time, we may release earnings guidance or other forward-looking statements in our earnings releases, earnings conference calls or otherwise regarding our future performance that represent our management s estimates as of the date of release. If given, this guidance will be based on forecasts prepared by our management. The principal reason that we may release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. Guidance is necessarily speculative in nature. The speculative nature of any guidance is further exacerbated by the rapidly evolving nature and uncertain size of the market for social commerce solutions, as well as the unpredictability of future general economic and financial conditions. As a result, some or all of the assumptions of any future guidance that we furnish may not materialize or may vary significantly from actual future results. Any failure to meet guidance or analysts expectations could have a material adverse effect on the trading price or volume of our stock.

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If we cannot efficiently implement our solutions for clients, we may be delayed in generating revenue.

In general, implementation of our solutions may require lengthy and significant work. We generally incur sales and marketing expenses related to the commissions owed to our sales representatives and make upfront investments in technology and personnel to support the engagements before we begin recognizing revenue from client contracts. We do not control our clients implementation schedule. As a result, as we have experienced in the past, if our clients do not allocate internal resources necessary to meet their implementation responsibilities or if we face unanticipated implementation difficulties, the implementation may be delayed. Further, in the past, our implementation capacity has at times constrained our ability to successfully and timely implement our solutions for our clients, particularly during periods of high demand. If the client implementation process is not executed successfully or if execution is delayed, whether due to our clients or our capacity constraints, we could incur significant costs prior to generating revenue, and our relationships with some of our clients may be adversely affected. In addition, competitors with more efficient operating models with lower implementation costs could penetrate our client relationships.

Our management team has a limited history of working together and may not be able to execute our business plan.

Our management team has worked together for only a limited period of time and has a limited track record of executing our business plan as a team. Most of our executives, including our Chief Executive Officer, have limited or no experience in managing publicly traded companies or companies of our size. In addition, we have recently filled a number of positions in our senior management and finance and accounting staff. Accordingly, certain key personnel have only recently assumed the duties and responsibilities they are now performing, and it is difficult to predict whether our management team, individually and collectively, will be effective in operating our business.

Our growth could strain our personnel, technology and infrastructure resources, and if we are unable to effectively manage our growth, our operating results may suffer.

Since our inception, we have experienced rapid growth, which has increased the complexity of our operations. As our operations have expanded, we have grown from 70 employees at April 30, 2007 to 840 employees at April 30, 2012, consisting of 640 full-time employees and 200 part-time content moderators. We have increased the size of our client base from 32 active clients at April 30, 2007 to 790 active clients at April 30, 2012. In addition, as a result of our acquisition of PowerReviews, we added approximately 300 network clients, approximately 800 express clients and 81 additional employees to our business as of June 12, 2012, which was the date of the closing of this acquisition. The rapid growth and increasing complexity have demanded, and will continue to demand, substantial resources and attention from our management, most of whom have limited experience in managing a business of our size and complexity. We expect to continue to hire more employees in the future as we grow our business. To manage the expected growth of our operations and personnel and to support financial reporting requirements as a public company, we will need to continue to improve our operational, financial, technology and management controls and our reporting systems and procedures. Further, to accommodate our expected growth we must continually improve and maintain our technology, systems and network infrastructure. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. Our inability to expand our personnel and operations in an efficient manner could result in difficulty in acquiring new clients or retaining existing clients, declines in quality or client satisfaction, increases in expenses relative to our revenue and challenges in developing and introducing new solutions, any of which could adversely affect our operating results.

Because we recognize revenue for our solutions ratably over the term of our client agreements, decreases in the revenue recognizable under contracts for new active clients will not be fully and immediately reflected in our operating results.

We offer our solutions primarily through subscription agreements and generally recognize revenue ratably over the related subscription period, which is typically one year. As a result, some portion of the revenue we

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report in each quarter is revenue from contracts entered into during prior quarters. Consequently, a decline in the revenue recognizable under contracts for new active clients signed in any quarter or a decline in the growth rate of revenue recognizable under contracts signed in any quarter will not be fully and immediately reflected in the revenue of that quarter and would negatively affect our revenue in future quarters. In addition, we may be unable to adjust our cost structure rapidly, or at all, to take account of this reduced revenue.

Our sales cycle can be long and unpredictable and require considerable time and expense, which may cause our operating results to fluctuate.

The sales cycle for our solutions, from initial contact with a potential client to contract execution and implementation, varies widely by client and solution. Some of our clients undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle, typically three to 12 months. We have no assurance that the substantial time and money spent on our sales efforts will produce any sales. If sales expected from a specific client for a particular quarter are not realized in that quarter or at all, our results could fall short of public expectations and our business, operating results and financial condition could be adversely affected.

The average sales price of our solutions may decrease, which may adversely affect our ability to achieve and maintain profitability.

The average sales price of our solutions may decline for a variety of reasons, including competitive pricing pressures in anticipation of the introduction of new solutions or technologies. In addition, because the market for our social commerce solutions is new and unproven and because our business model is evolving, we may not be able to achieve and sustain a level of demand and market acceptance sufficient for us to continue to maintain the current average sales price for our solutions. Furthermore, the composition of our clients may change in a manner that makes it more difficult to maintain such prices. Any failure to maintain our prices could have an adverse effect on our business, results of operations and financial condition.

Our business depends on retaining and attracting qualified management and operating personnel.

Our success depends in large part on our ability to retain and attract high-quality management and operating personnel. Our business plan was developed in large part by our executive officers, and its implementation requires their skills and knowledge. We do not maintain key person life insurance policies on any of our employees. We may not be able to offset the impact on our business of the loss of the services of one or more of our executive officers or key employees. Our business also requires skilled technical and sales personnel, who are in high demand and are often subject to competing offers. As we expand into new vertical and geographic markets, we will require personnel with expertise in these new areas. Further, we are conducting a search for a senior executive to join our management team as president to help us scale our operations. Competition for qualified employees is intense in our industry and particularly in Austin, Texas, where most of our employees are based. The loss of even a few qualified employees, or an inability to retain, attract, relocate and motivate additional highly skilled employees required for the planned expansion of our business, could harm our operating results and impair our ability to grow. To retain and attract key personnel, we use various measures, including an equity incentive program and incentive bonuses for executive officers and other key employees. These measures may not be sufficient to retain and attract the personnel we require to operate our business effectively. In addition, in making employment decisions, particularly in the software industry, job candidates often consider the value of the stock options they are to receive in connection with their employment. Significant volatility in the price of our stock after this offering may, therefore, adversely affect our ability to retain and attract key employees.

If we are unable to maintain or expand our direct sales and marketing capabilities, we may not be able to generate anticipated revenue.

We rely primarily on our direct sales force to sell our solutions. Our solutions require a sophisticated sales force. We have recently undertaken a plan to upgrade and expand our sales team in order to increase revenue

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from new and existing clients and to further penetrate our existing markets and expand into new markets. We have hired new sales leaders, have terminated under-performing sales personnel and have otherwise engaged in a restructuring of our sales organization in order to scale our sales operations to grow our revenue. This restructuring may be disruptive to our sales process and may not have the desired effect of expanding our business and generating anticipated revenue. Additionally, we have hired a number of new sales personnel to replace terminated personnel and to grow our sales team in both existing and new markets. These efforts may initially be disruptive to our sales process.

Our sales force upgrade and expansion may not have the desired effect of expanding our business and generating anticipated revenue. Competition for qualified sales personnel is intense, and there can be no assurance that we will be able to retain our existing sales personnel or attract, integrate or retain sufficient highly qualified sales personnel, which could adversely affect our revenue growth. Many of the companies with which we compete for experienced personnel have greater resources than we have. If any of our sales representatives were to leave us and join one of our competitors, we may be unable to prevent such sales representatives from helping competitors to solicit business from our existing clients, which could adversely affect our revenue.

In addition, new sales hires require training and typically take several months to achieve productivity, if at all. For internal planning purposes, we assume that it will take significant time before a newly hired sales representative is fully trained and productive in selling our solutions. This amount of time may be longer for sales personnel focused on new geographies or new verticals. As a result, the cost of hiring and carrying new representatives cannot be offset by the revenue they produce for a significant period of time. Furthermore, because of the length of our sales training period, we often cannot determine if a sales representative will succeed until after he or she has been employed for several months or longer. If we experience high turnover in our sales force, or if we cannot reliably develop and grow a successful sales team, our revenue growth may be adversely affected.

If we are not able to successfully leverage data we and our clients collect and manage through our solutions, we may not be able to increase our revenue through our analytics and other data solutions.

Our ability to grow our revenue through analytics and other data solutions depends on our ability to successfully leverage data that we and our clients collect and manage through the use of our solutions. Our ability to successfully leverage such data, in turn, depends on our ability to collect and obtain rights to utilize such data in our solutions and to maintain and grow our network of clients. We currently employ cookies, which are small files of non-personalized information placed on an Internet user s computer, on a limited basis, and we may implement them more broadly to collect information related to the user, such as the user s Internet Protocol, or IP, address, demographic information and history of the user s interactions with our clients. If we are unable to effectively introduce cookies more broadly, our ability to collect such data could be impaired.

Additionally, our ability to both collect and utilize data may be affected by a number of factors outside of our control, including increased government regulation of the collection of information concerning consumer behavior on the Internet and the increased use of features that allow website visitors to modify their settings to prevent or delete cookies and to sweep all cookies from their computers. Further, we currently do not own the data collected through the use of our solutions but currently license the data from our clients for limited aggregation purposes. If we are not able to obtain sufficient rights to the data, we may not be able to utilize it in our solutions. Finally, in order to obtain the critical mass of data necessary for our analytics and other data solutions to have value for our clients, we will need to maintain and grow our client base. Currently, a substantial amount of the data to which we have access is collected by a small number of our clients. Consequently, the loss of a single client could have a disproportionate impact on the data that is available to us. Any of these limitations on our ability to successfully leverage data could have a material adverse effect on our ability to increase our revenue through analytics and other data solutions and could harm our future operating results.

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We derive a substantial portion of our revenue from a limited number of our solutions. If we are unable to maintain demand for these solutions or diversify our revenue sources by successfully developing and introducing new or enhanced solutions, we could lose existing clients or fail to attract new clients and our business could be harmed.

Ratings & Reviews was our first social commerce solution and still remains the core element of our technology platform today. If we are unable to continue developing enhanced features for this solution to maintain demand or to diversify our revenue base by increasing demand for our other solutions and successfully developing and introducing new solutions either by internal development or acquisition, our operating results could be negatively impacted. We are currently modifying our software architecture to be able to develop and implement new solutions more efficiently and cost effectively. We are also currently investing significant amounts in research and development in connection with our efforts to leverage data that we and our clients collect and manage through the use of our solutions. Improving our architecture and developing and delivering new or upgraded solutions may require us to make substantial investments, and we have no assurance that such new or upgraded architecture solutions will generate sufficient revenue to offset their costs. If we are unable to efficiently develop, license or acquire such new or upgraded solutions on a timely and cost-effective basis, or if such solutions are not effectively brought to market, are not appropriately timed with market opportunity or do not achieve market acceptance, we could lose existing clients or fail to attract new clients, and our business and operating results could be materially adversely affected.

In addition, we must continuously modify and enhance our solutions to keep pace with rapid changes in the social web and Internet-related hardware, software communication, browser, database and social commerce technologies. If we are unable to respond in a timely and cost-effective manner to rapid technological developments, our solutions could become less marketable and less competitive or become obsolete, and our operating results could be negatively affected.

Our long-term success depends, in part, on our ability to maintain and expand our operations outside of the United States and, as a result, our business is susceptible to risks associated with international operations.

As our operations have expanded, we have established and currently maintain offices in the United States, the United Kingdom, Australia, France, Germany and Sweden. We have limited experience in operating in foreign jurisdictions outside the United States and are making significant investments to build our international operations. Managing a global organization is difficult, time-consuming and expensive, and any international expansion efforts that we may undertake may not be successful. Regarding our operations in Europe, Shopzilla, Inc., or Shopzilla, has the exclusive right to provide the PowerReviews services to customers in the European Union, Switzerland and Norway and has an option to purchase a perpetual license to use the PowerReviews technology, which perpetual license would permit Shopzilla to use the PowerReviews technology to compete with us in the European Union, Switzerland and Norway. In addition, conducting international operations subjects us to risks, including the following:

- the cost and resources required to localize our solutions;
- competition with companies that understand the local market better than we do or who have pre-existing relationships with potential clients in those markets;
- legal uncertainty regarding the application of unique local laws to social commerce solutions or a lack of clear precedent of applicable law;

lack of familiarity with and the burden of complying with a wide variety of other foreign laws, legal standards and foreign regulatory requirements, which are subject to unexpected changes;

difficulties in managing and staffing international operations;

fluctuations in currency exchange rates;

potentially adverse tax consequences, including the complexities of foreign value added tax systems and restrictions on the repatriation of earnings;

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- increased financial accounting and reporting burdens and complexities and difficulties in implementing and maintaining adequate internal controls;

- political, social and economic instability abroad, terrorist attacks and security concerns in general;

- reduced or varied protection for intellectual property rights in some countries; and

- higher telecommunications and Internet service provider costs.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

Unfavorable conditions in the market for social commerce solutions or the global economy or reductions in marketing spending, particularly in the online retail market, could limit our ability to grow our business and negatively affect our operating results.

Our operating results may vary based on the impact on us or our clients of changes in the market for social commerce solutions or the global economy. In addition, the revenue growth and potential profitability of our business depends on marketing spending by companies in the markets we serve. As of April 30, 2012, a majority of our clients were online retailers. To the extent that weak economic conditions cause our clients and potential clients to freeze or reduce their marketing budgets, particularly in the online retail market, demand for our solutions may be negatively affected. Historically, economic downturns have resulted in overall reductions in marketing spending. If economic conditions deteriorate or do not materially improve, our clients and potential clients may elect to decrease their marketing budgets by deferring or reconsidering product purchases, which would limit our ability to grow our business and negatively affect our operating results.

If we are unable to increase our penetration in our principal existing markets and expand into additional vertical markets, we will be unable to grow our business and increase revenue.

We currently market our solutions to a variety of industries, including the retail, consumer products, travel and leisure, technology, telecommunications, financial services, healthcare and automotive industries. We believe our future growth depends not only on increasing our penetration into the principal markets in which our solutions are currently used but also on identifying and expanding the number of industries, communities and markets that use or could use our solutions. Efforts to offer our solutions beyond our current markets may divert management resources from existing operations and require us to commit significant financial resources, either of which could significantly impair our operating results. In addition, some markets have unique and complex regulatory requirements that may make it more difficult or costly for us to market, sell or implement our solutions in those markets. Moreover, our solutions may not achieve market acceptance in new markets, and our efforts to expand beyond our existing markets may not generate additional revenue or be profitable. Our inability to further penetrate our existing markets or our inability to identify additional markets and achieve acceptance of our solutions in these additional markets could adversely affect our business, results of operations and financial condition.

Our growth depends in part on the success of our development and implementation support relationships with third parties.

We currently depend on, and intend to pursue additional relationships with, various third parties related to product development, including technology and service providers and social media platforms. Identifying, negotiating and documenting these relationships requires significant time and resources, as does integrating our solutions with third-party technologies. In some cases, we do not have formal written agreements with our development partners. Even when we have written agreements, they are typically non-exclusive and do not prohibit our development partners from working with our competitors or from offering competing services. Our competitors may be effective in providing incentives to third parties to favor their products or services.

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Specifically, we outsource some of our product development, quality assurance and technology operations to two third-party contractors located in the Ukraine and Costa Rica. We also outsource some components of the development and technology operations of our Applications for Facebook to a third-party contractor located in the United States. We also rely on a third-party relationship to assist with client implementation support. We believe that supplementing our product development and implementation support activities with our outsourced third-party contractors enhances the efficiency and cost-effectiveness of these activities. If we experience problems with our third-party contractors or the costs charged by our contractors increases, we may not be able to develop new solutions or enhance existing solutions or meet our clients implementation support needs in an alternate manner that is equally or more efficient and cost-effective.

Additionally, our Applications for Facebook integrates certain of our solutions directly with Facebook s social media platform. We currently rely on Facebook s cooperation in order to integrate our solutions with Facebook s platform, and we do not have a formal, written agreement with Facebook. There is no assurance that Facebook will continue to cooperate with us. Changes in Facebook s technology or terms of use may inhibit or restrict us from continuing to integrate our solutions with Facebook s platform. If Facebook does not continue to cooperate with us or if Facebook changes their technology or terms of use in ways that inhibit, restrict or increase the costs of the integration of our solutions with Facebook, our business could be harmed.

We anticipate that we will continue to depend on these and other third-party relationships in order to grow our business. If we are unsuccessful in maintaining existing and establishing new relationships with third parties, our ability to efficiently develop and implement new solutions could be impaired, and our competitive position or our operating results could suffer. Even if we are successful, these relationships may not result in increased revenue.

We currently rely on a small number of third-party service providers to host and deliver a significant portion of our solutions, and any interruptions or delays in services from these third parties could impair the delivery of our solutions and harm our business.

We host our solutions and serve our clients primarily from a third-party data center facility located in Texas. We also utilize third-party services that deploy data centers worldwide. We do not control the operation of any of the third-party data center facilities we use. These facilities may be subject to break-ins, computer viruses, denial-of-service attacks, sabotage, acts of vandalism and other misconduct. They are also vulnerable to damage or interruption from power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes and similar events. As a result, we may in the future experience website disruptions, outages and other performance problems. Despite our efforts, the occurrence of any of these events, a decision by our third-party service providers to close their data center facilities without adequate notice or other unanticipated problems could result in loss of data as well as a significant interruption in the offering of our solutions and harm to our reputation and brand.

Additionally, our third-party data center facility agreements are of limited durations, and our third-party data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements with these facilities on commercially reasonable terms, we may experience delays in the provisioning of our solutions until an agreement with another data center facility can be arranged. This shift to alternate data centers could take more than 24 hours depending on the nature of the event, which could cause significant interruptions in service and adversely affect our business and reputation.

We also depend on third-party Internet-hosting providers and continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our Internet-hosting or bandwidth providers for any reason or if their services are disrupted, for example due to viruses or denial-of-service or other attacks on their systems, or due to power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes or similar events, we could experience disruption in our ability to offer our solutions or we could be required to retain the services of replacement providers, which could increase our operating costs and harm our business and reputation.

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Any errors, defects, disruptions or other performance problems with our solutions could harm our reputation and may damage our clients businesses. Interruptions in our ability to offer our solutions would likely reduce our revenue, could cause our clients to cease using our solutions and could adversely affect our retention rates. In addition, some of our client agreements require us to issue credits for downtime in excess of certain targets, and in some instances give our clients the ability to terminate the agreements. Our business and results of operations would be harmed if our current and potential clients believe our solutions are unreliable.

Unfavorable changes in evolving government regulation and taxation of the Internet and online communications and social commerce solutions could harm our business and results of operations.

The future success of our business depends upon the continued use of the Internet as a primary medium for communications and commerce. As the use of the Internet continues to evolve, increasing regulation by federal, state or foreign governments becomes more likely. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting data privacy, the solicitation, collection, processing or use of personal or consumer information, truth-in-advertising, consumer protection and the use of the Internet as a commercial medium and the market for social commerce solutions. There is also uncertainty as to how some existing laws governing issues such as sales taxes, libel and personal privacy apply to the Internet. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet. Any new regulations or legislation or new interpretations of existing regulations or legislation restricting Internet commerce or communications or imposing greater fees for Internet use could result in a decline in the use of the Internet as a medium for commerce and communications, diminish the viability of Internet solutions generally, and reduce the demand for our solutions. Additionally, if we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses, make it more difficult to conduct our business or require us to alter our business model. Any of these outcomes could have a material adverse effect on our business, financial condition or results of operations.

Public scrutiny of Internet privacy issues may result in increased regulation and different industry standards, which could require us to incur significant expenses in order to comply with such regulations or deter or prevent us from providing our products and solutions to clients, thereby harming our business.

As part of our business, we collect and store personal information. We expect our collection and storage of personal information to increase, primarily in connection with our efforts to expand our analytics and other data solutions. The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet have recently come under increased public scrutiny. The U.S. government, including the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. We will also face additional privacy issues as we expand into other international markets, as many nations have privacy protections more stringent than those in the United States. For example, the European Union is in the process of proposing reforms to its existing data protection legal framework, which may result in a greater compliance burden for companies with users in Europe. Various government and consumer agencies have also called for new regulation and changes in industry practices.

We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. Increased domestic or international regulation of data utilization and distribution practices, including self-regulation, could require us to modify our operations and incur significant expense, which could have an adverse effect on our business, financial condition and results of operations. Our business, including our ability to operate and expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted, or implemented in a manner that is inconsistent with our current or planned business practices and that require changes to these practices, the design of our solutions or our privacy policy.

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If our security measures are breached or unauthorized access to consumer data is otherwise obtained, our solutions may be perceived as not being secure, clients may curtail or stop using our solutions, and we may incur significant liabilities.

Our operations involve the storage and transmission of confidential information, and security breaches could expose us to a risk of loss of this information, litigation, indemnity obligations to our clients and other liability. If our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to client and consumer data, including personally identifiable information regarding consumers, our reputation will be damaged, our business may suffer and we could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose potential sales and existing clients.

We may be subject to claims that we violated intellectual property rights of others, which are extremely costly to defend and could require us to pay significant damages and limit our ability to operate.

Companies in the Internet and technology industries, and other patent, copyright and trademark holders, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on claims of infringement or other violations of intellectual property rights. We have received in the past, and expect to receive in the future, notices that claim we or our clients using our solutions have misappropriated or misused other parties intellectual property rights. There may be intellectual property rights held by others, including issued or pending patents, copyrights and trademarks, that cover significant aspects of our technologies, content, branding or business methods. Any intellectual property claim against us or against our clients requiring us to indemnify our clients, regardless of merit, could be time-consuming and expensive to settle or litigate and could divert our management s attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology, content, branding or business methods found to be in violation of another party s rights. In addition, some of our commercial agreements require us to indemnify the other party for third-party intellectual property infringement claims, which could increase the cost to us of an adverse ruling in such an action. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, content, branding or business methods, which could require significant effort and expense and make us less competitive. If we cannot license or develop technology, content, branding or business methods for any allegedly infringing aspect of our business, we may be unable to compete effectively. Any of these results could harm our operating results.

If we do not adequately protect our intellectual property, our ability to compete could be impaired.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market products and services similar to ours and our ability to compete effectively would be impaired. To protect our intellectual property we rely on a combination of copyright, trademark, patent and trade secret laws, contractual provisions and technical measures. These protections may not be adequate to prevent our competitors from copying or reverse-engineering our technology and services to create similar offerings. The scope of patent protection, if any, we may obtain from our patent applications is difficult to predict and, if issued, our patents may be found invalid, unenforceable or of insufficient scope to prevent competitors from offering similar services. Our competitors may independently develop technologies that are substantially equivalent or superior to our technology. To protect our trade secrets and other proprietary information, we require employees, consultants, advisors, subcontractors and collaborators to enter into confidentiality agreements, and we maintain policies and procedures to limit access to our trade secrets and proprietary information. These agreements and the

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other actions we take may not provide meaningful protection for our trade secrets, know-how or other proprietary information from unauthorized use, misappropriation or disclosure. Existing copyright and patent laws may not provide adequate or meaningful protection in the event competitors independently develop technology, products or services similar to our solutions. Even if such laws provide protection, we may have insufficient resources to take the legal actions necessary to protect our interests.

Upon discovery of potential infringement of our intellectual property, we promptly take action we deem appropriate to protect our rights. Even if we do detect violations and decide to enforce our intellectual property rights, litigation may be necessary to enforce our rights, and any enforcement efforts we undertake could be time-consuming and expensive, could divert our management s attention and may result in a court determining that our intellectual property rights are unenforceable. A failure to protect our intellectual property in a cost-effective and meaningful manner could have a material adverse effect on our ability to compete.

As of April 30, 2012, we had no patents issued, thirteen pending U.S. non-provisional patent applications and five provisional patent applications filed. We cannot be certain that any patents will be issued with respect to our current or potential patent applications. Any future patents issued to us may be challenged, invalidated or circumvented, may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. Furthermore, effective patent, trademark, copyright and trade secret protection may not be available in every country in which our products are available over the Internet. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and still evolving.

We face potential liability and expenses for legal claims based on online word of mouth that is enabled by our solutions. If we are required to pay damages or expenses in connection with these legal claims, our operating results and business may be harmed.

Our solutions enable our clients to collect and display user-generated content, in the form of online word of mouth, on their websites and other third-party websites. We are also involved in the syndication and moderation of such content. Consequently, in connection with the operation of our business, we face potential liability based on a variety of theories, including fraud, defamation, negligence, copyright or trademark infringement or other legal theories based on the nature and syndication or moderation of this information, and under various laws, including the Lanham Act and the Copyright Act. In addition, it is also possible that consumers could make claims against us for losses incurred in reliance upon information enabled by our solutions, syndicated or moderated by us and displayed on our clients websites or social networks. These claims, whether brought in the United States or abroad, could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merit of these claims. If we become subject to these or similar types of claims and are not successful in our defense, we may be forced to pay substantial damages. There is no guarantee that we will avoid future liability and potential expenses for legal claims based on the content of the materials that our solutions enable. Should the content enabled by our solutions violate the intellectual property rights of others or otherwise give rise to claims against us, we could be subject to substantial liability, which could have a negative impact on our business, revenue and financial condition.

Our use of open source and third-party technology could impose limitations on our ability to commercialize our solutions.

We use open source software in our solutions. Although we monitor our use of open source software closely, the terms of many open source licenses have not been interpreted by courts in or outside of the United States, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our solutions. We also incorporate certain third-party technologies into our solutions and may desire to incorporate additional third-party technologies in the future. Licenses to new third-party technology may not be available to us on commercially reasonable terms, or at all. We could be required to seek licenses from third parties in order to continue offering our solutions, to re-engineer our technology or to

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discontinue offering our solutions in the event re-engineering cannot be accomplished on a timely basis, any of which could adversely affect our business, operating results and financial condition.

Undetected errors or defects in our solutions could result in the loss of revenue, delayed market acceptance of our products or services or claims against us.

Our solutions are complex and frequently upgraded and may contain undetected errors, defects, failures or viruses, especially when first introduced or when new versions or enhancements are released. Despite testing, our solutions, or third-party products that we incorporate into our solutions, may contain undetected errors, defects or viruses that could, among other things:

- require us to make extensive changes to our solutions, which would increase our expenses;
- expose us to claims for damages;
- require us to incur additional technical support costs;
- cause negative client or consumer reactions that could reduce future sales;
- generate negative publicity regarding us and our solutions; or
- result in clients electing not to renew their subscriptions for our solutions.

Any of these occurrences could have a material adverse effect upon our business, financial condition and results of operations.

We might require additional capital to support business growth, and this capital might not be available.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new solutions or enhance our existing solutions and platform, enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock, including shares of common stock sold in this offering. Any debt financing secured by us in the future would likely be senior to our common stock and could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

Our loan agreement contains operating and financial covenants that may restrict our business and financing activities and expose us to risks that could adversely affect our liquidity and financial condition.

On July 18, 2007, we entered into a loan and security agreement with a financial institution. As amended to date, the loan agreement provides for borrowings up to $30.0 million, subject to a borrowing formula, under a revolving line of credit, with a sublimit of $2.65 million for the issuance of corporate credit cards and letters of credit on our behalf. As of April 30, 2012, we had no borrowings and a $2.3 million standby letter of credit issued under our loan agreement. Any borrowings, letters of credit and credit card services pursuant to our loan agreement are secured by substantially all of our assets, including our intellectual property. Our loan agreement limits, among other things, our ability to:

- incur additional indebtedness or guarantee the obligations of other persons;

- make payments on additional indebtedness or make changes to certain agreements related to additional indebtedness;

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- enter into hedging arrangements;
- create, incur or assume liens and other encumbrances;
- make loans and investments, including acquisitions;
- make capital expenditures;
- sell, lease, license or otherwise dispose of assets;
- store inventory and equipment with other persons;
- pay dividends or make distributions on, or purchase or redeem, our capital stock;
- consolidate or merge with or into other entities;
- undergo a change in control;
- engage in new or different lines of business; or
- enter into transactions with affiliates.

Our loan agreement also contains numerous affirmative covenants, including covenants regarding compliance with applicable laws and regulations, financial and other reporting, payment of taxes and other obligations, maintenance of insurance coverage, maintenance of bank and investment accounts with the financial institution and its affiliates, registration of intellectual property rights, and certain third-party consents and waivers. The operating and other restrictions and covenants in our loan agreement, and in any future financing arrangements that we may enter into, may restrict our ability to finance our operations, engage in certain business activities, or expand or fully pursue our business strategies, or otherwise limit our discretion to manage our business. Our ability to comply with these restrictions and covenants may be affected by events beyond our control, and we may not be able to meet those restrictions and covenants.

Our loan agreement contains events of default, which include, among others, non-payment defaults, covenant defaults, material adverse change defaults, bankruptcy and insolvency defaults, material judgment and settlement defaults, cross-defaults to certain other material agreements and defaults related to inaccuracy of representations and warranties made by us. An event of default under our loan agreement or any future financing arrangements could result in the termination of commitments to extend further credit, cause any outstanding indebtedness under our loan agreement or under any future financing arrangements to become immediately due and payable and permit our lender to exercise remedies with respect to all of the collateral securing the loans. Accordingly, an event of default could have an adverse effect on our access to capital, liquidity and general financial condition.

If Internet search engines methodologies are modified, our SEO capability could be harmed.

In connection with search engine optimization, or SEO, capabilities that we provide our clients, including our SEO solution, we depend in part on various Internet search engines, such as Google and Bing, to direct a significant amount of traffic to our clients websites. Our ability to influence the number of visitors directed to our clients websites through search engines is not entirely within our control. For example, search engines frequently revise their algorithms in an attempt to optimize their search result listings. In 2011, Google announced an algorithm change that affected nearly 12% of their U.S. query results. There cannot be any assurance as to whether these or any future changes that may be made by Google or any other search engines might impact our SEO capability in the long term. Changes in the methodologies used by search engines to display results could cause our clients websites to receive less favorable placements, which could reduce the number of users who click to visit our clients websites from these search engines. Some of our clients websites have experienced fluctuations in search result rankings and we anticipate similar fluctuations in the future. Internet search engines could decide that content on our clients websites enabled by our solutions, including online word of mouth, is unacceptable or violates their corporate policies. Any reduction in the number of users directed to our clients websites could negatively affect our ability to earn revenue through our SEO solution.

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If we are unable to maintain our corporate culture as we grow, we could lose the passion, performance, innovation, openness, teamwork, respect and generosity that we believe contribute to our success and our business may be harmed.

We believe that a critical contributor to our success has been our corporate culture. As we grow and change, we may find it difficult to maintain the values that are fundamental to our corporate culture. Any failure to preserve our culture could negatively affect our ability to recruit and retain personnel and otherwise adversely affect our future success. We may face pressure to change our culture as we grow, particularly if we experience difficulties in attracting competent personnel who are willing to embrace our culture. However, we have no intention of succumbing to this pressure, which could make it even more difficult to attract necessary personnel.

Our revenue may be adversely affected if we are required to charge sales taxes in additional jurisdictions or other taxes for our solutions.

We collect or have imposed upon us sales or other taxes related to the solutions we sell in certain states and other jurisdictions. Additional states, countries or other jurisdictions may seek to impose sales or other tax collection obligations on us in the future, or states or jurisdictions in which we already pay tax may increase the amount of taxes we are required to pay. A successful assertion by any state, country or other jurisdiction in which we do business that we should be collecting sales or other taxes on the sale of our products and services could, among other things, create significant administrative burdens for us, result in substantial tax liabilities for past sales, discourage clients from purchasing solutions from us or otherwise substantially harm our business and results of operations.

If we undertake business combinations and acquisitions, they may be difficult to integrate, disrupt our business, dilute stockholder value or divert management s attention.

In addition to our acquisition of PowerReviews in June 2012, we may support our growth through acquisitions of additional complementary businesses, services or technologies in the future. Future acquisitions involve risks, such as:

- misjudgment with respect to the value, return on investment or strategic fit of any acquired operations or assets;
- challenges associated with integrating acquired technologies, operations and cultures of acquired companies;
- exposure to unforeseen liabilities;
- diversion of management and other resources from day-to-day operations;
- possible loss of key employees, clients, suppliers and partners;
- higher than expected transaction costs;

potential loss of commercial relationships and customers based on their concerns regarding the acquired business or technologies; and

additional dilution to our existing stockholders if we use our common stock as consideration for such acquisitions.

As a result of these risks, we may not be able to achieve the expected benefits of any acquisition. If we are unsuccessful in completing or integrating acquisitions, we may be required to reevaluate our growth strategy and we may have incurred substantial expenses and devoted significant management time and resources in seeking to complete and integrate the acquisitions.

Future business combinations could involve the acquisition of significant intangible assets. We may need to record write-downs from future impairments of identified intangible assets and goodwill. These accounting

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charges would reduce any future reported earnings or increase a reported loss. In addition, we could use substantial portions of our available cash, including some or substantially all of the proceeds of this offering, to pay the purchase price for acquisitions. Subject to the provisions of our existing indebtedness, it is possible that we could incur additional debt or issue additional equity securities as consideration for these acquisitions, which could cause our stockholders to suffer significant dilution.

We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could adversely affect our operating results.

As of April 30, 2012, we had federal net operating loss carryforwards of $49.1 million due to prior period losses, which expire beginning in 2026. We also have federal research tax credit carryforwards of approximately $1.4 million that will begin to expire in 2026. Realization of these net operating loss and research tax credit carryforwards depends on many factors, including our future income. There is a risk that due to regulatory changes or unforeseen reasons our existing carryforwards could expire or otherwise be unavailable to offset future income tax liabilities, which would adversely affect our operating results. In addition, under Section 382/383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an ownership change, the corporation s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income may be limited. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards or other pre-change tax attributes to offset United States federal and state taxable income may be subject to limitations.

We are exposed to fluctuations in currency exchange rates.

We face exposure to adverse movements in currency exchange rates, which may cause our revenue and operating results to differ materially from expectations. A decline in the U.S. dollar relative to foreign currencies would increase our non-U.S. revenue, when translated into U.S. dollars. Conversely, if the U.S. dollar strengthens relative to foreign currencies, our revenue would be adversely affected. Our operating results could be negatively impacted depending on the amount of expense denominated in foreign currencies. As exchange rates vary, revenue, cost of revenue, operating expenses and other operating results, when translated, may differ materially from expectations. In addition, our revenue and operating results are subject to fluctuation if our mix of U.S. and foreign currency denominated transactions and expenses changes in the future. Even if we were to implement hedging strategies to mitigate foreign currency risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

If we experience material weaknesses in the future, as we have in the past, or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately report our financial condition or results of operations which may adversely affect investor confidence in us and, as a result, the value of our common stock.

As a public company, we are required, under Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting beginning with the filing of our Annual Report on Form 10-K for fiscal year 2013. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company s annual and interim financial statements will not be prevented or detected on a timely basis. We will be required to disclose changes made in our internal control and procedures on a quarterly basis. However, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an emerging growth company as defined in the recently enacted Jumpstart Our Business Startups Act of 2012, or the JOBS Act, if we take advantage of the exemptions

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contained in the JOBS Act. We may remain an emerging growth company for up to five years, although if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any October 31 before that time, we would cease to be an emerging growth company at the end of that fiscal year.

We are further enhancing the computer systems processes and related documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. If we are unable to conclude that our internal control over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports, which would likely cause the price of our common stock to decline.

We have in the past identified a material weakness in our internal control over financial reporting, and although we have remediated the material weakness identified, we cannot assure you that there will not be material weaknesses in our internal controls in the future. Prior to fiscal year 2010, our independent accounting firm was not registered by the Public Company Accounting Oversight Board, or PCAOB. In fiscal year 2010, we appointed a PCAOB registered independent accounting firm. In connection with our fiscal year 2008 and fiscal year 2009 audits following this appointment, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting. For fiscal year 2008 and fiscal year 2009, we did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with our financial reporting requirements. Specifically, we lacked sufficient finance and accounting staff with adequate depth and skill in the application of generally accepted accounting principles with respect to the accounting for revenue recognition and internal-use software. This control deficiency resulted in material errors, requiring the restatement of our financial results for our fiscal years ended April 30, 2008 and 2009.

Since the periods with respect to which this material weakness was identified, we have taken steps to address the material weakness disclosed in the preceding paragraph, including hiring a new chief financial officer, corporate controller and other appropriately qualified accounting personnel, forming an audit committee and implementing additional financial accounting controls and procedures. As a result of these actions, we believe that this material weakness has been remediated and our consolidated financial statements and related notes included elsewhere in this prospectus reflect the correct application of accounting guidance in accordance with GAAP. However, we have not completed the necessary documentation and testing procedures under Section 404 of the Sarbanes-Oxley Act and cannot assure you that we will be able to implement and maintain an effective internal control over financial reporting in the future. Any failure to maintain such controls could severely inhibit our ability to accurately report our financial condition or results of operations.

Risks Related to This Offering and Ownership of Our Common Stock

Our stock price may be volatile, and you may be unable to sell your shares at or above the offering price.

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to, among other things, the risk factors described in this section of this prospectus, and other factors beyond our control. Factors affecting the trading price of our common stock will include:

- variations in our operating results and operating results of similar companies;

changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock;

announcements of technological innovations, new products, services or service enhancements, strategic alliances or agreements by us or by our competitors;

marketing and advertising initiatives by us or our competitors;

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- threatened or actual litigation;
- changes in our management;
- recruitment or departures of key personnel;
- conditions in the market for social commerce solutions, the industries in which our clients operate and the economy as a whole;
- the overall performance of the equity markets;
- sales of shares of our common stock by existing stockholders; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations and general economic, political and market conditions, such as recessions, changes in U.S. credit ratings, interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. Each of these factors, among others, could harm the value of your investment in our common stock.

In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us, regardless of the merits or outcome, could result in substantial costs and divert our management s attention from other business concerns, which could materially harm our business.

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

The trading market for our common stock depends in part on the research and reports that securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish negative research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our stock or fail to publish reports on us regularly, we could lose visibility in the market for our stock and demand for our stock could decrease, which could cause our stock price or trading volume to decline.

The concentration of our capital stock ownership with insiders upon the completion of this offering will likely limit your ability to influence corporate matters.

We anticipate that our executive officers, directors, beneficial owners of 5.0% or more of our outstanding shares of common stock and affiliated entities will together beneficially own approximately % of our common stock outstanding after this offering, or % if the underwriters exercise their option to purchase additional shares in full. As a result, these stockholders, acting together, may be able to control our management and affairs and matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a change of control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if such a change of control would benefit our other stockholders. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders.

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Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

The price of our common stock could decline if there are substantial sales of our common stock in the public stock market after this offering. After this offering, we will have an aggregate of 60,229,937 outstanding shares of common stock, based on the number of shares outstanding as of April 30, 2012. All 10,906,941 shares of common stock sold in our initial public offering and all 8,500,000 shares sold in this offering, plus any shares sold pursuant to the underwriters option to purchase additional shares, will be freely tradable without restrictions unless these shares are held by affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining 40,822,996 shares of common stock outstanding after this offering, based on shares outstanding as of April 30, 2012, will be restricted as a result of securities laws, lock-up agreements or other contractual restrictions.

Upon the release of the underwriters lock-up from our initial public offering, which is expected to occur on August 21, 2012, approximately shares will be eligible for sale, subject in some cases to volume and other restrictions of Rule 144 and Rule 701 under the Securities Act. Upon the release of the underwriters lock-up from this offering, which is expected to occur 90 days after the date of this offering, approximately additional shares will be eligible for sale, subject in some cases to volume and other restrictions of Rule 144 and Rule 701 under the Securities Act. The underwriters may, in their sole discretion and without notice, release all or any portion of the shares from the restrictions of any lock-up agreements described above. In addition, these lock-up agreements are subject to the exceptions described in the section of this prospectus titled Underwriters.

All shares issued in connection with our acquisition of PowerReviews are subject to underwriters lock-up agreements on substantially the same terms as were entered into in connection with our initial public offering and are also subject to an additional lock-up agreement with us, which expires approximately 180 days following the closing of our acquisition of PowerReviews.

General Atlantic Partners 90, L.P., GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC, GAP Coinvestments CDA, L.P. and GAPCO GmbH & Co. KG, or collectively the GA Stockholders, have also agreed with us, subject to limited exceptions, not to sell or otherwise dispose of any shares of our common stock without our prior written consent for a period of 18 months after the closing of our initial public offering. These shares are expected to be released from this lock-up on August 30, 2013.

After this offering and the expiration of the applicable lock-up periods, certain holders of shares of our common stock not sold in this offering will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

Some of our employees, including all of our named executive officers, have entered into 10b5-1 trading plans regarding sales of shares of our common stock. These plans provide for sales to occur from time to time after the expiration of the lock-up period related to our initial public offering, which period is scheduled to expire on August 21, 2012. Sales of shares under those plans by our executives, as well as any other employee who has entered into a 10b5-1 trading plan who participates as a selling stockholder in this offering, will not be made during the 90-day lock-up period related to this offering.

We have also registered the issuance of all shares of common stock that we have issued and may issue under our option plans. These shares can be freely sold in the public market upon issuance, subject to the satisfaction of applicable vesting provisions, Rule 144 volume limitations, manner of sale, notice and public information requirements applicable to our affiliates and, as applicable, the lock-up agreements signed in connection with our initial public offering and with this offering.

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Also, in the future, we may issue securities in connection with investments and acquisitions. The amount of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then outstanding stock. Due to these factors, sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

Our management has broad discretion in the use of the net proceeds from this offering and may not use the net proceeds effectively.

Our management will have broad discretion in the application of the net proceeds from this offering. We cannot specify with certainty the uses to which we will apply the net proceeds we will receive from this offering. The failure by our management to apply these funds effectively could adversely affect our ability to continue to maintain and expand our business.

We do not anticipate paying any dividends on our common stock.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. If we do not pay cash dividends, you could receive a return on your investment in our common stock only if the market price of our common stock has increased when you sell your shares. In addition, the terms of our loan and security agreement currently restrict our ability to pay dividends.

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

We are an emerging growth company, as defined in the JOBS Act. For as long as we are an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding advisory say-on-pay votes on executive compensation and shareholder advisory votes on golden parachute compensation. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year during which we have total annual gross revenues of $1 billion or more; (ii) April 30, 2017; (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt; and (iv) the date on which we are deemed to be a large accelerated filer under the Exchange Act. We will be deemed a large accelerated filer on the first day of the fiscal year after the market value of our common equity held by non-affiliates exceeds $700 million, measured on October 31.

We cannot predict if investors will find our common stock less attractive to the extent we rely on the exemptions available to emerging growth companies. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

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

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company, and greater expenditures may be necessary in the future with the advent of new laws, regulations and stock exchange listing requirements pertaining to public companies, particularly after we are no longer an emerging growth company. The Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010, as well as rules subsequently implemented by the Securities and Exchange Commission and The NASDAQ Stock Market LLC, impose various requirements on public companies, including establishing effective internal controls and certain corporate governance practices. Our management and other personnel have begun to devote a substantial amount of time to these compliance initiatives, and additional laws and regulations may divert further management resources. Moreover, if we are not able to comply with the requirements of new compliance initiatives in a timely manner, the market price of our stock could decline, and we could be subject to investigations and other actions by the Securities and Exchange Commission and The NASDAQ Stock Market LLC, or other regulatory authorities, which would require additional financial and management resources.

Our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include:

- creating a classified board of directors whose members serve staggered three-year terms;
- not providing for cumulative voting in the election of directors;
- authorizing our board of directors to issue, without stockholder approval, preferred stock with rights senior to those of our common stock;
- prohibiting stockholder action by written consent; and
- requiring advance notification of stockholder nominations and proposals.

These and other provisions to be included in our amended and restated certificate of incorporation and our amended and restated bylaws and under Delaware law could discourage potential takeover attempts, reduce the price that investors might be willing to pay in the future for shares of our common stock and result in the market price of our common stock being lower than it would be without these provisions. See the sections of this prospectus titled Description of Capital Stock Preferred Stock and Description of Capital Stock Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus, including the sections of this prospectus titled Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements. We may, in some cases, use words such as believe, anticipate, plan, expect, estimate, intend, should, would, could, potentially, will or may, or other words that co events or outcomes to identify these forward-looking statements. Forward-looking statements in this prospectus include, but are not limited to, statements about:

- our ability to timely and effectively scale and adapt our existing technology and network infrastructure;
- our ability to increase engagement of our solutions by our clients, partners and professional organizations;
- our expectations regarding our revenue, expenses, sales and operations;
- anticipated trends, developments and challenges in our business and the markets in which we operate;
- our ability to compete in our markets and innovation by our competitors;
- our ability to attract and retain clients and subsequently grow our relationships with existing clients;
- our ability to anticipate market needs or develop new or enhanced solutions to meet those needs;
- our ability to effectively manage growth;
- our ability to establish and maintain our brand and intellectual property rights;
- our ability to manage expansion into international markets and new vertical industries;
- our ability to retain and attract qualified employees and key personnel;
- our ability to successfully integrate acquisitions of businesses and technologies, including PowerReviews;
- costs associated with defending intellectual property infringement and other claims;

our expectations regarding the use of proceeds from this offering;

our ability to successfully identify, manage and integrate potential acquisitions; and

our anticipated cash needs and our estimates regarding our capital requirements and our need for additional financing.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. A number of important factors could cause actual results to differ materially from the results anticipated by these forward-looking statements, which statements apply only as of the date of this prospectus. These important factors include those that we discuss in the section of this prospectus titled Risk Factors and elsewhere. You should read these factors and the other cautionary statements made in this prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

This prospectus contains estimates and other information concerning the industries in which we operate, including market size and growth rates, which are based on publications, surveys and forecasts, including those generated by Cisco Systems, Inc., ESOMAR B.V., Euromonitor International, Forrester Research, Inc., Fortune, Interbrand, Internet Retailer, MAGNAGLOBAL, comScore, Inc., Shop.org, PJL Digital (d/b/a Social Shopping Labs), The CMO Club (operated by C Level Club, LLC), and The Nielsen Company as well as internal research. We commissioned the survey of Chief Marketing Officers conducted by The CMO Club (operated by C Level Club, LLC) referenced on page 63 of this prospectus and contributed to its preparation. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. The industry in which we operate is subject to a high degree of uncertainty and risk due to variety of factors, including those described in the section of this prospectus titled Risk Factors. These and other factors could cause results to differ materially from those expressed in these publications, surveys and forecasts.

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USE OF PROCEEDS

We estimate that the net proceeds from our sale of 1,700,000 shares of common stock in this offering at the assumed public offering price of $ per share, which was the last reported sale price of our common stock on the Nasdaq Global Market on , 2012, after deducting estimated underwriting discounts and commissions and estimated offering expenses, will be approximately $ million or $ million if the underwriters option to purchase additional shares is exercised in full. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

The principal purposes of this offering are to obtain additional capital, provide liquidity for our selling stockholders and increase our public float.

We do not have current specific plans for the use of the net proceeds from this offering. However, we generally intend to use the balance of the net proceeds from this offering for working capital and other general corporate purposes. We also may use a portion of the net proceeds to acquire or license, or invest in, products, services, technologies or other businesses. The amount and timing of these expenditures will vary depending on a number of factors, including competitive and technological developments and the rate of growth, if any, of our business.

Pending their use, we plan to invest our net proceeds from this offering in short-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government. Our management will have broad discretion in the application of the net proceeds from this offering to us, and investors will be relying on the judgment of our management regarding the application of the proceeds.

MARKET PRICE OF COMMON STOCK

Our common stock has been listed on the Nasdaq Global Market under the symbol BV since February 24, 2012. Prior to that date, there was no public trading market for our common stock. Our common stock in our initial public offering priced at $12.00 per share on February 23, 2012. The following table sets forth for the periods indicated the high and low sale prices per share of our common stock as reported on the Nasdaq Global Market.

	Common Stock Price	
	High	Low
Year Ended April 30, 2012		
Fourth Quarter (from February 24, 2012)	$ 21.10	$ 15.10
Year Ended April 30, 2013		
First Quarter (through June 26, 2012)	20.20	14.48

On June 26, 2012, the reported last sale price of our common stock on the Nasdaq Global Market was $18.50 per share and, as of June 26, 2012, there were approximately 241 holders of our common stock.

DIVIDEND POLICY

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

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CAPITALIZATION

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

- an actual basis; and

- an as adjusted basis, reflecting our receipt of the net proceeds from our sale of 1,700,000 shares of common stock by us in this offering at the assumed public offering price of $ per share, which was the last reported sale price of our common stock on the Nasdaq Global Market on , 2012, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

You should read this table together with the sections of this prospectus titled Selected Consolidated Financial and Other Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and with our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of April 30, 2012	
	Actual	As Adjusted
	(in thousands, except share data) (unaudited)	
Stockholders equity (deficit):		
Undesignated preferred stock, $0.0001 par value; 10,000,000 shares authorized, no shares issued and outstanding, actual and as adjusted		
Common stock, $0.0001 par value; 150,000,000 shares authorized, 58,779,937 shares issued and 58,529,937 shares outstanding, actual; 150,000,000 shares authorized, 60,479,937 shares issued and 60,229,937 shares outstanding, as adjusted	6	
Treasury stock, at cost; 250,000 shares outstanding, actual and as adjusted		
Additional paid-in capital	158,769	
Accumulated other comprehensive loss	(20)	
Accumulated deficit	(65,157)	
Total stockholders equity (deficit)	93,598	
Total capitalization	93,598	

The number of shares of common stock outstanding set forth in the table is based on 58,529,937 shares outstanding as of April 30, 2012 and excludes:

- 12,082,847 shares of common stock issuable upon exercise of options outstanding as of April 30, 2012 at a weighted average exercise price of $4.57 per share;

202,500 shares of common stock issuable upon exercise of warrants outstanding as of April 30, 2012 at a weighted average exercise price of $9.59 per share;

4,227,906 shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan adopted in January 2012, as more fully described in the section of this prospectus titled Executive Compensation Stock Incentive Plans;

1,137,123 shares of common stock reserved for future issuance under our 2012 Employee Stock Purchase Plan adopted in January 2012, as more fully described in the section of this prospectus titled Executive Compensation Stock Incentive Plans;

6,380,538 shares of common stock issued as consideration in connection with our acquisition of PowerReviews; and

1,656,751 shares of common stock reserved for issuance pursuant to outstanding options under the PowerReviews 2005 Equity Incentive Plan, which we assumed in connection with our acquisition of PowerReviews in June 2012, as more fully described in the section of this prospectus titled Executive Compensation Stock Incentive Plans.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

You should read the following selected historical consolidated financial data below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements, related notes and other financial information included in this prospectus.

The consolidated statements of operations data for the fiscal years ended April 30, 2010, 2011 and 2012 and the consolidated balance sheet data as of April 30, 2011 and 2012 are derived from our audited consolidated financial statements included in this prospectus. The consolidated statements of operations data for the fiscal years ended April 30, 2008 and 2009 and the consolidated balance sheet data as of April 30, 2008, 2009 and 2010 are derived from our audited consolidated financial statements not included in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended April 30,				
	2008	2009	2010	2011	2012
Consolidated Statements of Operations Data:	(in thousands, except per share data)				
Revenue	$ 10,108	$ 22,472	$ 38,648	$ 64,482	$ 106,136
Cost of revenue[(1)]	4,136	8,307	15,191	25,615	36,441
Gross profit	5,972	14,165	23,457	38,867	69,695
Operating expenses:					
Sales and marketing[(1)]	5,876	11,260	17,803	34,568	49,726
Research and development[(1)]	1,773	3,444	5,828	10,847	20,789
General and administrative[(1)]	2,135	4,442	7,651	13,156	21,895
Total operating expenses	9,784	19,146	31,282	58,571	92,410
Operating loss	(3,812)	(4,981)	(7,825)	(19,704)	(22,715)
Total other income (expense), net	177	98	56	208	(803)
Net loss before income taxes	(3,635)	(4,883)	(7,769)	(19,496)	(23,518)
Income tax expense		125	205	561	811
Net loss	$ (3,635)	$ (5,008)	$ (7,974)	$ (20,057)	$ (24,329)
Less accretion of redeemable convertible preferred stock	(34)	(42)	(43)	(46)	(38)
Net loss applicable to common stockholders	$ (3,669)	$ (5,050)	$ (8,017)	$ (20,103)	$ (24,367)
Net loss per share applicable to common stockholders:					
Basic and diluted	$ (0.24)	$ (0.32)	$ (0.48)	$ (1.13)	$ (0.92)
Basic and diluted weighted average number of shares	15,540	15,854	16,637	17,790	26,403
Other Financial Data:					
Adjusted EBITDA[(2)]	$ (3,400)	$ (3,340)	$ (4,211)	$ (13,317)	$ (12,901)

(1) Includes stock-based expense as follows (in thousands):

	Year Ended April 30,				
	2008	2009	2010	2011	2012
	(in thousands)				
Cost of revenue	$ 57	$ 319	$ 604	$ 978	$ 1,220
Sales and marketing	126	469	924	1,122	1,869
Research and development	34	258	469	731	1,326
General and administrative	51	281	636	1,850	3,295
	$ 268	$ 1,327	$ 2,633	$ 4,681	$ 7,710

(2) We define Adjusted EBITDA as net loss adjusted for stock-based expense, adjusted depreciation and amortization (which excludes amortization of capitalized internal-use software development costs), income tax expense and other (income) expense, net. Adjusted EBITDA is a financial measure that is not calculated in accordance with U.S. generally accepted accounting principles, or GAAP. For future periods, we will exclude from Adjusted EBITDA integration and other costs related to acquisitions.

Adjusted EBITDA should not be considered as an alternative to net loss, operating loss or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate Adjusted EBITDA in the same manner. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reason we consider them appropriate.

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We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

Adjusted EBITDA is widely used by investors and securities analysts to measure a company s operating performance without regard to items, such as stock-based expense, adjusted depreciation and amortization, income tax expense, integration and other costs related to acquisitions and other income, net, that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;

Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance;

Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and

Our investor and analyst presentations include Adjusted EBITDA as a supplemental measure to evaluate our overall operating performance.

We understand that, although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

Adjusted depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; Adjusted EBITDA does not reflect any cash requirements for these replacements;

Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;

Adjusted EBITDA does not reflect cash requirements for income taxes and integration and other costs related to acquisitions and the cash impact of other income; and

Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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

	Year Ended April 30,				
	2008	2009	2010	2011	2012
	(in thousands)				
Net loss	$ (3,635)	$ (5,008)	$ (7,974)	$ (20,057)	$ (24,329)
Stock-based expense	268	1,327	2,633	4,681	7,710
Adjusted depreciation and amortization	144	314	981	1,706	2,104
Income tax expense		125	205	561	811

Total other (income) expense, net	(177)	(98)	(56)	(208)	803
Adjusted EBITDA	$ (3,400)	$ (3,340)	$ (4,211)	$ (13,317)	$ (12,901)

	April 30,				
	2008	2009	2010	2011	2012
Selected Consolidated Balance Sheet Data:			(in thousands)		
Cash and cash equivalents	$ 7,419	$ 6,388	$ 16,036	$ 15,050	$ 74,367
Short term investments		7,995			50,834
Total deferred revenue	3,631	8,277	17,104	32,160	45,586
Total current assets	9,808	19,390	25,581	31,095	147,551
Total current liabilities	5,022	10,452	20,186	35,901	57,400
Total assets	10,731	20,892	32,547	37,972	156,867
Total liabilities	5,439	11,275	24,943	43,589	63,269
Total non-current liabilities	417	823	4,757	7,688	5,869
Redeemable convertible preferred stock	12,533	20,486	23,587	23,633	
Total stockholders deficit	(7,241)	(10,870)	(15,983)	(29,250)	93,598

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the sections of this prospectus titled Risk Factors and Special Note Regarding Forward-Looking Statements and Industry Data. All references herein to a fiscal year refer to the 12 months ended April 30 of such year, and references to the first, second, third and fourth fiscal quarters refer to the three months ended July 31, October 31, January 31 and April 30, respectively.

Overview

We are a leading provider of social commerce solutions that help our clients capture, display and analyze online word of mouth, including consumer-generated ratings and reviews, questions and answers, stories, recommendations, photographs, videos and other content about our clients brands, products or services. Bazaarvoice, which literally means voice of the marketplace, was founded on the premise that online word of mouth is critical to consumers and businesses because of its influence on purchasing decisions, both online and offline. We enable our clients to place consumers at the center of their business strategies by helping consumers generate and share sentiment, preferences and other content about brands, products or services. Through our technology platform, our clients leverage online word of mouth to increase sales, acquire new customers, improve marketing effectiveness, enhance consumer engagement across channels, increase success of new product launches, improve existing products and services, effectively scale customer support and decrease product returns.

We deliver our solutions primarily through a Software-as-a-Service, or SaaS, architecture that can be configured to meet each client s specific needs. We sell our solutions through a direct sales team with our primary sales operations in Austin, Texas and London, United Kingdom. We also have direct sales teams in Australia, France, Germany, and Sweden. We offer our solutions primarily through subscription agreements and generally recognize revenue ratably over the related subscription period, which is typically one year.

Since inception, we have experienced rapid revenue growth, driven primarily by an increase in the number of active clients, which we define as clients that have implemented our solutions and from which we are currently recognizing revenue. In order to take advantage of our significant growth opportunity and to provide high levels of client service, we have also substantially expanded our number of full-time employees. We believe our growth is further illustrated by impressions served, which we define as single instances of online word of mouth delivered to an end user s web browser. While this metric does not drive our pricing, it measures the reach of our network to a consumer audience. The following table summarizes these measures of our growth over fiscal years 2010, 2011 and 2012:

	Year Ended April 30,		
	2010	**2011**	**2012**
Growth Trends:			
Revenue (in thousands)	$ 38,648	$ 64,482	$ 106,136
Number of active clients (period end)	369	571	790
Full-time employees (period end)	324	494	640

Impressions served (in thousands)	63,249,918	92,341,249	125,425,905

For the fiscal year ended April 30, 2012, through the continued enhancement and expansion of our social commerce platform, we achieved significant growth as compared to 2011 in both the number of active clients and the revenue we generate from our active clients over time. Our revenue was $106.1 million in 2012, which represented a 64.6% increase from 2011.

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Our growth has been driven by our ability to provide effective solutions that help our clients achieve measurable results from online word of mouth. Our platform, which we launched in October 2005, provides a turnkey Ratings & Reviews solution, which was initially targeted for online retailers, enabling them to collect and display consumer reviews on their retail websites. As of April 30, 2012, a majority of our clients were online retailers.

Since the launch of our platform, we have expanded the features and functionality of our platform and solutions, enabling us to increase revenue from existing clients while attracting significant numbers of new clients in online retail and other industries, including manufacturing clients that sell their products and services through our online retail clients. Significant additions to our platform include our Questions & Answers solution released in May 2007, our Campaigns solution released in July 2008, our amplification suite released in January 2010 that incorporates the BrandVoice and BrandAnswers network amplification features and our Applications for Facebook product suite released in June 2010 that provides a platform for our clients to connect with consumers across social networks. Ratings & Reviews, the core solution in our platform, is used by virtually all of our clients. We are the leading provider of customer reviews and forums to 32.6% of the 2012 Internet Retailer 500, more than every other vendor of a similar service, as of April 2012. We now have active clients in a variety of industries, including the retail, consumer products, travel and leisure, technology, telecommunications, financial services, healthcare and automotive industries. As of April 30, 2012, we had 790 active clients and 640 full-time employees servicing those clients. In addition, as a result of our acquisition of PowerReviews, we added approximately 300 network clients, approximately 800 express clients and 81 new employees to our business as of June 12, 2012, which was the date of the closing of the acquisition.

A key element of our growth strategy is the continuous enhancement and expansion of our social commerce platform by developing and implementing new solutions, enhancing our software architecture to efficiently and cost-effectively develop and implement new solutions, adding new features and functionality and expanding the potential applications of our existing solutions. Through consistent innovation, we have increased both the number of active clients and the revenue we generate from our active clients over time. We plan to continue to enhance our software architecture and enhance and expand our solutions through increased investments in research and development and by pursuing strategic acquisitions of complementary businesses and technologies that will enable us to continue to drive growth in the future.

For fiscal years 2010, 2011 and 2012, our net loss was \$(8.0) million, \$(20.1) million and \$(24.3) million, respectively, our Adjusted EBITDA was \$(4.2) million, \$(13.3) million and \$(12.9) million, respectively, and our cash flow from operations was \$5.2 million, \$(0.6) million and \$(0.3) million, respectively.

For further discussion regarding Adjusted EBITDA, see footnote (2) on page 37 to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data.

In February 2012 we closed our initial public offering, at which time we sold a total of 10,422,645 shares of our common stock for which we received total cash proceeds of \$112.8 million, net of issuance costs.

In fiscal year 2013, we plan to continue to invest for long-term growth. We expect to continue the enhancement of our platform by developing new solutions, adding new features and functionality and expanding the potential applications of our existing solutions. We also plan to continue our investments in research and development and to pursue strategic acquisitions of complementary businesses and technologies that will enable us to continue to drive growth in the future. To support these efforts, we expect to increase our workforce which will result in an increase of headcount related expenses, including stock-based compensation. As of April 30, 2012, we had 640 full-time employees, which represented an increase of 29.6% compared to the same period last year.

Business Model

Our business model focuses on maximizing the lifetime value of a client relationship. We make significant investments in acquiring new clients and believe that we will be able to achieve a favorable return on these

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investments by growing our relationships over time and ensuring that we have a high level of client retention. To provide an understanding of our client economics, we are providing an analysis of the clients we acquired in fiscal year 2008, which we will refer to as the 2008 Cohort. We selected the 2008 Cohort as a representative set of clients for this analysis because 2008 is the first year since our inception with a material number of clients and revenue. The 2008 Cohort is comprised of 122 clients acquired during fiscal year 2008 and represented 21.7% of our total company revenue for the fiscal year ended April 30, 2012. For the month of April 2012, which was the last month of our most recent fiscal year, 90 of the 122 clients initially acquired in fiscal year 2008 were active clients, representing a 73.8% retention rate for the 2008 Cohort.

In connection with the acquisition of new clients, we incur and recognize significant upfront costs. These costs include sales and marketing costs associated with generating client agreements, such as sales commission expenses that are recognized fully in the period in which we execute a client contract. However, we recognize revenue ratably over the entire term of those contracts, which commences only when the client is able to begin using our solution. Although we expect each client to be profitable for us over the duration of our relationship, the costs we incur with respect to any client relationship may exceed revenue in earlier periods because we recognize those costs in advance of the recognition of revenue. As a result, an increase in the mix of new clients as a percentage of total clients will initially have a negative impact on our operating results. On the other hand, we expect that a decrease in the mix of new clients as a percentage of total clients will initially have a positive impact on our operating results. Additionally, many clients pay in advance of the recognition of revenue and, as a result, our cash flow from these clients may exceed the amount of revenue recognized for those clients in earlier periods of our relationship.

In fiscal year 2008, we recognized $10.1 million in revenue, of which $2.3 million related to the 2008 Cohort. During this same period, we incurred total sales and marketing costs of $5.9 million, of which we attributed $5.0 million to the 2008 Cohort using the estimates and assumptions described below. During fiscal year 2008, we collected $4.1 million in cash with respect to the 2008 Cohort.

In fiscal year 2012, we recognized $106.1 million in revenue, of which $23.0 million related to the 2008 Cohort. During this same period, we incurred total sales and marketing costs of $49.7 million, of which we attributed $5.4 million to the 2008 Cohort using the estimates and assumptions described below. During fiscal year 2012, we collected $25.1 million in cash with respect to the 2008 Cohort.

For purposes of this analysis, to attribute sales and marketing costs to the 2008 Cohort, we first excluded stock-based compensation, depreciation and amortization of $0.1 million and $1.9 million in 2008 and 2012, respectively. We then assumed that all marketing costs we incurred in fiscal year 2008, but no marketing costs we incurred in fiscal year 2012 were attributable to the 2008 Cohort, as we generally consider the marketing costs we incur in any fiscal year to be a cost of acquiring our new clients in that fiscal year. We then attributed to the 2008 Cohort a percentage of our sales costs in each fiscal year that was equal to the percentage of the total annualized contract value we sold to the 2008 Cohort in that fiscal year. We believe the estimates and assumptions we used to attribute these costs are reasonable, but the attributed costs could have varied significantly from the amounts disclosed above had we used different estimates and assumptions.

For purposes of this analysis, we have also measured our performance with respect to the 2008 Cohort based on the multiple of revenue recognized relative to the sales and marketing costs we incurred over the life of our client relationships from fiscal year 2008 through 2012. For our 2008 Cohort, from fiscal year 2008 through April 30, 2012, we have recognized $68.4 million in revenue and have attributed $19.1 million in sales and marketing costs based on the above estimates and assumptions, which equates to a multiple of 3.6 During the same period, we collected $73.4 million in cash with respect to the 2008 Cohort.

We cannot assure you that we will experience similar financial outcomes from clients added in other years or in future periods. You should not rely on the allocated expenses or relationship of revenue to sales and marketing as being indicative of our current or future performance. Because we are still in the early stages of our development, we do not yet have enough operating history to measure the lifetime of our client relationships.

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Therefore, we cannot predict the average lifetime of a client relationship for the 2008 Cohort or for clients acquired in other fiscal years. We also cannot predict whether revenue for the 2008 Cohort will continue to grow at the rate of growth experienced through April 30, 2012, or whether the growth rate of other cohorts will be similar to that of the 2008 Cohort. Moreover, we cannot assure you that we will experience similar results in terms of the relationship between revenue and costs for clients acquired in other years or in future periods. We may not achieve profitability even if our revenue exceeds costs from our clients over time. We encourage you to read our consolidated financial statements that are included in this prospectus.

Key Business Metrics

In addition to macroeconomic trends affecting the demand for our solutions, management regularly reviews a number of key financial and operating metrics to evaluate our business, determine the allocation of our resources, make decisions regarding corporate strategies and evaluate forward-looking projections and trends affecting our business.

	Year Ended April 30,		
	2010	**2011**	**2012**
	(in thousands, except number of clients and client retention)		
Revenue	$ 38,648	$ 64,482	$ 106,136
Cash flow from operations	$ 5,166	$ (647)	$ (320)
Number of active clients (period end)	369	571	790
Revenue per active client[(1)]	$ 132.4	$ 136.7	$ 153.9
Active client retention rate[(2)]	88.4%	89.7%	89.0%
Revenue per employee[(3)]	$ 167.5	$ 151.9	$ 187.7

(1) Calculated based on the average number of active clients for the period on a quarterly basis.
(2) Calculation is based on active client retention over a 12 month period.
(3) Calculated based on the average number of full-time employees for the period on a quarterly basis.

Revenue

Revenue consists primarily of fees from the sale of subscriptions to our hosted social commerce solutions, and we generally recognize revenue ratably over the related subscription period, which is typically one year. We regularly review our revenue and revenue growth rate to measure our success. We believe that trends in revenue are important to understanding the overall health of our marketplace, and we use these trends in order to formulate financial projections and make strategic business decisions.

Cash Flow from Operations

Cash flow from operations is the cash that we generate through the normal course of business and is measured prior to the impact of investing or financing activities. Due to the fact that we incur a significant amount of upfront costs associated with the acquisition of new clients with revenue recognized over an extended period, we consider cash flows from operations to be a key measure of our true operating performance.

Number of Active Clients

We define an active client as an organization that has implemented one or more of our solutions and from which we are currently recognizing revenue, and we count organizations that are closely related as one client, even if they have signed separate contractual agreements with us for different brands or different solutions. We believe that our ability to increase our client base is a leading indicator of our ability to grow revenue. For more information about our clients, see the section of this prospectus titled Business Clients.

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Revenue per Active Client

Revenue per active client is calculated as revenue recognized during the period divided by the average number of active clients for the period. One of our key goals is to provide exceptional client service to drive client lifetime value. Our experience indicates that the better client service we provide, the more likely we are to increase our revenue per active client and retain clients. In addition, we seek to increase revenue per active client by selling our solutions to new brands within existing clients or selling additional solutions to existing clients. Indeed, many of our clients have multiple brands that have deployed our solutions. Increasing revenue per active client coupled with high client retention maximizes lifetime client value and, by extension, the value of our business. In the future, we may choose to enter new market segments, such as the small and medium size business segment, and our revenue per client may decline as a result. However, we would expect to develop solutions and operating models that are appropriately matched to the revenue for those new segments.

Active Client Retention Rate

Active client retention rate is calculated based on the number of active clients at period end that were also active clients at the start of the period divided by the number of active clients at the start of the period. As mentioned above, we believe that our ability to retain our clients and expand their use of our solutions over time is a leading indicator of the stability of our revenue base and the long-term value of our client relationships.

Revenue per Employee

Revenue per employee is calculated as revenue recognized during the period divided by the average number of full-time employees for the period, excluding content moderators. We believe revenue per employee is a leading indicator of our productivity and operating leverage, and we monitor revenue per employee as an indicator of our profitability because a significant portion of our cost of revenue and operating expenses are driven by our number of employees. The growth of our business is dependent on our ability to hire the talented people we require to effectively capitalize on our market opportunity and scale with rapid growth while maintaining a high level of client service. As a result, we expect revenue per employee to decrease in periods of investment when we add employees in advance of anticipated growth, particularly in periods when we are developing new markets or solutions. Our objective is to balance our investments in growth with return on investment over time and to consistently build operating leverage through productivity gains, thus increasing revenue per employee over time.

Recent Developments

On June 12, 2012, we completed the acquisition of PowerReviews, Inc., or PowerReviews, a provider of social commerce solutions based in San Francisco, California. PowerReviews   solutions are offered through two platforms   a network platform that is similar to our Conversations platform and an express platform that provides certain ratings and reviews solutions as a turn-key offering. We believe that this acquisition will provide us an opportunity to further penetrate the markets that we serve. Through our acquisition of PowerReviews, we added approximately 300 network clients, approximately 800 express clients and 81 new employees to our business. We believe that the acquisition will establish us with small and medium-size businesses and further expand the reach and value of our network. We also expect to achieve significant cost synergies by combining the operations of PowerReviews with our own.

At the closing share price on June 12, 2012, the market value of the consideration for this transaction totaled approximately $169.2 million, including the payment of approximately $30.9 million in cash, the issuance of approximately 6.4 million shares of our common stock and the assumption of vested and unvested options to purchase the common stock of PowerReviews equivalent to options to purchase 1.7 million shares of our common stock, but excluding the potential cash proceeds that may arise from the exercise of these assumed options. The cash portion of the purchase price was primarily funded using proceeds from our initial public

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offering. The aggregate purchase price for this transaction may be subject to a downward adjustment based on our review of PowerReviews financial condition as of the closing, which is underway. The estimated purchase price for accounting purposes was $150.1 million.

This acquisition creates risks for us. These risks are set forth more fully in the section of this prospectus titled Risk Factors.

Because our acquisition of PowerReviews was completed after the end of our fiscal year 2012, it did not affect our financial results for this period. Audited PowerReviews financial statements and unaudited pro forma condensed consolidated financial statements are included following our financial statements and should be read in conjunction with the respective accompanying notes.

Key Components of Our Consolidated Statements of Operations

Revenue

We generate revenue principally from fixed commitment subscription contracts under which we provide clients with various services, including access to our hosted software platform. We sell these services under contractual agreements that are generally one year in length. Clients typically commit to fixed rate fees for the service term, payable in advance. Revenue from these agreements is recognized ratably over the period of service and any revenue that does not meet recognition criteria is recorded as deferred revenue on our balance sheet. We invoice clients on varying billing cycles, including annually, quarterly and monthly; therefore, our deferred revenue balance does not represent the total contract value of our non-cancelable subscription agreements. Fees payable under these agreements are due in full and non-refundable regardless of the actual use of the service and contain no general rights of return. We have a growing, diverse, global and balanced client base, and no single client accounted for more than 10.0% of our revenue in fiscal year 2012.

Cost of Revenue

Cost of revenue consists primarily of personnel costs and related expenses associated with employees and contractors who provide our subscription services. This includes the costs of our implementation team, which were $4.3 million, $9.3 million and $12.4 million in fiscal years 2010, 2011 and 2012, respectively, along with our content moderation teams and other support services provided as part of the fixed commitment subscription contracts. Cost of revenue also includes professional fees, including third-party implementation support, travel-related expenses and an allocation of general overhead costs, including depreciation, facility- and office-related expenses. Personnel costs include salaries, benefits, bonuses and stock-based compensation. We generally increase our capacity, particularly in the areas of implementation and support, ahead of the growth in revenue we expect those investments to drive, which can result in lower margins in the given investment period. For example, as a direct result of such investments in fiscal year 2011, gross profit as a percentage of revenue decreased from 60.7 % in fiscal year 2010 to 60.3% in fiscal year 2011. However, as a result of our investment in growth in fiscal year 2011, gross profit as a percentage of revenue increased to 65.7% in fiscal year 2012.

Cost of revenue also includes hosting costs and the amortization of capitalized development costs incurred in connection with our hosted software platform. The amortization associated with capitalized internal-use software development costs was $0.4 million, $0.6 million and $1.0 million for fiscal years 2010, 2011 and 2012 and has not been material to our cost of revenue. We allocate general overhead expenses to all departments based on the number of employees in each department, which we consider to be a fair and representative means of allocation. As such, general overhead expenses, including depreciation and facilities costs, are reflected in our cost of revenue.

We intend to continue to invest additional resources in our client services teams and in the capacity of our hosting service infrastructure and, as we continue to invest in technology innovation through our research and development organization, we may also see an increase in the amortization expense associated with the

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capitalization of development costs incurred in connection with enhancing our software architecture and adding new features and functionality to our platform. The level and timing of investment in these areas could affect our cost of revenue, both in terms of absolute dollars and as a percentage of revenue in the future.

Operating Expenses

We classify our operating expenses into three categories: sales and marketing; research and development; and general and administrative. In each category, our operating expenses consist primarily of personnel costs, marketing program expenses, professional fees and travel-related expenses, as applicable. In addition, we allocate general overhead expenses to all departments based on the number of employees in each department, which we consider to be a fair and representative means of allocation and, as such, general overhead expenses, including depreciation and facilities costs, are reflected in each of our operating expense categories. Operating expenses grew from $31.2 million in fiscal year 2010 to $92.4 million in fiscal year 2012 due primarily to the increase in our number of full-time employees from 324 at April 30, 2010 to 640 at April 30, 2012.

Sales and marketing. Sales and marketing expenses consist primarily of personnel costs for our sales, marketing and business development employees and executives, including salaries, benefits, stock-based compensation expense, bonuses and commissions earned by our sales personnel. Also included are non-personnel costs such as professional fees, an allocation of our general overhead expenses and the costs of our marketing and brand awareness programs. Our marketing programs include our Social Commerce Summits in the United States and Europe, regional user groups, corporate communications, public relations and other brand building and product marketing expenses. We expense sales commissions when a client contract is executed because we believe our obligation to pay a sales commission arises at that time. We plan to continue investing in sales and marketing by increasing the number of direct sales personnel, expanding our domestic and international sales and marketing activities, building brand awareness and sponsoring additional marketing events, which we believe will enable us to add new clients and increase penetration within our existing client base. We expect that, in the future, sales and marketing expenses will increase and continue to be our largest operating cost.

Research and development. Research and development expenses consist primarily of personnel costs for our product development employees and executives, including salaries, benefits, stock-based compensation expense and bonuses. Also included are non-personnel costs such as professional fees payable to third-party development resources and an allocation of our general overhead expenses. A substantial portion of our research and development efforts are focused on enhancing our software architecture and adding new features and functionality to our platform to address social and business trends as they evolve, and we anticipate increasing this focus on innovation through technology. We are also incurring an increasing amount of expenses in connection with our efforts to leverage data that we and our clients collect and manage through the use of our solutions. We therefore expect that, in the future, research and development expenses will increase, as will the amount of development expenses capitalized in connection with our internal-use hosted software platform.

General and administrative. General and administrative expenses consist primarily of personnel costs, including salaries, benefits, stock-based compensation expense and bonuses for our administrative, legal, human resources, finance, accounting and information technology employees and executives. Also included are non-personnel costs, such as travel-related expenses, professional fees and other corporate expenses, along with an allocation of our general overhead expenses. We expect to incur incremental costs associated with supporting the growth of our business, both in terms of size and geographical diversity, and to meet the increased compliance requirements associated with being a public company. Those costs include increases in our accounting and legal personnel, additional consulting, legal and audit fees, insurance costs, board of directors compensation and the costs of achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act. We expect our general and administrative expenses to increase in absolute dollars in future periods but to decrease as a percentage of revenue over time.

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Other Income (Expense)

Other income (expense) consists primarily of interest income and foreign exchange gains and losses. Interest income represents interest received on our cash and investments. We expect interest income to increase in subsequent periods as we earn interest income from proceeds received from our initial public offering. Foreign exchange gains and losses arise from revaluations of foreign currency denominated monetary assets and liabilities.

Income Tax Expense

As a result of our current net operating loss position in the United States, income tax expense consists primarily of corporate income taxes resulting from profits generated in foreign jurisdictions by wholly-owned subsidiaries, along with state income taxes payable in the United States. We expect our income tax expense to increase in the future, as our profits increase both in the United States and in foreign jurisdictions.

Results of Operations

The following tables set forth our results of operations for the specified periods. The period-to-period comparisons of results are not necessarily indicative of results for future periods.

	Year Ended April 30,		
	2010	2011	2012
Consolidated Statements of Operations Data:		(in thousands)	
Revenue	$ 38,648	$ 64,482	$ 106,136
Cost of revenue[1]	15,191	25,615	36,441
Gross profit	23,457	38,867	69,695
Operating expenses:			
Sales and marketing[1]	17,803	34,568	49,726
Research and development[1]	5,828	10,847	20,789
General and administrative[1]	7,651	13,156	21,895
Total operating expenses	31,282	58,571	92,410
Operating loss	(7,825)	(19,704)	(22,715)
Total other income (expense), net	56	208	(803)
Net loss before income taxes	(7,769)	(19,496)	(23,518)
Income tax expense	205	561	811
Net loss	$ (7,974)	$ (20,057)	$ (24,329)

Other Financial Data:			
Adjusted EBITDA[(2)]	$ (4,211)	$ (13,317)	$ (12,901)

(1) Includes stock-based expense as follows:

Cost of revenue	$ 604	$ 978	$ 1,220
Sales and marketing	924	1,122	1,869
Research and development	469	731	1,326
General and administrative	636	1,850	3,295
	$ 2,633	$ 4,681	$ 7,710

(2) We define Adjusted EBITDA as net loss adjusted for stock-based expense, adjusted depreciation and amortization (which excludes amortization of capitalized internal-use software development costs), income tax expense and other (income) expense, net. For future periods, we will exclude from Adjusted EBITDA integration and other costs related to acquisitions. See footnote (2) on page 37 to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data for a reconciliation of net loss to Adjusted EBITDA.

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

	Year Ended April 30, 2010	2011	2012
Consolidated Statements of Operations Data:			
Revenue	100.0%	100.0%	100.0%
Cost of revenue[(1)]	39.3	39.7	34.3
Gross profit	60.7	60.3	65.7
Operating expenses:			
Sales and marketing[(1)]	46.1	53.6	46.9
Research and development[(1)]	15.1	16.8	19.6
General and administrative[(1)]	19.8	20.4	20.6
Total operating expenses	80.9	90.8	87.1
Operating loss	(20.2)	(30.6)	(21.4)
Total other income (expense), net	0.1	0.3	(0.8)
Net loss before income taxes	(20.1)	(30.2)	(22.2)
Income tax expense	0.5	0.9	0.8
Net loss	(20.6)%	(31.1)%	(22.9)%
Other Financial Data:			
Adjusted EBITDA[(2)]	(10.9)%	(20.7)%	(12.2)%

(1) Includes stock-based expense as follows:

Cost of revenue	1.6%	1.5%	1.1%
Sales and marketing	2.4	1.7	1.8
Research and development	1.2	1.1	1.2
General and administrative	1.6	2.9	3.1
	6.8%	7.3%	7.3%

(2) We define Adjusted EBITDA as net loss adjusted for stock-based expense, adjusted depreciation and amortization (which excludes amortization of capitalized internal-use software development costs), income tax expense and other (income) expense, net. For future periods, we will exclude from Adjusted EBITDA integration and other costs related to acquisitions. See footnote (2) on page 37 to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data for a reconciliation of net loss to Adjusted EBITDA.

Comparison of Our Fiscal Years Ended April 30, 2011 and 2012

Revenue

	Year Ended April 30,		
	2011	2012	% Change
	(dollars in thousands)		
Revenue	$ 64,482	$ 106,136	64.6%

Our revenue increased by $41.7 million, or 64.6%, in fiscal year 2012 compared to fiscal year 2011. Of this increase, $14.2 million was generated from a 49.4% increase in the number of new clients utilizing our platform during the period as we continued to increase the market penetration of our solutions. The remaining

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$27.5 million increase was generated from existing clients, primarily from a combination of strong client retention, which was 89.0% for the 12 months ended April 30, 2012, and from increasing revenue per active client (in thousands), which was $136.7 for the fiscal year ended April 30, 2011 and $153.9 for the fiscal year ended April 30, 2012.

Cost of Revenue and Gross Profit Percentage

	Year Ended April 30, 2011	2012	% Change
	(dollars in thousands)		
Cost of revenue	$ 25,615	$ 36,441	42.3%
Gross profit	38,867	69,695	79.3%
Gross profit percentage	60.3%	65.7%	

Cost of revenue increased $10.8 million, or 42.3%, in fiscal year 2012 compared to fiscal year 2011. This increase was primarily due to personnel-related expenses of $5.6 million as we incurred a full 12 months of cost in 2012 for employees hired throughout 2011. We also experienced increases of $2.7 million in costs associated with hosting services and amortization associated with capitalized internal-use software development costs, $1.3 million in professional fees, $0.8 million in travel-related expenses, and $0.2 million in facility- and office-related expenses. Over the period we increased the size of our client services team by 7 full-time employees to end the fiscal year with 238 full-time employees.

Operating Expenses

	Year Ended April 30, 2011		2012		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Sales and marketing	$ 34,568	53.6%	$ 49,726	46.9%	43.8%
Research and development	10,847	16.8	20,789	19.6	91.7
General and administrative	13,156	20.4	21,895	20.6	66.4
Total operating expenses	$ 58,571	90.8%	$ 92,410	87.1%	57.8%

Sales and marketing. Sales and marketing expenses increased $15.2 million, or 43.8%, in fiscal year 2012 compared to fiscal year 2011. This increase was primarily due to an increase in personnel-related expenses of $9.9 million, as we expanded our sales and marketing teams. We also experienced increases of $3.8 million in marketing and travel-related expenses, $0.6 million in provision for doubtful accounts and $0.4 million in professional fees. Over the period we increased the size of our sales and marketing team by 13 full-time employees to end the fiscal year with 161 full-time employees.

Research and development. Research and development expenses increased $9.9 million, or 91.7%, in fiscal year 2012 compared to fiscal year 2011. This increase was primarily due to an increase in personnel-related expenses of $7.6 million as we continued to expand our research and development team. We also experienced increases of $1.3 million in professional fees and $0.5 million in travel-related expenses. Over the period we increased the size of our research and development team by 97 full-time employees to end the fiscal year with 159 full-time employees.

General and administrative. General and administrative expenses increased $8.7 million, or 66.4%, in fiscal year 2012 compared to fiscal year 2011. This increase was due to an increase in personnel related expenses of $3.9 million, as we continued to hire personnel who possess the necessary skills and training required to support the growth of our business and our operation as a public company. The remaining increase was driven primarily by $3.9 million of professional fees, particularly in the areas of recruiting and accounting and audit-related services and a $0.7 million increase in facilities related services. Over the period we increased the size of our general and administrative team by 29 full-time employees to end the fiscal year with 82 full-time employees.

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Other Income (Expense), Net

	Year Ended April 30,				
	2011		2012		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Interest income	$ 19	0.0%	$ 17	0.0%	(10.5)%
Other income (expense)	189	0.3	(820)	(0.8)	
Total other income (expense) , net	$ 208	0.3%	$ (803)	(0.8)%	%

Interest income, which is not material to our operations, decreased by a nominal amount for fiscal year 2012 compared to fiscal year 2011. Other expense increased for the period and was driven by a $0.4 million loss due to foreign exchange movement on our foreign currency denominated monetary assets, primarily accounts receivable held in the United States and interest expense of $0.4 million related to accrued liabilities.

Income Tax Expense

	Year Ended April 30,				
	2011		2012		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Income tax expense	$ 561	0.9%	$ 811	0.8%	44.6%

Income tax expense for fiscal year 2012 increased compared to fiscal year 2011 as a result of increased profits from our international subsidiaries and an increase in state taxes.

Comparison of Our Fiscal Years Ended April 30, 2010 and 2011

Revenue

	Year Ended April 30,		
	2010	2011	% Change
	(dollars in thousands)		
Revenue	$ 38,648	$ 64,482	66.8%

Our revenue increased by $25.8 million, or 66.8%, in fiscal year 2011 compared to fiscal year 2010. Of this increase, $11.1 million was generated from a 65.0% increase in the number of clients utilizing our platform as we continued to increase the market penetration of our solutions during the period. The remaining $14.7 million increase was generated from existing clients, primarily from a combination of strong client retention, which was 89.7% from 2010 to 2011, and, in the majority of cases, this resulted in a full year of revenue from clients who became active only part way through the previous year, and from increasing revenue per active client (in thousands), from $132.4 to $136.7, over the same period.

Cost of Revenue and Gross Profit Percentage

	Year Ended April 30,		
	2010	2011	% Change
	(dollars in thousands)		
Cost of revenue	$ 15,191	$ 25,615	68.6%
Gross profit	23,457	38,867	65.7
Gross profit percentage	60.7%	60.3%	

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Cost of revenue increased $10.4 million, or 68.6%, in fiscal year 2011 compared to fiscal year 2010. This increase was primarily due to an increase in personnel-related expenses of $6.2 million. We also experienced increases of $1.0 million in facility- and office-related expenses, $0.8 million in hosting services, $0.7 million in travel-related expenses, $0.7 million of depreciation and amortization and $0.6 million in professional fees in fiscal year 2011 compared to fiscal year 2010, primarily as a result of the overall increase in the size of the support operations. Over the period we increased the size of our client services team by 85 full-time employees to end the fiscal year with 231 full-time employees.

Operating Expenses

	Year Ended April 30,				
	2010		2011		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Sales and marketing	$ 17,803	46.1%	$ 34,568	53.6%	94.2%
Research and development	5,828	15.1	10,847	16.8	86.1
General and administrative	7,651	19.8	13,156	20.4	72.0
Total operating expenses	$ 31,282	80.9%	$ 58,571	90.8%	87.2%

Sales and marketing. Sales and marketing expenses increased $16.8 million, or 94.2%, in fiscal year 2011 compared to fiscal year 2010. This increase was primarily due to an increase in personnel-related expenses of $13.0 million. We also experienced increases of $1.2 million in marketing expenses, $0.8 million in travel and entertainment, $0.7 million in facility- and office-related expenses, $0.4 million in professional fees and $0.3 million in bad debt expense in fiscal year 2011 compared to fiscal year 2010. Over the period we increased the size of our sales and marketing team by 34 full-time employees to end the fiscal year with 148 full-time employees.

Research and development. Research and development expenses increased $5.0 million, or 86.1%, in fiscal year 2011 compared to fiscal year 2010. This increase was due primarily to an increase in personnel-related expenses of $4.8 million. Over the period we increased the size of our research and development team by 35 full-time employees to end the fiscal year with 62 full-time employees.

General and administrative. General and administrative expenses increased $5.5 million, or 72.0%, in fiscal year 2011 compared to fiscal year 2010. This increase was due primarily to an increase in personnel related expenses of $4.4 million, as we continued to hire talented personnel who possess the necessary skills and training required to support the growth of our business and our plans to operate as a public company. Over the period we increased the size of our general and administrative team by 16 full-time employees to end the fiscal year with 53 full-time employees. The remaining increase was driven primarily by professional fees, particularly in the area of recruiting.

Other Income, Net

	Year Ended April 30,	
	2010	2011

	Amount	% of Revenue	Amount	% of Revenue	% Change
			(dollars in thousands)		
Interest income	$ 53	0.1%	$ 19	0.0%	(64.2)%
Other income (expense)	3	0.0	189	0.3	
Total other income, net	$ 56	0.1%	$ 208	0.3%	271.4%

Interest income, which is not material to our operations, decreased by a nominal amount in fiscal year 2011 compared to fiscal year 2010 as a result of lower short-term interest rates. Other income increased by $0.2 million in fiscal year 2011 as a result of foreign exchange gains from our foreign currency denominated monetary assets, primarily accounts receivable held in the United States.

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Income Tax Expense

	Year Ended April 30,				
	2010		2011		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Income tax expense	$ 205	0.5%	$ 561	0.9%	173.7%

Income tax expense in fiscal year 2011 increased by $0.4 million compared to fiscal year 2010 as a result of increased profits generated in foreign jurisdictions by our wholly owned subsidiaries. We expect our income tax expense to increase in the future as our profits increase and we utilize our federal net operating losses in the United States.

Quarterly Results of Operations Data

The following tables set forth our unaudited quarterly consolidated statements of operations data for each of the eight quarters beginning May 1, 2010 and ending April 30, 2012, as well as the percentage of our revenue that each line item represented. We have prepared the quarterly data on a consistent basis with the audited consolidated financial statements included elsewhere in this prospectus and, in the opinion of our management, the financial information reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for these periods. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period. Percent of revenue figures are rounded and therefore may not subtotal exactly.

	Three Months Ended							
	July 31, 2010	October 31, 2010	January 31, 2011	April 30, 2011	July 31, 2011	October 31, 2011	January 31, 2012	April 30, 2012
	(in thousands, except client and employee data)							
Revenue	$ 12,952	$ 14,943	$ 17,306	$ 19,281	$ 22,088	$ 25,015	$ 27,602	$ 31,431
Cost of revenue	5,232	6,414	6,676	7,293	7,797	8,805	9,514	10,325
Gross profit	7,720	8,529	10,630	11,988	14,291	16,210	18,088	21,106
Operating expenses:								
Sales and marketing	7,797	8,063	8,592	10,116	11,192	12,125	12,152	14,257
Research and development	2,406	2,641	2,801	2,999	3,343	4,576	6,059	6,811
General and administrative	2,944	3,333	3,281	3,598	5,099	4,815	5,934	6,047
Total operating expenses	13,147	14,037	14,674	16,713	19,634	21,516	24,145	27,115
Operating loss	(5,427)	(5,508)	(4,044)	(4,725)	(5,343)	(5,306)	(6,057)	(6,009)
Total other income (expense), net	(55)	108	(50)	205	(84)	(367)	(337)	(15)
Net loss before income taxes	(5,482)	(5,400)	(4,094)	(4,519)	(5,427)	(5,673)	(6,394)	(6,024)
Income tax expense	136	137	149	139	109	178	181	343
Net loss	$ (5,618)	$ (5,537)	$ (4,243)	$ (4,659)	$ (5,536)	$ (5,851)	$ (6,575)	$ (6,367)

Reconciliation of net loss to Adjusted EBITDA:								
Stock-based expense	1,065	1,084	1,253	1,279	1,558	1,697	2,503	1,952
Adjusted depreciation and amortization	387	424	446	449	471	512	569	552
Income tax expense	136	137	149	139	109	178	181	343
Total other (income) expense, net	55	(108)	50	(205)	84	367	337	15
Adjusted EBITDA(1)	$ (3,975)	$ (4,000)	$ (2,345)	$ (2,997)	$ (3,314)	$ (3,097)	$ (2,985)	$ (3,505)
Active clients (at period end)	419	480	518	571	640	701	737	790
Full-time employees (at period end):	381	441	467	494	520	566	608	640

(1) See footnote (2) on page 37 to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data for further discussion regarding Adjusted EBITDA.

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	Three Months Ended							
	July 31, 2010	October 31, 2010	January 31, 2011	April 30, 2011	July 31, 2011	October 31, 2011	January 31, 2012	April 30, 2012
	(as a percent of revenue)							
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	40.4	42.9	38.6	37.8	35.3	35.2	34.5	32.8
Gross profit	59.6	57.1	61.4	62.2	64.7	64.8	65.5	67.2
Operating expenses:								
Sales and marketing	60.2	54.0	49.6	52.5	50.7	48.5	44.0	45.4
Research and development	18.6	17.7	16.2	15.6	15.1	18.3	22.0	21.7
General and administrative	22.7	22.3	19.0	18.7	23.1	19.2	21.5	19.2
Total operating expenses	101.5	93.9	84.8	86.7	88.9	86.0	87.5	86.3
Operating loss	(41.9)	(36.9)	(23.4)	(24.5)	(24.2)	(21.2)	(21.9)	(19.1)
Total other income (expense), net	(0.4)	0.7	(0.3)	1.1	(0.4)	(1.5)	(1.2)	(0.0)
Net loss before income taxes	(42.3)	(36.1)	(23.7)	(23.4)	(24.6)	(22.7)	(23.2)	(19.2)
Income tax expense	1.1	0.9	0.9	0.7	0.5	0.7	0.7	1.1
Net loss	(43.4)%	(37.1)%	(24.5)%	(24.2)%	(25.1)%	(23.4)%	(23.8)%	(20.3)%
Reconciliation of net loss to Adjusted EBITDA:								
Stock-based expense	8.2	7.3	7.2	6.6	7.1	6.8	9.1	6.2
Adjusted depreciation and amortization	3.0	2.8	2.6	2.3	2.1	2.0	2.1	1.8
Income tax expense	1.1	0.9	0.9	0.7	0.5	0.7	0.7	1.1
Total other (income) expense, net	0.4	(0.7)	0.3	(1.1)	0.4	1.5	1.2	0.0
Adjusted EBITDA[(1)]	(30.7)%	(26.8)%	(13.5)%	(15.5)%	(15.0)%	(12.4)%	(10.8)%	(11.2)%

(1) See footnote (2) on page 37 to the table in the section of this prospectus titled Selected Consolidated Financial and Other Data for further discussion regarding Adjusted EBITDA.

Revenue increased sequentially in each of the quarters presented, primarily due to the addition of new clients along with subscription renewals and the purchase of additional solutions by existing clients. The number of our active clients increased from 369 at April 30, 2010 to 790 at April 30, 2012. In fiscal years 2010, 2011 and 2012, we significantly increased the pace of our hiring to facilitate our client growth, increasing our full-time employees by 52.5% in fiscal year 2011 and a further 29.6% in fiscal year 2012 to 494 and 640, respectively. We generally increase our capacity, particularly in the areas of implementation and support, ahead of the growth in revenue that we expect those investments to drive, which can result in lower margins in the given investment period.

Total operating expenses have increased in each of the quarters presented due, primarily, to increased personnel related expenses associated with additional employees in our sales and marketing, research and development and general and administrative organizations hired to support the growth of our business. Our sales and marketing expenses often fluctuate period to period as a percentage of revenue because of the variability in sales and related commissions, which is expensed in the period the client agreement is signed, and because we hire sales personnel in advance of anticipated growth. In addition, we have historically held our annual Social Commerce Summits in the United States and Europe in the quarters ended April 30 and October 31, respectively, and expensed the costs associated with those events in the period held. Research and development expenses have increased sequentially during the periods presented as a result of increased personnel costs associated with our continued investments in innovation. General and administrative expenses have also increased steadily during the periods presented.

Our quarterly operating results are likely to fluctuate. Some of the important factors that could cause our quarterly revenue and operating results to fluctuate include:

- the timing and success of new solutions, product or service offerings and pricing policies by us or our competitors or any other change in the competitive dynamics of our industry;

- our ability to sell additional solutions to existing clients and to add new clients;

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- our ability, and the ability of our clients, to implement our solutions in a timely manner;
- the timing and effectiveness of our product development investments and delays in generating revenue from these solutions;
- our ability to adjust our cost structure in response to reductions in revenue;
- the cyclicality and discretionary nature of marketing spending, especially spending on social commerce solutions;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure and client acquisition;
- our failure to achieve the growth rate that was anticipated by us in setting our operating and capital expense budget;
- active client retention rates;
- the timing differences between client acquisition costs and the revenue we recognize on sales of solutions to new clients;
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill or intangible assets from acquired companies;
- a change in the mix of new clients as a percentage of total customers; and
- general economic, industry and market conditions.

The occurrence of one or more of these factors might cause our operating results to vary widely. As such, we believe that our quarterly results of operations, including the levels of our revenue and expenses, may vary significantly in the future and that period-to-period comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance.

Liquidity and Capital Resources

As of April 30, 2012, we had an accumulated deficit of $65.2 million. Since inception in May 2005, we have raised $23.6 million in funding through private placements of our preferred stock and $5.0 million in proceeds from the exercise of options to purchase common stock. In connection with our most recent private placement in February 2010, we raised $3.0 million. Through April 30, 2012, we had used only $16.2 million of capital raised since inception (excluding proceeds from our initial public offering), ending the period with cash and cash equivalents of $12.4 million (excluding proceeds from our initial public offering) and no outstanding indebtedness. On February 29, 2012, we completed our initial public offering, which generated net proceeds of approximately $112.8 million, after deducting underwriting discounts and other expenses incurred for the sale of our common stock.

As of April 30, 2012, our principal source of liquidity consisted of $125.2 million of cash, cash equivalents and short term investments. We have also secured a revolving line of credit with a borrowing capacity of up to $30.0 million. Cash and cash equivalents consist of cash, money market funds and U.S. treasury securities. Our short-term investments consist of certificates of deposit, U.S. treasury securities and corporate securities backed by the U.S. Treasury. We believe that our existing cash and cash equivalents balance, together with cash generated from operations and the net proceeds received from our initial public offering, will be sufficient to meet our working capital requirements for at least the next 12 months.

We have used approximately $30.9 million of cash in connection with our acquisition of PowerReviews, Inc. in the first fiscal quarter of 2013. In addition, we anticipate making significant investments in growth and initiatives designed to improve our operating efficiency for the foreseeable future, which may impact our ability to generate positive cash flow from operating activities in the near-term. Our future capital requirements will depend on many factors, including our rate of client and revenue growth, the expansion of our sales and marketing activities, the timing and extent of spending to support product development efforts and the timing of

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introductions of new features and enhancements to our social commerce platform. To the extent that existing cash and short-term investments along with future cash flow from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. We may also seek to invest in or acquire complementary businesses, applications or technologies, any of which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

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

	Year Ended April 30,		
	2010	2011	2012
	(in thousands)		
Net cash provided by (used in) operating activities	$ 5,166	$ (647)	$ (320)
Net cash provided by (used in) investing activities	1,076	(2,282)	(56,253)
Net cash provided by financing activities	3,397	2,068	115,905

Net Cash Provided by (Used in) Operating Activities

Cash provided by (used in) operating activities is primarily influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business, the increase in the number of clients using our platform and the amount and timing of client payments. The amount of cash used in operating activities over the last two years has been relatively small as compared to our net loss for the periods. The offsetting generation of cash has come from changes in our operating assets and liabilities, particularly in the area of deferred revenue.

For fiscal year 2012, operating activities used $0.3 million of cash after changes in our operating assets and liabilities offset a net loss of $24.3 million, which included non-cash depreciation and amortization of $3.1 million, non-cash stock-based expense of $7.7 million and non-cash bad debt expense of $1.1 million. Accounts payable, accrued expenses and other liabilities increased $6.0 million and deferred revenue increased $13.4 million, partially offset by an increase of $7.0 million in accounts receivable, prepaid expenses and other assets. The increase in our accounts receivable and our deferred revenue, accounts payable and accrued expenses and other current liabilities was primarily due to our continued growth during fiscal year 2012.

For fiscal year 2011, operating activities used $0.6 million of cash after changes in our operating assets and liabilities offset a net loss of $20.1 million, which included non-cash depreciation and amortization of $2.3 million, non-cash stock-based compensation of $4.7 million and non-cash bad debt expense of $0.5 million. Accounts payable, accrued expenses and other liabilities increased $3.8 million and deferred revenue increased $15.0 million, partially offsetting an increase in accounts receivable of $5.0 million and an increase of $2.0 million in prepaid expenses and other assets. The increase in our deferred revenue and accounts receivable was primarily due to our growth in fiscal year 2011 and the increase in accounts payable and accrued liabilities reflects both a general increase in the size of our operation and also an improvement in vendor payment terms as we continue to improve the management of our working capital.

For fiscal year 2010, operating activities provided $5.2 million of cash after changes in our operating assets and liabilities offset a net loss in fiscal year 2010 of $8.0 million, which included non-cash depreciation and amortization of $1.4 million and non-cash stock-based compensation of $2.6 million. Accounts payable, accrued expenses and other liabilities increased $4.8 million and deferred revenue increased $8.8 million, partially offsetting an increase in accounts receivable of $4.0 million and an increase of $0.6 million in prepaid expenses and other assets. The increase in our deferred revenue and accounts receivable was due to our growth in fiscal year 2010, and the increase in accounts payable and accrued liabilities reflects a general increase in the size of our operation.

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Net Cash Provided by (Used in) Investing Activities

Our primary investing activities have consisted of purchases of short-term investments and property and equipment, including technology hardware and software to support our growth as well as costs capitalized in connection with the development of our internal-use hosted software platform. Purchases of property and equipment may vary from period to period due to the timing of the expansion of our operations and the development cycles of our internal-use hosted software platform. We expect to continue to invest in short-term investments and property and equipment and developing our software platform for the foreseeable future.

In fiscal year 2009, we invested $8.0 million in short-term certificates of deposit in order to obtain interest rate returns on our surplus cash. These investments matured in fiscal year 2010 and were not subsequently reinvested in fiscal year 2010 due to a deterioration in the short-term interest rates available. For fiscal year 2012, we invested $50.8 million of cash in short-term investments, $0.3 million of cash was moved to a restricted cash account and the remainder of investing activity was related to the purchase of property and equipment, which included the expansion of our corporate headquarters during the second quarter of fiscal year 2012, and the development of our internal-use hosted software platform.

Net Cash Provided by Financing Activities

Our financing activities have consisted primarily of net proceeds from the issuance of common and preferred stock and proceeds from the exercises of options to purchase common stock.

In fiscal year 2012, we completed our initial public offering, which generated net proceeds of approximately $112.8 million, after deducting underwriting discounts and other expenses incurred for the sale of our common stock. In addition, in fiscal year 2012, we received $3.0 million from the exercise of options to purchase common stock.

In fiscal year 2011, we received $2.1 million from the exercise of options to purchase common stock.

In fiscal year 2010, we issued Series E redeemable convertible preferred stock to raise $3.0 million and received $0.4 million from the exercise of options to purchase common stock.

Contractual Obligations and Commitments

We have non-cancelable operating lease obligations related to our office space, the largest of which is for our headquarters in Austin, Texas. We do not have any debt or material capital lease obligations and all of our property, equipment and software has been purchased with cash. We have no material purchase obligations outstanding with any vendors or third parties.

The following table summarizes our future minimum payments under non-cancelable operating leases as of April 30, 2012:

		Payments Due by Period (in thousands)			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating lease obligations	$ 10,241	$ 3,163	$ 5,455	$ 1,623	$

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without cause and without a material penalty are not included in the table above.

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On July 18, 2007, we entered into a loan and security agreement, or the Loan Agreement, with a financial institution under which we secured a revolving line of credit with a borrowing capacity of up to $2.0 million and a $250,000 equipment loan facility, which terminated by its maturity on January 18, 2011. On November 30, 2008, we entered into an amendment to the Loan Agreement, increasing the borrowing capacity of the revolving line of credit to $7.0 million and creating a credit card services subfacility of up to $150,000. On July 20, 2009, we entered into a second amendment that created a letter of credit subfacility of up to $0.9 million and on January 22, 2010, we entered into a third amendment, increasing the letter of credit sublimit to $1.0 million to increase the face amount of the letter of credit in connection with our expanded leased office space in Austin, Texas. On September 27, 2010, we entered into a fourth amendment to the Loan Agreement increasing the borrowing capacity of the revolving line of credit to $10.0 million with an option to increase the line to $15.0 million and the combined letter of credit and credit card services subfacility to $2.65 million. On May 12, 2011, we increased the face amount of the standby letter of credit to $1.8 million in favor of the landlord of our headquarters in Austin, Texas. On January 31, 2012, we entered into a fifth amendment to the Loan Agreement increasing the borrowing capacity of the revolving line of credit to $30.0 million. On February 28, 2012, we increased the face amount of the standby letter of credit to $2.3 million in favor of the landlord to our headquarters in Austin, Texas. On June 19, 2012, we entered into a sixth amendment to the Loan Agreement, which permitted us to acquire PowerReviews, Inc. and which joined the resulting entity, PowerReviews, LLC, as a co-borrower under the Loan Agreement.

As of April 30, 2012, there are no loans outstanding under our revolving line of credit other than a $2.3 million letter of credit issued by the financial institution in favor of the landlord of the leased office space, which is serving as our headquarters in Austin, Texas. Borrowings under the revolving line of credit are collateralized by substantially all of our assets and bear interest at a floating interest rate equal to the prime rate (or the financial institution s daily adjusting LIBOR rate plus 2.5% if greater), which is payable monthly. The revolving line of credit expires and all interest and principal thereunder is payable in full on January 31, 2015.

The Loan Agreement contains certain restrictive covenants that limit our ability and our subsidiaries abilities to, among other things, incur additional indebtedness or guarantee indebtedness of others; make payments on additional indebtedness or make changes to certain agreements related to additional indebtedness; enter into hedging arrangements; create liens on our assets; make loans and investments; make capital expenditures; dispose of assets; store inventory and equipment with others; pay dividends or make distributions on, or purchase or redeem, our capital stock; enter into mergers or consolidations with or into other entities; undergo a change of control; engage in different lines of business; or enter into transactions with affiliates. The Loan Agreement also contains numerous affirmative covenants, including covenants regarding, among other things, compliance with applicable laws and regulations and other reporting, payment of taxes and other obligations, maintenance of insurance coverage, maintenance of bank and investment accounts with the financial institution and its affiliates, registration of intellectual property rights, and obtaining certain third-party consents and waivers. As of the date of this prospectus, we are in compliance with the terms of these covenants.

On November 4, 2008, we entered into a pledge and security agreement with a financial institution for a standby letter of credit for credit card services from a separate financial institution for an amount not to exceed $0.1 million. We pledged a security interest in our money market account, in which the balance must equal at least the credit extended. On March 17, 2010, the standby letter of credit for credit card services was increased to $0.3 million. On May 18, 2011, the standby letter of credit for credit card services was increased to $0.5 million. This letter of credit expires annually and the pledged security interest is recorded as short-term restricted cash in our financial statements.

Off-Balance Sheet Arrangements

During fiscal years 2010, 2011 and 2012, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP and include the accounts of Bazaarvoice, Inc. and its wholly owned subsidiaries. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. To the extent there are material differences between these estimates and our actual results, our consolidated financial statements will be affected.

Our significant accounting policies are described in Note 2 of the Notes to Consolidated Financial Statements included in this prospectus, and we believe that the accounting policies discussed below involve the greatest degree of complexity and exercise of judgment by our management. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results of operations and, accordingly, we believe the policies described below are the most critical for understanding and evaluating our financial condition and results of operations.

Revenue Recognition

We generate revenue principally from the sale of subscriptions to our hosted social commerce platform and sell our application services pursuant to service agreements that are generally one year in length. Our client does not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return. We recognize revenue when all of the following conditions are met: persuasive evidence of an arrangement exists, delivery of the service has occurred, the fee is fixed or determinable, and collection is reasonably assured. We account for these arrangements by recognizing the arrangement consideration for the application service ratably over the term of the related agreement, commencing upon the later of the agreement start date or when all revenue recognition criteria have been met.

Deferred revenue consists of subscription fees paid in advance of revenue recognition and is recognized as revenue recognition criteria are met. We invoice clients in a variety of installments and, consequently, the deferred revenue balance does not represent the total contract value of its non-cancelable subscription agreements. Deferred revenue that will be recognized during the succeeding 12 month period is recorded as current deferred revenue and the remaining portion is recorded as non-current deferred revenue.

Stock-Based Compensation

We account for stock-based compensation in accordance with the authoritative guidance on stock compensation. Under the fair value recognition provisions of this guidance, stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. As a result, we are required to estimate the amount of stock-based compensation we expect to be forfeited based on our historical experience. If actual forfeitures differ significantly from our estimates, stock-based compensation expense and our results of operations could be materially impacted.

Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option pricing model to determine the fair value of our stock options and employee stock purchase plan options. The determination of the grant date fair value of options using an option pricing model is affected by our estimated common stock fair value as well as assumptions regarding a number of other complex and subjective variables. These variables include the fair value of our common stock, our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates and expected dividends, which are estimated as follows:

Fair Value of Our Common Stock. Because our stock was not publicly traded prior to our initial public offering, the fair value of our common stock underlying our stock options was previously determined by our board of directors, which intended all options granted to be exercisable at a price per share not

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less than the per share fair value of our common stock underlying those options on the date of grant. Following the completion of our initial public offering, our common stock was valued by reference to its publicly traded price.

Expected Term. The expected term was estimated using the simplified method allowed under SEC guidance, which uses the midpoint between the graded vesting period and the contractual termination date since we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

Volatility. Because we do not have a significant trading history for our common stock, we have estimated the expected stock price volatility for our common stock by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of public companies in the technology industry, primarily in the subscription software business.

Risk-free Rate. The risk-free interest rate assumption used is based on observed market interest rates appropriate for the term of employee options.

Dividend Yield. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

We used the following assumptions in our application of the Black-Scholes option pricing model for fiscal years 2010, 2011 and 2012:

	Year Ended April 30,		
	2010	**2011**	**2012**
Expected volatility	62% - 68%	58% - 62%	55% - 58%
Risk-free interest rate	2.00% - 2.95%	1.75% - 2.75%	1.05% - 2.14%
Expected term (in years)	5.00 - 6.25	6.00 - 6.25	5.75 - 6.25
Dividend yield	0%	0%	0%

Future expense amounts for any particular period could be affected by changes in our assumptions or changes in market conditions.

We recorded stock-based expense of $2.6 million, $4.7 million and $7.7 million for fiscal years 2010, 2011 and 2012, respectively.

Costs for equity instruments issued in exchange for the receipt of goods or services from non-employees are measured at the fair market value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of the date on which there first exists a firm commitment for performance by the provider of goods or services or on the date performance is complete, using the Black-Scholes option pricing model.

Income Taxes

We use the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in the period that includes the enactment date. A valuation allowance is established against the deferred tax assets to reduce their carrying value to an amount that is more likely than not to be realized. The authoritative guidance for Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in income taxes

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recognized in an entity s consolidated financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return was adopted as of May 1, 2009.

Capitalized Internal-Use Software

We capitalize certain development costs incurred in connection with our internal-use software platform. These capitalized costs are related to the application service suite that we host, which is accessed by our clients on a subscription basis. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, we capitalize direct internal and external costs until the software is substantially complete and ready for its intended use. We cease capitalizing these costs upon completion of all substantial testing. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. We expense maintenance and training costs as they are incurred. We amortize capitalized internal-use software development costs on a straight-line basis over its estimated useful life, which is generally three years, into cost of revenue.

Recent Accounting Pronouncements

Revenue Recognition

In September 2009, the FASB issued two consensuses that will significantly affect the revenue recognition accounting policies for transactions that involve multiple deliverables and sales of software-enabled devices. The guidance updates the existing multiple-element revenue arrangements guidance included under current authoritative guidance. The revised guidance primarily provides two significant changes: 1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of account, and 2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. The guidance was effective for the first annual reporting period beginning on or after July 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The new guidance does not have a material impact on our consolidated financial statements.

Fair Value Measurement

In May 2011, the FASB issued a standard to provide a consistent definition of fair value and change certain fair value measurement principles. In addition, the standard enhances the disclosure requirements concerning the measurement uncertainty of Level 3 fair value measurements. The updated accounting guidance is effective for interim and annual periods beginning after December 15, 2011 on a prospective basis. Early application is not permitted. The standard does not have a material impact on our consolidated financial statements.

Comprehensive Income

In June 2011, the FASB issued a standard to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The standard eliminates the option to present the components of other comprehensive income as part of the statement of equity. The updated accounting guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 on a retrospective basis. Early application is permitted. We will adopt the updated guidance in the first quarter of fiscal year 2012. Since the updated guidance only requires a change in the placement of information already disclosed in our consolidated financial statements, we do not expect the adoption to have an impact on our consolidated financial statements.

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Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and internationally and we are exposed to market risks in the ordinary course of our business, including the effect of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Interest Rate Sensitivity

We hold cash, cash equivalents and short-term investments for working capital purposes. We do not have material exposure to market risk with respect to investments. We do not use derivative financial instruments for speculative or trading purposes; however, we may adopt specific hedging strategies in the future. Any declines in interest rates will reduce future interest income.

Foreign Currency Risk

Our results of operations and cash flows will be subject to fluctuations because of changes in foreign currency exchange rates, particularly changes in exchange rates between the U.S. dollar and the Euro and British Pound, the currencies of countries where we currently have our most significant international operations. Our historical invoicing has largely been denominated in U.S. dollars; however; we expect an increasing proportion of our future business to be conducted in currencies other than the U.S. dollar. Our expenses are generally denominated in the currencies of the countries in which our operations are located, with our most significant operations today being located in the United States, the United Kingdom, Germany, France, Australia and Sweden.

We assess the market risk of changes in foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact on earnings, fair values and cash flows of a hypothetical 10% change in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities. The effect of an immediate 10% adverse change in exchange rates on foreign currency denominated monetary assets and liabilities, principally accounts receivable and intercompany balances, as of April 30, 2012, would be a loss of approximately $0.7 million.

We do not currently enter into forward exchange contracts to hedge exposure to these foreign currencies nor do we enter into any derivative financial instruments for trading or speculative purposes; however we may do so in the future if we consider this exposure to be material. Thus, fluctuations in currency exchange rates could harm our business in the future.

Inflation Risk

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

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BUSINESS

Overview

We are a leading provider of social commerce solutions that help our clients capture, display and analyze online word of mouth, including consumer-generated ratings and reviews, questions and answers, stories, recommendations, photographs, videos and other content about our clients brands, products or services. Bazaarvoice, which literally means voice of the marketplace, was founded on the premise that online word of mouth is critical to consumers and businesses because of its influence on purchasing decisions, both online and offline. We enable our clients to place consumers at the center of their business strategies by helping consumers generate and share sentiment, preferences and other content about brands, products or services. Through our technology platforms, our clients leverage online word of mouth to increase sales, acquire new customers, improve marketing effectiveness, enhance consumer engagement across channels, increase success of new product launches, improve existing products and services, effectively scale customer support and decrease product returns.

Word of mouth influences consumers decisions to purchase products and services. Consumers often trust and rely on what other consumers say about a brand, product or service more than traditional advertising, particularly if they consider the content to be authentic and credible. The proliferation of social networks, wikis, blogs and videos has given rise to the social web a new era of Internet-enabled social interaction. The emergence of consumer interaction through the social web has significantly increased the volume and availability of online word of mouth about products and services. This online social interaction is proving to have a significant and growing influence on both online and offline commerce. The rapid adoption of Internet-enabled mobile devices is further amplifying the impact of online word of mouth by making this content even easier, more convenient and faster to generate and access. As a result, there has been a paradigm shift in marketing as traditional methods are being disrupted and businesses are now seeking solutions that embrace online word of mouth to more effectively engage and influence consumers.

Our solutions, which are primarily provided via a Software-as-a-Service, or SaaS, platform, enable clients to:

- capture and display online word of mouth;
- engage consumers directly by answering product- or service-related questions;
- analyze feedback and uncover critical insights from online word of mouth; and
- distribute content among retail and other brand websites both within and outside our network, which we refer to as syndication.

Our business model focuses on maximizing the lifetime value of a client relationship. We make significant investments in acquiring new clients and believe that we will be able to achieve a favorable return on these investments by growing our relationships over time and ensuring that we have a high level of client retention. As of April 30, 2012, we served 790 active clients, including clients in the retail, consumer products, travel and leisure, technology, telecommunications, financial services, healthcare and automotive industries. As of April 30, 2012, we served seven of the ten most valuable U.S. retail brands according to Interbrand s 2012 Best Retail Brands study published in February 2012, 163 of the 2012 Internet Retailer 500 and 96 of the 2012 Fortune 500 companies, including 32 of the top 100 of the Fortune 500. In addition, approximately 300 network clients and approximately 800 express clients have been added to our business as a result of our acquisition of PowerReviews, Inc., or PowerReviews, in June 2012. We sell our solutions through a direct sales team located globally in the markets we serve, including the United States, the United Kingdom, Australia, France, Germany and Sweden.

We believe that our network differentiates us from our competitors, and we measure the reach of our network by the number of impressions served. For the twelve months ended April 30, 2012, we served over 125.4 billion impressions and have served over 330.1 billion total impressions since our inception in May 2005. We define an impression as an instance of online word of mouth delivered to an end user s web browser.

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In fiscal years 2010, 2011 and 2012, we generated revenue of $38.6 million, $64.5 million and $106.1 million, respectively. In fiscal years 2010, 2011 and 2012, we generated 25.2%, 24.9% and 25.1% of our revenue, respectively, from outside of the United States. Our invoicing for international clients has been largely denominated in such clients local currencies rather than U.S. dollars.

Industry Overview

Word of mouth influences consumer decision-making.

We believe word of mouth influences consumers decisions to purchase products or services. Consumers often trust and rely on what others have to say about brands, products or services, particularly if they consider the content authentic and credible. In contrast, consumers often consider what businesses say about their own brands, products and services to be biased and less reliable.

Online social interaction is transforming the Internet and enabling unprecedented sharing of content among consumers.

The heart of the social web is comprised of websites and software technologies that foster social interaction, allowing users with similar interests to create and share original content with each other through one-to-one, one-to-many and many-to-many communication channels. The social web can empower the voices of individual consumers, allowing them to influence the opinions and decisions of others with unprecedented speed, ease and scale.

The increased volume and availability of online word of mouth has created digitally archived and easily searchable consumer databases about brands, products and services. Online word of mouth includes all types of online consumer-to-consumer, consumer-to-brand and brand-to-consumer sharing that influence decision making. Consumers are sharing content with each other about products, services and brands they like or dislike on brand websites and throughout the social web. Businesses recognize the importance of these online social interactions and are realizing that they must be actively engaged in the social web to effectively market their products and services.

Online word of mouth has a significant and growing influence on online and offline commerce.

Consumers are turning to online word of mouth to research products and services prior to making purchases, both online and offline. In 2011, Euromonitor International estimated the 2011 worldwide retail industry to be valued in excess of $12.0 trillion. In 2012, Forrester Research, Inc. reported that U.S. web-influenced retail sales exceeded $1 trillion in 2010 and that by 2016 an estimated 52.3% of total online and offline retail sales will be influenced by Internet content, which includes online ratings and reviews.

The rapid adoption of Internet-enabled mobile devices is further amplifying the impact of online word of mouth.

According to a 2012 report by Cisco Systems, Inc., there will be over 10 billion mobile-connected devices worldwide in 2016 more than one device per capita. The rapid adoption of Internet-enabled mobile devices is further amplifying the impact of online word of mouth by making this content even easier, more convenient and faster to generate and access. For example, in many locations around the world, a consumer walking in the aisle of a retail store with an Internet-enabled mobile device is able to scan a product barcode, read product information and reviews and make an informed purchase decision at the point of sale. After purchasing and using the product, a consumer can also use the Internet-enabled mobile device to rate the product or write a review and share it online. According to a 2011 study by comScore, Inc., Shop.org and PJL Digital LLC (d/b/a Social Shopping Labs), 47% of U.S. consumers have used a mobile device to check customer ratings or reviews while in a physical store.

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Marketing paradigm shift: traditional marketing methods are being disrupted by the social web and the proliferation of online word of mouth.

The combination of the Internet, the social web and the proliferation of online word of mouth has created a marketing paradigm shift by giving consumers a new and easier way to directly connect with one another and with brands. A brand is a business or business unit that markets one or more products and services. As a result, companies have lost some level of control over how they influence clients and are increasingly forced to react to what consumers write and share with each other. This trend is disrupting traditional marketing methods, creating the need for a technology platform to complement companies marketing approaches in the following ways:

Increasing consumer engagement. Traditional brand marketing methods are generally oriented to raising brand awareness and influencing the consumer purchase decision. Historically, the brand-to-consumer relationship was primarily one-way: a brand would advertise or promote its offerings, and a consumer would consider and perhaps purchase. Many times, consumer engagement with a brand typically occurred only when the consumer had a support question or service issue. The advent of the social web has enabled consumers to become brand advocates and engage with brands both pre- and post-purchase. Through the social web, consumers share their opinions about brands, products or services, read reviews and search for answers to product-related questions. As a result, the advent of the social web has created new opportunities for brands to directly engage consumers through their websites and across social networks, not only pre-purchase and at the point of sale to increase conversion, but also post-purchase to provide brands with valuable insights to improve the consumer experience. In addition, post-purchase engagement makes it easier for consumers to share their experiences with others, thereby helping satisfied customers become active advocates for brands.

Enhancing authenticity. Consumers often question the reliability of a brand s description of its own product. According to a June 2011 report by The Nielsen Company, a leading consumer research firm, when making purchase decisions, consumers often trust recommendations from people they know, as well as reviews posted by unknown consumers online, more than they do advertisements on television, on the radio, in print or in other traditional media. As a result, brands are striving to create active online communities that foster word of mouth about their products and services.

Increasing relevance. Marketers attempt to target the right audience for their products, and consumers seek a product that is the right solution for their individual needs. Most traditional marketing campaigns are designed to appeal to a wide audience and therefore often lack the relevance that both marketers and consumers desire. An increasingly fragmented consumer audience makes it even more difficult for brands to target and scale their marketing efforts simultaneously. The emergence of the social web allows brands to reach targeted networks of consumers and helps consumers connect with people similar to them or in similar situations. Additionally, as online word of mouth is shared across the social web, brands benefit from reaching a larger audience with more relevant content.

Changing marketing content. Traditional marketing methods depend on internally developed or agency developed creative content for their marketing campaigns. Brands can now easily leverage online word of mouth to utilize as content for their traditional marketing vehicles, such as email campaigns, online banners, mobile applications, print campaigns, in-store signage and even packaging.

Improving speed and quality of consumer feedback. Traditional market research methods can be time-consuming and costly to implement. Organizing focus groups, creating surveys, identifying representative survey populations, convincing the appropriate consumers to participate and analyzing the resulting data can be slow to implement and expensive. In addition, the feedback collected through traditional marketing research may be biased by the way questions are asked and lack credibility if brands compensate the participants. Due to the limitations of traditional marketing methods, brand marketers are turning to online word of mouth as a timely and cost-effective way to gain insights into consumer behavior and preferences. A recent survey of Chief Marketing Officers we jointly conducted with The CMO Club (operated by C Level Club, LLC), a peer-to-peer network of Chief Marketing Officers, discovered that in 2011, 93% of CMOs plan on using some form of consumer-generated content, or online word of mouth, to inform their brands product and service decisions.

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Developing more valuable insights. Traditional marketing methods have a limited ability to capture and efficiently derive insights from online word of mouth. Data derived from online word of mouth can provide deeper and different insights into consumer behavior and preferences than are generally possible via traditional marketing and consumer market research methods. This data can provide a more complete understanding of the consumer, his or her background, social graph, basis for purchase decisions, means of purchase and purchase intent. However, the data is often unstructured, continuously generated, and voluminous, making it difficult for brands to fully realize its potential. Making sense of and structuring this consumer-generated data presents an opportunity to deliver powerful and timely insights into consumer behavior and preferences that are superior to historical methods and produce consumer intelligence with measurable marketing results.

Our Market Opportunity

We believe that we have captured and can continue to capture a portion of the dollars spent on offline and online advertising, e-commerce services and market research:

According to a 2011 forecast by MAGNAGLOBAL, a division of IPG s Mediabrands, the worldwide advertising market is estimated to reach $449 billion in 2012. A 2011 MAGNAGLOBAL report projects the market to grow to over $600 billion by 2016.

The worldwide market for market research was estimated to be $31.2 billion in 2010, according to a 2011 report by ESOMAR, B.V.

As online audiences have shifted toward increased social interaction, brands are expanding their advertising spend to target consumers engaged in online social interaction. According to a Q3 2011 report from The Nielsen Company, Americans spent approximately 33% of their online time communicating and networking across blogs, personal email, instant messaging and social networks. The ability to personalize content and marketing messages using a consumer s online profile and social behavior are new capabilities that brands can leverage. Given the broad reach of our network and the important impact that our social commerce solutions have on consumer purchasing behavior, we believe that we are competitively positioned to capture a share of the growing social media marketing spend.

Our clients include companies from the retail, consumer products, travel and leisure, technology, telecommunications, financial services, healthcare and automotive industries. We estimate there are over 10,000 companies in the sectors we serve worldwide with annual revenue of at least $50 million, many of which can benefit from our platforms and solutions. In addition, several of these companies have multiple brands, which we consider incremental additions to our market opportunity.

Our Competitive Strengths

We believe that the following competitive strengths differentiate us from our competitors and serve as barriers to entry:

Market leadership with robust SaaS solutions.

We are a leading provider of social commerce solutions and the leading provider of online ratings and reviews. Our Conversations technology platform has been developed in collaboration with our clients since our inception, and we believe our platforms offer a proven and robust feature set to meet our clients needs. The key capabilities of our Conversations platform include Ratings & Reviews, Questions & Answers, Campaigns and Applications for Facebook. In addition, we have been able to reliably scale our Conversations platform over time. For example, the number of impressions served by our Conversations platform increased from 1.8 billion per month in April 2008 to 10.8 billion per month in April 2012. During this same period, the number of our active clients increased from 122 to 790. Our Conversations platform is reliable with average uptime of over 99.9% over the five-year period ended April 30, 2012.

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We offer our solutions to our Conversations clients as a SaaS platform, which reduces implementation time and costs for our clients and requires limited involvement from our clients technical teams as compared to internally developed solutions. In addition, as a result of this model, our clients have a low total cost of ownership because they do not have to purchase hardware or add IT staff to implement and maintain our Conversations platform. We host a highly scalable Conversations platform with a single version of the code in production that is updated continuously, with multiple software releases per year that can be quickly rolled out to provide new and innovative features to our existing clients.

In addition to our Conversations platform, as a result of our acquisition of PowerReviews, we now support PowerReviews network and express platforms. PowerReviews network platform offers social commerce solutions, similar to our Ratings & Reviews, and PowerReviews express platform offers certain ratings and reviews solutions as a turn-key offering. We believe that these platforms will supplement our current product offering and provide us an opportunity to introduce our other solutions to PowerReviews existing clients.

Powerful network effects that connect our clients and their consumers.

As of April 30, 2012, we served 163 of the 2012 Internet Retailer 500. As of April 30, 2012, we served seven of the ten most valuable U.S. retail brands according to Interbrand s 2012 Best Retail Brands study published in February 2012, as well as 96 of the 2012 Fortune 500 companies, including 32 of the top 100 of the Fortune 500. In addition, approximately 300 network clients and approximately 800 express clients have been added to our business as a result of our acquisition of PowerReviews in June 2012. In our fiscal year ended April 30, 2012, we served over 125.4 billion impressions and we have served over 330.1 billion total impressions since our inception in May 2005. Consumers also benefit by having access to a greater volume and variety of online word of mouth when they visit our clients websites. As the amount of data that is collected and managed on our platform increases, our clients will have access to a greater amount of relevant and authentic online word of mouth, and our analytics capabilities will provide more meaningful insights to our clients.

Through our Conversations platform, we offer syndication capabilities through our BrandVoice and BrandAnswers solutions, enabling brands to distribute ratings and reviews and other online word of mouth among retail and other brand websites within our network, as well as websites outside our network. Our ability to syndicate content across a wide array of websites attracts brands to our network. The multitude and variety of our clients brands attracts retailers to our network because we are able to provide them with access to more online word of mouth than they can collect on their own. As a result, we believe that we benefit from powerful network effects that differentiate us from our competitors.

Analytics capabilities that leverage structured data across our network.

Our platform s analytics capabilities allow brands to derive powerful and timely insights about consumer sentiment. These capabilities are enhanced by our efforts to structure data, including the structured mapping of products and the attachment of meta-data tags in connection with our content moderation process. Our analytics solutions allow our clients to more easily recognize shifts in consumer sentiment, identify product issues and inform consumer-centric decisions, which can increase sales and consumer satisfaction. As the volume and variety of data across our network grows, and as we continue to develop more comprehensive analytics capabilities, we believe that the value we provide to our clients will increase.

Unique content moderation capabilities that preserve authenticity and ensure brand protection.

We use trained and experienced professionals to moderate online word of mouth captured by our enterprise clients 24/7/365, providing active support for 27 languages and multiple dialects and the capacity to support additional languages. We believe content moderation increases brand and consumer trust in reviews, improves client data quality and helps preserve the authenticity of online word of mouth. We are committed to representing both the positive and negative experiences of consumers. Accordingly, our content moderators do

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not remove negative reviews or edit consumer contributions. However, we do filter them for irrelevant, obscene or illegal material to ensure our clients valuable brands are protected. Our content moderators also assist in attaching pre-defined labels, or meta-tags, to categorize online word of mouth, such as shipping complaints, liability concerns, inaccurate product descriptions and product suggestions. We believe our content moderators are able to glean the connotations, sentiment, and context of a review, story, question or answer more accurately than is currently achievable with analytics software alone. In parallel, our proprietary technology, workflows and best practices significantly increase the productivity of our content moderators, allowing us to efficiently moderate content while ensuring a high level of quality in a time-efficient manner. We believe the breadth of our content moderation capabilities is unique in our industry and is critical to our clients ability to successfully utilize online word of mouth.

Differentiated client services capabilities that help our clients achieve measureable results.

Our Client Services team enables our clients to leverage our platform to maximize the impact of online word of mouth and consumer engagement to achieve measurable results not only through technical services but by coaching our clients on best practices to drive review volume and to leverage online word of mouth throughout their businesses. We employ a consultative approach to gain an intimate understanding of a client s business objectives. Our Client Success Directors serve as social commerce advisors to our clients, teaching them ways to use our platform to maximize their business objectives and measure the effectiveness of their efforts. We work with our clients to integrate online word of mouth into key business processes, such as business analytics, product design and research and development, marketing, sales and client service. Our Client Success Directors also provide ongoing education and guidance, helping our clients navigate the rapidly evolving market for social commerce solutions.

A corporate culture that drives performance.

We regard our culture as a key differentiator and performance driver, and we have held this view since our inception. Our corporate culture is defined by the following core values: passion, performance, innovation, openness, teamwork, respect and generosity. Our management team is committed to maintaining and improving our culture even as we grow rapidly. We believe our culture gives us a competitive advantage in recruiting talent, driving innovation, enhancing productivity and improving client service. We foster our culture in numerous ways, including employee performance reviews, employee surveys rating and reviewing our culture, leadership training, numerous performance recognition programs and community building efforts. In recognition of our focus on culture, we were recognized by the *Austin Business Journal* as a best place to work in Austin, Texas in each year from 2007 through 2012 and by the *Austin American-Statesman* as the #1 mid-sized top workplace in Austin in 2010 and as the #3 large top workplace in Austin in 2011.

Our Growth Strategy

The following are key elements of our growth strategy:

Expand our direct sales force globally.

We can offer significant value to companies that aim to better understand consumers. We intend to expand our direct sales force globally, which we believe will improve our sales coverage and effectiveness and enable us to acquire new clients.

Increase brand penetration and sell new solutions to our existing clients.

We believe that we have a significant opportunity to build on relationships with existing clients, including some of the leading companies in the world. Many of our clients sell products through numerous distinct brands.

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We have the opportunity to expand our relationship with these clients by deploying our solutions for some or all of their other brands.

Most of our clients use only a subset of the solutions available in our platforms. We believe that we have a significant opportunity to sell other solutions delivered through our platform, as well as solutions we intend to release in the future.

Increase the volume and variety of data across our network and help clients derive greater consumer insights.

We plan to continue to aggregate an increasing volume and variety of online word of mouth and other relevant data across our network. In turn, consumers will have access to a greater amount of relevant online word of mouth to inform their purchase decisions. We plan to enhance our clients ability to analyze the aggregated data by introducing new analytics capabilities to help our clients derive meaningful insights from consumer data across our network.

Further expand internationally and penetrate industry verticals.

While we have already established operations in the United Kingdom, Australia, France, Germany and Sweden, we intend to leverage this experience by expanding our sales and client service operations and further developing the Bazaarvoice brand. We are deepening our presence in Europe and are assessing operations in the Asia-Pacific and Latin America regions. Moreover, we plan to further penetrate our current industry verticals and to continue developing and marketing our unique solutions for additional verticals. We believe companies in various verticals can benefit from utilizing our platform to better understand consumers.

Continue to broaden our platform s capabilities through innovation.

We view investments in research and development to be an integral part of our strategy. Our research and development efforts are principally focused on improving our software architecture to make our development efforts more efficient and cost-effective and adding new solutions to our platform to enhance our value proposition to existing and prospective clients. We are also developing new solutions to leverage data that we and our clients collect and manage through our solutions and our network reach.

Pursue selective acquisitions and commercial relationships.

We intend to pursue selective acquisitions of complementary businesses and technologies that will enable us to acquire targeted product and technology capabilities, such as our acquisition of PowerReviews, which was completed on June 12, 2012. From time to time, we also may enter into commercial relationships with Internet and social media businesses if we believe this will benefit our clients. For example, we have worked with Google to enable our clients online word of mouth to be delivered through the Google search platform, including their mobile applications, and appear in a consumer s Internet search results.

Our Platforms and Solutions

Bazaarvoice Conversations Platform

Our Conversations platform provides capabilities to capture, manage and display online word of mouth. Consumers interact with our solutions as they view or author consumer reviews, questions, photos, videos, long-format narratives and other forms of consumer-generated content. Content that is displayed by our Conversations platform is styled to match our clients brand, preserving important branding elements of our clients businesses.

Content collected and managed by our Conversations platform is used by our clients in a wide range of applications, including their online websites, mobile-optimized websites, mobile applications, social networks, in-store kiosks, physical in-store displays, printed flyers, email and other forms of online and offline media.

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Key capabilities of our Conversations platform include:

Ratings & Reviews. Allows our clients to capture, manage and display consumer reviews about their products and services on their websites and mobile-optimized websites.

Questions & Answers. Allows our clients to facilitate question and answer conversations between consumers, or between consumers and brand representatives, on their websites.

Campaigns. Allows our clients to collect consumer testimonials about their products and services and display these stories on their websites. Our Campaigns capability is used in brand marketing initiatives where an in-depth story from a consumer, often accompanied by photos and sometimes videos, is used to create a strong emotional link between consumers and a brand.

Applications for Facebook. Enables consumers to read or write reviews, product questions, product answers, or stories on our clients pages on social networking websites and easily share this content with the people they influence the most their social network friends or followers.

Third-party developer APIs. Provides third-party developers with tools to build products or extend our platform on behalf of our clients, which enables us to expand the use of our platform by leveraging applications built by third-party developers. For example, some agencies use our developer APIs to develop applications for our clients brands that allow consumers to read reviews via touchscreen displays while shopping in stores or via their mobile devices while traveling.

Bazaarvoice Connections Solutions

Our Conversations clients are connected through our SaaS platform to form a network. We offer network syndication and brand engagement solutions to facilitate the sharing of online word of mouth among our clients and to enable brands to directly interact with consumers on our retail clients websites.

BrandVoice. Enables brands to enter into distribution relationships allowing them to display review content on retail websites within our network, which we refer to as syndication.

BrandAnswers. Enables brands to interact directly with consumers on retail websites within our network to answer questions and provide suggestions on alternative products that may better meet that consumer s needs. Brands gain visibility into all questions and answers about their products on retail websites that participate in our distribution relationships.

Bazaarvoice Analytics Solutions

Our Conversations platform includes our Intelligence solution, which is our enhanced analytics solution, and a Workbench Analytics solution, which provides analytics and self-service administration tools.

Intelligence. Allows our clients to derive sophisticated market, consumer and product insights in a timely manner from the underlying data we collect on their behalf through our platform. Intelligence enables our clients to analyze structured and unstructured online word of mouth and to correlate this content with consumer profiles and demographic information.

Workbench Analytics. Provides basic analytics capabilities that allow our clients to generate reports highlighting simple ratings trends, text analysis and product and service issue identification. Workbench also allows clients to perform self-service administration.

Bazaarvoice Media Solutions.

Our media solutions create connections between customers by inserting their authentic opinions into advertising campaigns, creating ads that are trusted, relevant and targeted. Our API maps our clients ad targets to our contributor data to dynamically serve the most relevant opinions for each consumer.

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PowerReviews Network Platform

As a result of our acquisition of PowerReviews in June 2012, our platforms now include PowerReviews social commerce solutions that are similar to our Ratings & Reviews and Questions & Answers. These solutions are provided through a separate platform and have been provided at a lower cost to clients as compared to the solutions offered through our Conversations platform. We plan to continue to support the PowerReviews network platform and, in connection with our integration with PowerReviews, will consider whether to maintain the PowerReviews network platform or migrate data and clients from the PowerReviews network platform to our Conversations platform.

PowerReviews Express Platform

In addition to the PowerReviews network platform, our platforms now include the PowerReviews express platform. This platform offers clients a ratings and reviews solution as a turn-key offering, which allows small business clients to implement ratings and reviews at an even lower cost. We believe that this provides express platform clients a valuable opportunity to gather consumer feedback. We plan to continue to offer the express platform so as to service small business clients who do not yet want to participate in our Conversations platform. This may lead to additional sales opportunities for us as these clients grow and their needs for social commerce solutions change.

Our Clients

As of April 30, 2012, we served 790 active clients, including clients in the retail, consumer products, travel and leisure, technology, telecommunications, financial services, healthcare and automotive industries. As of April 30, 2012, we served seven of the ten most valuable U.S. retail brands according to Interbrand s 2012 Best Retail Brands study published in February 2012, 163 of the 2012 Internet Retailer 500 and 96 of the 2012 Fortune 500 companies, including 32 of the top 100 of the Fortune 500. In addition, approximately 300 network clients and approximately 800 express clients have been added to our business as a result of our acquisition of PowerReviews in June 2012. In fiscal year 2012, our active client retention rate was 89.0%. We are committed to developing long-term client relationships. In each of fiscal years 2010, 2011 and 2012, no one client represented more than 10.0% of our revenue for that year.

The following table sets forth a list of selected clients by industry vertical and is not intended to be representative of our full client list:

Retail

Argos Limited

The Boots Company PLC

Cabela s Incorporated

Domino s Pizza, Inc.

Euromarket Designs, Inc. d/b/a Crate & Barrel

Footlocker.com, Inc.

Golfsmith International, Inc.

Oriental Trading Company

Petco Animal Supplies Inc.

Sephora USA, Inc.

SkyMall, Inc.

Urban Outfitters, Inc.

Technology

Adobe Systems Incorporated

Cisco Consumer Products LLC

LG Electronics USA, Inc.

Microsoft Corporation

Philips Consumer Lifestyle B.V.

Xerox Corporation

Consumer Products

Benefit Cosmetics LLC

Newell Rubbermaid, Inc.

The Proctor & Gamble Company

Financial Services

Intuit Inc.

LendingTree, LLC

Nationwide Mutual Insurance Company

Navy Federal Credit Union

United Services Automobile Association

Travel and Entertainment

Live Nation Entertainment, Inc.

NCL (Bahamas) Ltd. d/b/a NCL

Orbitz, Inc.

Sales and Marketing

We sell our solutions through our direct sales team located globally in the markets we serve. Our sales strategy is a vertically focused, geographically distributed and direct model that is designed to tailor our social commerce solutions to the specific needs of the industry verticals we serve.

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Our sales cycle can vary substantially from client to client but typically requires three to 12 months. In addition to new client sales, our sales directors are also focused on selling additional solutions to our existing clients.

Our marketing efforts are intended to support lead generation, provide sales support, penetrate new and rapidly expanding markets and build our corporate brand. Our marketing efforts include:

- participation in, and sponsorship of, user conferences, trade shows and industry events;
- online marketing activities, including advertising, search engine marketing, search engine optimization, webinars, email campaigns and our Bazaarvoice Social Commerce Blog (or Bazaarblog);
- informational resources development to educate prospective clients on social initiatives, including white papers, client case studies and in-person demonstrations;
- sales resources development; and
- industry partnership and business development programs.

We also host annual Social Summits, one in the United States and one in Europe. These Summits are our showcase events where current and prospective clients, along with social strategists, meet to share insights into the industry and results from social initiatives. The events feature a variety of speakers, typically executives from client organizations, training and solutions demonstrations and sharing of best practices, and are designed to increase product adoption and satisfaction and to sign new clients. In addition, we host a number of regional user groups.

Client Services

Our Client Services team is responsible for managing all client activity after the sale. With locations in the markets we serve, our Client Services team is divided into five key functional areas:

- execution and design, consisting of implementation project managers, implementation engineers and user interface designers who are responsible for technical integration and styling of our solutions;
- client success, consisting of dedicated client success directors who provide social thought leadership in the development and execution of strategic success plans for our clients and provide renewal and add-on sales support;
- content services, consisting of content moderators who process content and perform meta-tagging;

technical support, consisting of our support professionals who provide technical support services to deliver new production releases, resolve client questions and issues, respond to change requests and address other matters as they arise; and

social analytics, consisting of analytics professionals who employ analytics to measure the value of our solutions and extract business insights from the data we collect on behalf of our clients.

Our enterprise license agreements with our clients include maintenance, support and software updates during the term of the agreement. However, under these license agreements, major functional updates or enhancements may, in our discretion, be considered new solutions that will be made available to our clients at an additional charge.

Research and Development

Our research and development team is responsible for the design, development, maintenance and operation of our technology solutions. Our research and development process emphasizes frequent, iterative and incremental development cycles, enabling us to incorporate client feedback while maintaining a high standard of quality. Within the research and development team, we have several highly aligned, independent sub-teams that

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focus on particular capabilities of our solutions. Each of these sub-teams includes product managers, designers, developers and quality assurance specialists responsible for the initial and ongoing development of their solution capability. In addition, the research and development team includes our production operations team, which is responsible for platform uptime.

We believe that continued investment in research and development is critical to the future success of our business. Historically, we have made substantial investments in research and development, and we plan to continue doing so in order to further differentiate ourselves from our competitors. In addition, we augment our full-time research and development staff with offshore third-party contractors located in the Ukraine and Costa Rica. Our research and development expenses were $5.8 million, $10.8 million and $20.8 million in fiscal years 2010, 2011 and 2012, respectively.

Competition

The market for social commerce solutions is highly competitive. The competitive dynamics of our market are unpredictable because it is at an early stage of development, rapidly evolving, fragmented and subject to potential disruption by new technological innovations.

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

- product breadth and functionality;
- scope, quality and breadth of client base;
- amount and quality of content;
- service;
- price;
- reputation; and
- operating model efficiency.

We believe that we compete favorably on the factors described above. We compete primarily against traditional marketing and advertising programs. Many businesses remain hesitant to embrace social commerce solutions, such as ratings and reviews, driven by a reluctance to display negative reviews about their brands, products or services or about other brands displayed on their websites. Additionally, some businesses have developed, or may develop in the future, social commerce solutions internally. These businesses may consider their internal solutions adequate, even if our solutions are superior.

We have several direct and indirect competitors that provide third-party social commerce solutions, including companies like Revieworld Ltd. Additionally, we face potential competition from participants in adjacent markets that may enter our markets by leveraging related technologies and partnering with other companies.

We may also face competition from companies entering our market, including large Internet companies like Google, Inc. and Facebook, Inc., which could expand their platforms or acquire a competitor. While these companies do not currently focus on our market, they have significantly greater financial resources and, in the case of Google, a longer operating history. They may be able to devote greater resources to the development and improvement of their services than we can and, as a result, may be able to respond more quickly to technological changes and clients changing needs.

Moreover, because our market is changing rapidly, it is possible that new entrants, especially those with substantial resources or more efficient operating models, more rapid product development cycles or lower marketing costs, could introduce new solutions that disrupt the manner in which businesses use online word of mouth and engage with consumers online to address the needs of our clients and potential clients.

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We cannot be certain that these competitors, both current and potential, will not offer or develop services that are considered superior to ours or that services other than ours will attain greater market acceptance.

Our Culture

We regard our culture as a key differentiator and performance driver, and we have held this view since our inception. We believe our culture gives us a competitive advantage in recruiting talent, driving innovation, enhancing productivity and improving client service. Our core values connect us to our purpose and guide many of our most important business decisions, particularly those involving our most strategic asset of all, our people. As an organization, we strive to embody the following core values:

Passion: We excite with possibilities. We celebrate success. We love what we do.

Performance: We act with purpose. We are decisive. We exceed expectations.

Innovation: We believe there is power in change. We have the courage to act. We lead.

Openness: We listen. We seek the truth. We act with authenticity.

Teamwork: We play to one another s strengths. We trust each other. We are stronger and smarter together.

Respect: We are a company of equals. We value difference. We are people first; roles second.

Generosity: We share. We give without expectations. We are connected to our community.

We regularly debate culture as a management team, striving to refine our culture and integrate new ideas as we rapidly grow. One way we do this is through our Cultural Ambassadors program, which enables small groups of employees to visit top-rated companies and learn from their approaches to building high-performance and sustainable cultures.

Our culture is an extension of our purpose and is manifested in our core values. By design, our purpose is broad and audacious: Changing the world, one authentic conversation at a time. We are energized by the opportunity to transform entire industries through the power of online word of mouth and consumer-driven market insights. We are passionate about the role we can collectively play in driving this transformation across the private and public sectors.

As a reflection of the importance of our core values, we ask our employees to participate in a management feedback survey to rate and review managers, including our CEO and all corporate officers, on how well we live and demonstrate our values. This survey provides critical input during our performance review process. We currently conduct reviews for all employees, including managers and corporate officers, on a biannual basis, ensuring that we improve and evolve as rapidly as our growing business requires.

Competition for talent is intense, and a candidate s view of the potential employer s culture is often, in our experience, the deciding factor for many candidates. However, in addition to promoting our culture, we rigorously evaluate each candidate on whether they will enhance our culture. In particular, we test for passion by requiring most candidates to complete a job-specific test, which often requires the candidates to prepare and give a presentation. This exercise requires a significant investment of time and energy and is highly effective in identifying team members with high potential.

As a testament to our focus on culture, we were recognized by the *Austin Business Journal* as a best place to work in Austin, Texas in each year from 2007 through 2012 and by the *Austin American-Statesman* the #1 mid-sized top workplace in Austin in 2010 and as the #3 large top workplace in Austin in 2011.

We foster our culture in a variety of ways, including:

- our annual climate survey, which anonymously surveys all employees on the state of our culture;

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- our six-month leadership training program, custom built around our core values;
- our top-performer equity awards for those that are nominated by fellow employees as defining our culture and core values;
- our genius grant equity award for employees that demonstrate incredible ingenuity and initiative to solve business challenges;
- our trust-based vacation policy, which enables any employee, regardless of tenure, to take vacation as needed;
- our scavenger hunt, which all new employees, regardless of level, complete during their first week on the job, exposing them to all key functions and jobs in our company and important parts of our history;
- our quarterly science fair, which encourages friendly competition and highlights our core value of innovation; and
- The Bazaarvoice Foundation, which three non-executive employees of the company have created to serve our communities by focusing primarily on education.

Technology Infrastructure & Operations

We have invested extensively in developing our proprietary technology infrastructure to support the growth of our business. Our proprietary technology infrastructure includes data center, cloud computing and network management, a secure centralized source control management system and proprietary data analytics.

Maintaining the integrity and security of our technology infrastructure is critical to our ability to provide online word of mouth, and we have a dedicated security team that promotes industry best practices and drives compliance with data security standards. We use encryption technologies and certificates for secure transmission of personal information between consumers and our solutions.

Our technology infrastructure has the ability to handle sudden bursts of activity for users over a short period of time with high levels of performance and reliability. We operate at a scale that routinely delivers more than 330.1 million content impressions per day. We estimate that our clients listed in the Internet Retailer Top 500 Guide as of April 30, 2012 in aggregate experienced an average of 1.6 billion monthly visits to their websites in 2011.

Key elements of our technology infrastructure are described below.

- *Scalable Infrastructure.* Our physical network infrastructure utilizes multiple hosted data centers linked with a high speed virtual private network. We utilize commodity hardware, and our architecture is designed for high availability and fault tolerance while accommodating the demands of our service utilization.

Cloud Computing Innovation. We have developed our architecture to work effectively in a flexible cloud environment that has a high degree of automated elasticity.

We believe that our technology infrastructure is a competitive advantage, and we will continue to innovate and optimize our infrastructure to extend our technology leadership.

Intellectual Property

Our intellectual property includes our patent applications, registered and unregistered trademarks and registered domain names. We believe that our intellectual property is an essential asset of our business and that our technology infrastructure currently gives us a competitive advantage. We rely on a combination of trademark, copyright and trade secret laws in the United States and the European Union, as well as contractual

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provisions, to protect our proprietary technology and assets. We currently have trademarks registered in the United States for our name and certain of the words and phrases that we use in our business. We also rely on copyright laws to protect software relating to our websites and our proprietary technologies, although we have not yet registered for copyright protection. We have registered numerous Internet domain names related to our business in order to protect our proprietary interests. As of April 30, 2012, we had thirteen pending U.S. non-provisional patent applications and five provisional patent applications filed, but no issued patents. We also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information in a commercially prudent manner.

The efforts we have taken to protect our intellectual property may not be sufficient or effective. Third parties may infringe upon or misappropriate our proprietary rights. Despite our efforts, other parties may copy or otherwise obtain and use the content of our websites without authorization. We may be unable to prevent competitors from acquiring domain names or trademarks that are similar to, infringe upon or diminish the value of our domain names, trademarks, service marks and our other proprietary rights. Competitors may also independently develop technologies that are substantially equivalent or superior to the technologies we employ in our solutions. Failure to protect our proprietary rights adequately could significantly harm our competitive position and operating results.

In addition, we license third-party technologies that are incorporated into some elements of our solutions. Licenses of third-party technologies may not continue to be available to us at a commercially reasonable cost or at all.

Companies in the Internet and technology industries, and other patent, copyright and trademark holders own large numbers of patents, copyrights, trademarks and trade secrets and frequently threaten or enter into litigation based on claims of infringement or other violations of intellectual property rights. We have received in the past, and may receive in the future, notices that claim we have misappropriated or misused other parties intellectual property rights. There may be intellectual property rights held by others, including issued or pending patents, copyrights and trademarks, that cover significant aspects of our technologies, content, branding or business methods. Any intellectual property claim against us, regardless of merit, could be time-consuming and expensive to settle or litigate and could divert our management s attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology, content, branding or business methods found to be in violation of another party s rights. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, content, branding or business methods, which could require significant effort and expense and make us less competitive in the social commerce market. If we cannot license or develop technology, content, branding or business methods for any allegedly infringing aspect of our business, we may be unable to compete effectively.

Legal and Regulatory

We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

There have been and continue to be regulatory developments that affect our industry. For example, the Federal Trade Commission has directed attention to compensated blogging, endorsements and reviews, and state, U.S. federal and international government agencies have become increasingly focused on privacy in social networks and social commerce, including with respect to collection and use of personally identifiable information and the deployment and use of cookies. In addition, with respect to our clients that are in regulated industries, such as banking and finance or healthcare, our activities may be subject to the regulations governing such businesses.

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Employees

As of April 30, 2012, we had 840 employees, consisting of 640 full-time employees and 200 part-time employees who serve as content moderators. Our employees work in offices located in Austin, New York, London, Paris, Munich, Stockholm and Sydney. Of these employees, 536 were based in the United States. In addition, 81 full-time employees have been added to our business as a result of our acquisition of PowerReviews in June 2012. These employees primarily work in PowerReviews office located in San Francisco, California. We consider our current relationship with our employees to be good. None of our employees is represented by a labor union or is a party to a collective bargaining agreement.

Facilities

Our principal executive offices are located in Austin, Texas, where we lease approximately 120,878 square feet of office space under leases that expire on December 31, 2014 with respect to 7,510 square feet, and on December 31, 2015 with respect to 113,368 square feet. As of April 30, 2012, we maintained additional offices in New York, New York and in the United Kingdom, Australia, France, Germany and Sweden. In addition, as a result of our acquisition of PowerReviews, we have added 15,557 square feet in San Francisco, California under a lease that expires on January 31, 2015. Our primary data center is located in Texas under a hosting agreement with Rackspace U.S., Inc. d/b/a Rackspace Hosting, which agreement expires in June 2012. We believe our current and planned office facilities and data center space will be adequate for our needs through fiscal year 2013.

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MANAGEMENT

Executive Officers and Directors

Our executive officers and directors and their ages and positions as of May 31, 2012, are as follows:

Name	Age	Position
Brett A. Hurt	40	Founder, Chief Executive Officer, President and Director
Stephen R. Collins	46	Chief Financial Officer and Chief Innovation Officer
Bryan C. Barksdale	41	General Counsel and Secretary
Heather J. Brunner	43	Chief Operating Officer
Erin C. Nelson	42	Chief Marketing Officer
Ryan D. Robinson	51	Chief People Officer
Abhishek Agrawal	33	Director
Neeraj Agrawal(1)	39	Director
Michael S. Bennett(1)(2)	60	Director
Sydney L. Carey(1)(2)	47	Director
Dev C. Ittycheria(2)(3)	45	Director
Edward B. Keller(2)(3)	56	Director
Thomas J. Meredith(1)	61	Director and Chairman of the Board of Directors
Christopher A. Pacitti(3)	42	Director

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

Executive Officers

Brett A. Hurt has served as our Founder, Chief Executive Officer, President and a member of our board of directors since he co-founded Bazaarvoice in May 2005 with Brant Barton, our General Manager of Media Solutions. From May 1999 to April 2005, Mr. Hurt held various executive positions, including Chief Executive Officer, at Coremetrics, Inc., a marketing analytics SaaS provider for the e-commerce industry that he founded in 1999 and that was acquired by IBM in 2010. Mr. Hurt served on the board of directors at Coremetrics from May 1999 to February 2006. Prior to his time at Coremetrics, Mr. Hurt founded and was the Chief Executive Officer of BodyMatrix, LLC, an online retailer of sports nutrition products, and Hurt Technology Consulting, LLC, a software and web consulting firm. Mr. Hurt has also served as a systems analyst at Deloitte Consulting LLP. Mr. Hurt was named Ernst & Young Entrepreneur of the Year for Central Texas in 2009. Mr. Hurt holds a B.B.A in management information systems from the University of Texas at Austin and an M.B.A. in high-tech entrepreneurship from the Wharton School at the University of Pennsylvania. In addition to his role as our Chief Executive Officer, we believe Mr. Hurt s qualifications to serve on our board of directors include his knowledge and understanding of our business and industry and his previous service in executive positions at various technology companies.

Stephen R. Collins has served as our Chief Financial Officer since September 2010 and as our Chief Innovation Officer since January 2012. Since May 2009, Mr. Collins has served as Managing Partner at Natchez Advisors, LLC, a company he established to invest in and provide management advisory services to early-stage technology companies based in Tennessee. As part of his activities at Natchez Advisors, Mr. Collins served from May 2009 to March 2010 as interim Chief Executive Officer of Moontoast, Inc., a social commerce network company. Mr. Collins continues to serve as a member of the board of directors of Moontoast. From April 2010 to

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June 2010, Mr. Collins served as Chief Financial Officer and Chief Strategy Officer of edo Interactive, Inc., a marketing services and electronics payments company. From January 2008 to April 2009, Mr. Collins was primarily engaged in the sale of all remaining assets and the dissolution of White Horse, Inc. (formerly Juris, Inc., a legal software solutions business that was sold to LexisNexis, a division of Reed Elsevier Inc., in July 2007), as well as managing his personal investments. From June 2002 to July 2003, Mr. Collins served as Chief Operating Officer and then from July 2003 to December 2007 as President and Chief Executive Officer of Juris, Inc. Mr. Collins previously served in a variety of positions, including Chief Financial Officer and Chief Information Officer, at DoubleClick, Inc., which was sold to Google, Inc. and provides advertising management and technology solutions for digital media, various finance positions for Colgate-Palmolive Company and as an auditor for the accounting firm of PricewaterhouseCoopers LLP. Mr. Collins received a B.S. in accounting from the University of Alabama and is a C.P.A.

Bryan C. Barksdale has served as our General Counsel since August 2010 and as our Secretary since February 2011. Prior to joining us, Mr. Barksdale practiced corporate and securities law at Wilson Sonsini Goodrich & Rosati, Professional Corporation, from February 2005 to August 2010 where he represented Bazaarvoice from its inception in May 2005. Mr. Barksdale previously practiced corporate and securities law with Brobeck, Phleger & Harrison LLP and with Andrews Kurth LLP. Mr. Barksdale holds a B.A. in psychology from the University of Texas at Austin, an M.Ed. from the University of Mississippi and a J.D. from Washington & Lee University.

Heather J. Brunner has served as our Chief Operating Officer since July 2009 and previously served as our Senior Vice President of Worldwide Client Services from August 2008 to June 2009. Prior to joining us, Ms. Brunner served from February 2008 to August 2008 as Chief Executive Officer of Nuvo Network Management Inc., a wholly owned subsidiary of Trilogy Enterprises, Inc. and provider of managed network services. From July 2007 to February 2008, Ms. Brunner was the Chief Operating Officer for B-Side Entertainment, Inc., an entertainment technology company acquired by Slated, Inc. From October 2005 to July 2007, Ms. Brunner led worldwide client services at Coremetrics, Inc., a marketing analytics provider for the e-commerce industry that was acquired by IBM. From August 2001 to October 2005, Ms. Brunner was Vice President of Client Delivery and Operations at Trilogy Enterprises, Inc. Ms. Brunner previously served as Regional Vice President at Concero Technology, Inc., as a Practice Director at Oracle, Inc. where she focused on the development of the Central Texas enterprise sales and consulting practice, and in a variety of consulting team management positions at Accenture plc. Ms. Brunner received a B.A. in international economics from Trinity University.

Erin C. Nelson has served as our Chief Marketing Officer since November 2010. Prior to joining us, Ms. Nelson held a variety of positions at Dell Inc. from April 1999 to October 2010, including Senior Vice President and Chief Marketing Officer from January 2009 to October 2010, with responsibility for the company s global brand, communications and social media strategy, and Vice President of Marketing for Europe, the Middle East and Africa. From June 1991 to January 1994, Ms. Nelson worked in brand management at The Procter & Gamble Company. Ms. Nelson also previously held positions relating to corporate strategy at PepsiCo, Inc. and worked in management consulting at A.T. Kearney, Inc. Ms. Nelson was inducted into the Advertising Hall of Achievement, established by the Advertising Federation of America, in 2010. Ms. Nelson holds a B.B.A. in international business and marketing from the University of Texas at Austin.

Ryan D. Robinson has served as our Chief People Officer since April 2012. Prior to joining us, Mr. Robinson served from November 2011 to March 2012 as Vice President Human Resources at Hewlett-Packard Company, or HP, over the global technology and business process organization. From August 2008 to October 2011, Mr. Robinson served as Vice President Human Resources over HP s global functions, including finance, information technology, legal, strategy and technology, and global business services. From May 2006 to July 2008, Mr. Robinson served as Vice President Human Resources for HP s global information technology organization. Mr. Robinson previously served as Vice President Human Resources over talent management, leadership development and internal communications at Compaq Computer Corporation. Mr. Robinson holds a B.S. in organizational communications and an M.A. in human resource development from the University of Texas at Austin.

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Board of Directors

Abhishek Agrawal has served as a member of our board of directors since May 2012. Mr. Agrawal is a principal at General Atlantic, a global growth equity firm, where he has worked since 2006. Mr. Agrawal focuses on investments in the Internet and technology sectors and has been closely involved in many of General Atlantic s Internet and digital media investments. Prior to joining General Atlantic, Mr. Agrawal was with Lazard Technology Partners, an Internet and technology focused venture capital firm and previously served in Lazard s investment banking group. Mr. Agrawal is a board observer at Dice Holdings, Inc. and serves as a board member or board observer for a variety of private companies. Mr. Agrawal holds a B.S. in economics with concentration in finance from The Wharton School at the University of Pennsylvania, where he graduated first in his class, and an M.B.A. from Harvard Business School, where he graduated with highest distinction and was a Baker Scholar. Mr. Agrawal s qualifications to serve on our board include his background in the venture capital industry, providing guidance and counsel to a wide variety of Internet and technology companies, and service on the boards of directors of various private companies.

Neeraj Agrawal has served as a member of our board of directors since September 2007 and our audit committee since November 2008. He is currently a general partner at Battery Ventures. Mr. Agrawal joined Battery Ventures in 2000 and became a general partner in May 2007. Prior to his time at Battery Ventures, Mr. Agrawal served as an operating executive at Sky TV Latin America, a News Corp. subsidiary. He has also worked as a management consultant at Booz Allen Hamilton Inc. He holds a B.S. in computer science from Cornell University and an M.B.A. from Harvard Business School. We believe Mr. Agrawal s qualifications to serve on our board of directors include his extensive experience in corporate finance, business strategy and corporate development and his knowledge gained from service on the boards of various private companies.

Michael S. Bennett has served as a member of our board of directors since November 2010, our compensation committee since November 2010 and our audit committee since May 2011. Mr. Bennett served as Executive Chairman of SolarWinds, Inc., a provider of network management software, from March 2010 to June 2010 and as a member of the board of directors of SolarWinds from June 2006 to June 2010. Mr. Bennett held various positions at SolarWinds, serving as Chief Executive Officer from June 2006 to March 2010 and as President from June 2006 to January 2009. Prior to his time at SolarWinds, Mr. Bennett served as Chief Executive Officer of Permeo Technologies, Inc., a network security software company, and as a venture partner at Austin Ventures. Mr. Bennett has served in the Chief Executive Officer role at several technology companies, including Mission Critical Software until its acquisition by NetIQ Corporation in 2000, Learmonth & Burchett Management Systems Plc, a provider of process management tools for software development, and Summagraphics Corporation until its acquisition by Lockheed Martin s CalComp subsidiary. Prior to joining Summagraphics, Mr. Bennett served as a senior executive with Dell Inc. Mr. Bennett was named the Ernst & Young Entrepreneur of the Year for Houston, Texas in 2000 and for Central Texas in 2010. We believe Mr. Bennett s qualifications to serve on our board of directors include his previous service in executive positions at various public and private technology companies, his experience in building and managing high-growth technology companies and his experience serving on the board of another public company.

Sydney L. Carey has served as a member of our board of directors, our compensation committee and our audit committee since April 2012. She has served as executive vice president and chief financial officer of TIBCO Software, Inc. since January 2009 and has served in various capacities with TIBCO since January 2004. From February 2002 to January 2004, Ms. Carey was Chief Financial Officer of Vernier Networks. From December 2000 until February 2002, Ms. Carey was Chief Financial Officer of Pacific Broadband Communications. Ms. Carey holds a B.A. in economics from Stanford University and was the 2010 Stevie Award winner for Women in Business-Best Executive. We believe Ms. Carey s qualifications to serve on our board include her history of strong executive leadership in software, hardware, and system technology companies.

Dev C. Ittycheria has served as a member of our board of directors since January 2010, our compensation committee since May 2010 and our nominating and governance committee since May 2011. Mr. Ittycheria served as the Senior Vice President, President of Enterprise Service Management of BMC Software, Inc. from

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November 2008 to February 2010 and as Senior Vice President, Strategy and Corporate Development from April 2008 to October 2008. Prior to his time at BMC, Mr. Ittycheria was co-founder, President, Chief Executive Officer, and a member of the board of directors of BladeLogic, Inc. from August 2001 to April 2008, which was acquired by BMC in April 2008. Prior to founding BladeLogic, Mr. Ittycheria held several management positions in technology companies, including Senior Vice President and General Manager of the application service provider division of Breakaway Solutions, Co-founder, President and CEO of Applica Incorporated, and various senior positions in the data communications business of AT&T and Teleport Communications Group. Mr. Ittycheria currently serves on the board of directors of athenahealth, Inc. He holds a B.S. in electrical engineering from Rutgers University. Mr. Ittycheria was named the Ernst & Young Entrepreneur of the Year for New England in 2004. We believe Mr. Ittycheria s qualifications to serve on our board of directors include his experience in building and managing high-growth technology companies and his experience serving on the boards of various companies, including another public company.

Edward B. Keller has served as a member of our board of directors since May 2006, our compensation committee since September 2009 and our nominating and governance committee since May 2011. Mr. Keller is the current Chief Executive Officer of Keller Fay Group LLC, a marketing research and consulting company dedicated to word-of-mouth marketing, which he co-founded and joined in December 2005. Mr. Keller s career in marketing and media research spans more than 30 years. Prior to founding the Keller Fay Group, Mr. Keller served as Chief Executive Officer of market research firm RoperASW, which was acquired by NOP World Ltd. and then by GfK Custom Research North America, and previously as that company s President and Chief Operating Officer. Mr. Keller is a former member of the board of directors of the Word-of-Mouth Marketing Association, where he is a past president of the board. He is also a past president of the Market Research Council and a former board member of the Advertising Research Foundation. Mr. Keller is also an author and frequent lecturer regarding word-of-mouth marketing. Mr. Keller holds a B.A. in communications from the University of Pennsylvania and an M.A. in communications from the Annenberg School for Communications at the University of Pennsylvania. We believe Mr. Keller s qualifications to serve on our board of directors include his unique expertise in the social commerce marketplace and experience as a Chief Executive Officer in the market research industry.

Thomas J. Meredith has served as a member of our board of directors since August 2010, our audit committee since August 2010 and chairman of our board of directors since August 2011. Since 2004, Mr. Meredith has served as a general partner of Meritage Capital, L.P., an investment management firm he co-founded that specializes in multi-manager hedge funds. Mr. Meredith is also the Chief Executive Officer of private investment firm MFI Capital LLC, a position he has held since 2002. From March 2007 to April 2008, Mr. Meredith served as Acting Chief Financial Officer and Executive Vice President of Motorola, Inc., a provider of mobile communications products. Mr. Meredith served in a variety of senior executive positions at Dell Inc. between 1992 and 2001, including Chief Financial Officer, Managing Director of Dell Ventures and Senior Vice President of Business Development and Strategy. Prior to joining Dell, Mr. Meredith served as Vice President and Treasurer at Sun Microsystems, Inc. Mr. Meredith currently serves on the boards of directors of Motorola Mobility Holdings, Inc. and Brightstar Corp. and is an adjunct professor at the McCombs School of Business at the University of Texas at Austin. In the past five years, Mr. Meredith has also served on the boards of directors of Motorola, Inc. and Motive, Inc. Mr. Meredith holds a B.A. in political science from St. Francis University, a J.D. from Duquesne University and an L.L.M. in taxation from Georgetown University. We believe Mr. Meredith s qualifications to serve on our board of directors include his knowledge gained from service on the boards of various public companies, particularly as an audit committee member, and his extensive financial experience, both as an investment manager and former chief financial officer of publicly traded companies.

Christopher A. Pacitti has served as a member of our board of directors since August 2005 and our nominating and governance committee since May 2011. He is currently a general partner at Austin Ventures. Mr. Pacitti joined Austin Ventures as a partner in 1999 and became a general partner in 2001. Prior to his time at Austin Ventures, Mr. Pacitti was a vice president at TL Ventures and was also a co-founder and Chief Operating Officer of a technology company that developed chemical industrial applications. Mr. Pacitti currently serves on the boards of directors of a number of private companies and venture capital industry organizations. He holds a

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B.A. in economics from Johns Hopkins University. We believe Mr. Pacitti s qualifications to serve on our board of directors include his extensive experience in corporate finance, business strategy and corporate development and his knowledge gained from service on the boards of various private companies.

Our executive officers are elected by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

Board of Directors

Our board of directors currently consists of nine members.

In accordance with our amended and restated certificate of incorporation and our amended and restated bylaws, our board of directors is divided into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. The authorized number of directors may be changed by resolution of the board of directors. Vacancies on the board of directors may be filled only by vote of the board of directors.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change of control. Mr. N. Agrawal, Mr. Bennett and Mr. Pacitti are the Class I directors, and their terms will expire in 2012. Mr. A. Agrawal, Mr. Keller and Mr. Ittycheria are the Class II directors, and their terms will expire in 2013. Mr. Hurt, Ms. Carey and Mr. Meredith are the Class III directors, and their terms will expire in 2014. For more information on the classified board and other provisions of Delaware law and our amended and restated certificate of incorporation and our amended and restated bylaws, see the section of this prospectus titled Description of Capital Stock Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws.

On February 9, 2012, we agreed, upon the request of General Atlantic Partners 90, L.P., GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC, GAP Coinvestments CDA, L.P., and GAPCO GmbH & Co. KG, or collectively the GA Stockholders, to cause to be elected or appointed as a Class II member of our board of directors one individual designated by the GA Stockholders. We are not obligated to elect or appoint the individual designated by the GA Stockholders until the date that is 46 days following the consummation of our initial public offering, nor are we required to appoint or designate such individual if the GA Stockholders fail to make such request prior to December 31, 2012. The individual designated by the GA Stockholders must satisfy the general requirement for directors under applicable rules of the Nasdaq Global Market and must be reasonably acceptable to us. We have agreed with the GA Stockholders that any managing director or principal of General Atlantic LLC shall automatically be deemed to be reasonably acceptable to us, unless our board of directors determines the election or appointment of such director would be inconsistent with its fiduciary duties. This individual shall serve until the first annual or special meeting of our stockholders for the purpose of electing Class II directors. On May 22, 2012, the GA Stockholders designated Abhishek Agrawal, a principal of General Atlantic LLC who satisfies the foregoing requirements, for election or appointment to our board of directors pursuant to this agreement.

Director Independence

In August 2011, April 2012 (with respect to Ms. Carey) and May 2012 (with respect to Mr. A. Agrawal), our board of directors undertook a review of the independence of the directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of these reviews, our board of directors determined that Abhishek Agrawal, Neeraj Agrawal, Michael S. Bennett, Sydney L. Carey, Dev C. Ittycheria, Edward B. Keller, Thomas J. Meredith and Christopher A. Pacitti are independent directors as defined under the rules of the Nasdaq Global Market and SEC rules and regulations.

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Board Leadership Structure and Board s Role in Risk Oversight

The positions of chairman of the board of directors and Chief Executive Officer are presently separated. We believe that separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing the chairman to lead the board of directors in its fundamental role of providing advice to and independent oversight of management. While our amended and restated bylaws and corporate governance guidelines do not require that our chairman and Chief Executive Officer positions be separate, our board of directors believes that having separate positions is the appropriate leadership structure for us at this time. However, we also recognize that no single leadership model is right for all companies at all times and that, depending on the circumstances, other leadership models, such as having one person serving as both the chairman of the board of directors and Chief Executive Officer, might become appropriate. Accordingly, our board of directors anticipates periodically reviewing its leadership structure.

We face a number of risks, including risks relating to our operations, strategic direction and intellectual property as more fully discussed in the section of this prospectus titled Risk Factors. Management is responsible for the day-to-day management of risks we face, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility of assuring that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our board of director s role in overseeing the management of our risks is conducted primarily through committees of the board of directors, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees. In particular, our audit committee regularly considers and discusses our significant accounting and financial risk exposures and the actions management has taken to control and monitor these exposures. Our nominating and corporate governance committee regularly considers and discusses our significant corporate governance risk exposures and the actions management has taken to control and monitor these exposures. Our compensation committee, with input from our management, assists our board in reviewing and assessing whether any of our compensation policies and programs could potentially encourage excessive risk-taking.

Our full board of directors (or the appropriate board committee in the case of risks that are under the purview of a particular committee) discusses with management our major risk exposures, the potential impact of such risks on us and the steps we take to manage these risks. When a board committee is responsible for evaluating and overseeing the management of a particular risk, the chairman of the relevant committee reports on the committee s discussion to the full board of directors at regular board meetings. This enables our board of directors and its committees to coordinate the risk oversight role and evaluate interrelated risks. We believe this division of responsibilities is an effective approach for addressing the risks we face and that our board leadership structure supports this approach.

Committees of the Board of Directors

Our board of directors has an audit committee, a compensation committee and a nominating and governance committee, each of which has the composition and responsibilities described below.

Audit Committee

Our audit committee is responsible for, among other things:

- selecting and hiring our independent auditors;
- approving the audit and non-audit services to be performed by our independent auditors;
- reviewing the qualifications, performance and independence of our independent auditors;

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- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;

- reviewing the adequacy and effectiveness of our internal control policies and procedures;

- discussing the scope and results of the audit with the independent auditors and reviewing with management and the independent auditors our interim and year-end operating results;

- preparing the audit committee report required in our annual proxy statement; and

- reviewing and evaluating, at least annually, its own charter, processes and performance.

Our audit committee is currently composed of Neeraj Agrawal, Michael S. Bennett, Sydney L. Carey and Thomas J. Meredith. Ms. Carey has been appointed the chairperson of our audit committee. Our board of directors has determined that Michael S. Bennett, Sydney L. Carey and Thomas J. Meredith are independent under the applicable requirements of the Nasdaq Global Market and SEC rules and regulations. Our board of directors has determined that all of the members of our audit committee meet the requirements for financial literacy and sophistication and that Mr. Meredith and Ms. Carey each qualifies as an audit committee financial expert, under the applicable requirements of the Nasdaq Global Market and SEC rules and regulations. A majority of our audit committee members are independent directors, and after the phase in period under the applicable requirements of the SEC and the listing requirements of the Nasdaq Global Market, upon which we intend to rely, all members of our audit committee will be independent directors.

Our board of directors has adopted an audit committee charter. We believe that the composition of our audit committee, and our audit committee s charter and functioning, comply with the applicable requirements of the Nasdaq Global Market and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

The full text of our audit committee charter is posted on the investor relations portion of our website at http://investors.bazaarvoice.com/governance.cfm and is available without charge, upon request in writing to Bazaarvoice, Inc., 3900 N. Capital of Texas Highway, Suite 300, Austin, Texas 78746-3211, Attn: Legal Department. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it a part of this prospectus.

Compensation Committee

Our compensation committee is responsible for, among other things:

- reviewing and approving corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers;

reviewing and approving the following for our Chief Executive Officer and our other executive officers: annual base salaries, annual incentive bonuses, including the specific goals and amount, equity compensation, employment agreements, severance arrangements, change of control arrangements and any other significant benefits, compensation or arrangements not available to employees generally;

providing oversight of our compensation plans and benefit programs and making recommendations to the board of directors regarding improvements or changes to such plans and programs;

reviewing and making recommendations to the board of directors regarding director compensation;

reviewing and discussing with management the compensation discussion and analysis and preparing a compensation committee report required in our annual proxy statement;

administering our equity compensation plans; and

reviewing and evaluating, at least annually, its own performance and periodically reviewing its charter and processes.

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Our compensation committee is currently composed of Michael S. Bennett, Sydney L. Carey, Dev C. Ittycheria and Edward B. Keller, each of whom is a non-employee member of our board of directors. Mr. Keller has been appointed the chairperson of our compensation committee. Our board of directors has determined that each member of our compensation committee is independent under the applicable requirements of the Nasdaq Global Market and SEC rules and regulations, is a non-employee director, as defined by Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code.

Our board of directors has adopted a compensation committee charter. We believe that the composition of our compensation committee, and our compensation committee s charter and functioning, comply with the applicable requirements of the Nasdaq Global Market and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

The full text of our compensation committee charter is posted on the investor relations portion of our website at http://investors.bazaarvoice.com/governance.cfm and is available without charge, upon request in writing to Bazaarvoice, Inc., 3900 N. Capital of Texas Highway, Suite 300, Austin, Texas 78746-3211, Attn: Legal Department. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it a part of this prospectus.

Nominating and Governance Committee

Our nominating and governance committee is responsible for, among other things:

- assisting our board of directors in identifying prospective director nominees and recommending nominees for each annual meeting of stockholders;
- reviewing developments in corporate governance practices and developing and recommending governance principles applicable to our board of directors;
- overseeing the evaluation of our board of directors;
- recommending members for each board committee to our board of directors;
- reviewing and monitoring our code of conduct and actual and potential conflicts of interest of members of our board of directors and executive officers; and
- reviewing and evaluating, at least annually, its own charter, processes and performance.

Our nominating and governance committee is currently composed of Dev C. Ittycheria, Edward B. Keller and Christopher A. Pacitti. Mr. Ittycheria has been appointed the chairperson of our nominating and governance committee. Our board of directors has determined that each member of our nominating and governance committee is independent under the applicable requirements of the Nasdaq Global Market and SEC rules and regulations.

Our board of directors has adopted a nominating and governance committee charter. We believe that the composition of our nominating and governance committee, and our nominating and governance committee s charter and functioning, comply with the applicable requirements of the Nasdaq Global Market and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

The full text of our nominating and governance committee charter is posted on the investor relations portion of our website at http://investors.bazaarvoice.com/governance.cfm and is available without charge, upon request in writing to Bazaarvoice, Inc., 3900 N. Capital of Texas Highway, Suite 300, Austin, Texas 78746-3211, Attn: Legal Department. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it a part of this prospectus.

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Code of Conduct

Our board of directors has adopted a code of conduct. The code applies to all of our employees and officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), directors and consultants. The full text of our code of conduct is posted on the investor relations portion of our website at http://investors.bazaarvoice.com/governance.cfm and is available without charge, upon request in writing to Bazaarvoice, Inc., 3900 N. Capital of Texas Highway, Suite 300, Austin, Texas 78746-3211, Attn: Legal Department. We intend to disclose on our website future amendments to certain provisions of our code of conduct, or waivers of such provisions, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions or the members of our board of directors. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it part of this prospectus.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Risk Assessment of Compensation Programs

We do not believe that our compensation programs create risks that are reasonably likely to have a material adverse effect on our company. We believe that the combination of different types of compensation as well as the overall amount of compensation, together with our internal controls and oversight by the board of directors, mitigates potential risks.

Director Compensation

Compensation for Fiscal Year 2012

The following table sets forth information concerning compensation paid or accrued for services rendered to us by members of our board of directors for fiscal year 2012. The table excludes Mr. Hurt, who is a named executive officer, and did not receive any compensation from us in his role as a director in fiscal year 2012.

Director Compensation for Fiscal Year 2012

Name	Stock Awards[1]	Option Awards[2]	Total
Neeraj Agrawal			
Michael S. Bennett			
Sydney L. Carey	300,000[3]		300,000
Dev C. Ittycheria			
Edward B. Keller			
Thomas J. Meredith			
Christopher A. Pacitti			

(1) The amounts included in the Stock Awards column do not reflect compensation actually received by the director but represent the aggregate grant date fair market value computed in accordance with FASB ASC Topic 718. The valuation assumptions used in determining such amounts are described in Note 9 to our consolidated financial statements included in this prospectus.

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(2) As of April 30, 2012, the aggregate number of shares underlying option awards outstanding for each of our non-employee directors was as follows:

Name	Number of Shares Underlying Options Outstanding
Neeraj Agrawal	
Michael S. Bennett	112,477
Sydney L. Carey	
Dev C. Ittycheria	
Edward B. Keller	226,733
Thomas J. Meredith	112,477
Christopher A. Pacitti	

(3) Restricted stock grant was made in connection with the director s appointment to our board of directors.

In May 2012, our compensation committee recommended and, in June 2012, our board of directors granted Thomas J. Meredith an award of restricted stock units equal to 12,165 shares of our common stock. One-fourth of the restricted stock units vest on the three month anniversary of the vesting start date, with an additional 1/4th vesting each quarter thereafter, subject to Mr. Meredith s continued service on the applicable vesting date.

Standard Director Compensation Arrangements

Our compensation committee approved an outside director compensation policy applicable to all of our non-employee directors, or our outside directors, effective upon the completion of our initial public offering. This policy provides that each such outside director will receive the following compensation for board services:

- an annual cash retainer of $25,000 for board service;
- an annual cash retainer of $40,000 for serving as the chairman of the board of directors, $20,000 for serving as the chairman of the audit committee, $10,000 for serving as chairman of the compensation committee and $6,250 for serving as chairman of the nominating and corporate governance committee;
- an annual cash retainer of $6,500 for serving as a member of the audit committee, $3,750 for serving as a member of the compensation committee and $2,500 for serving as a member of the nominating and corporate governance committee;
- reimbursement of reasonable, customary and documented travel expenses to meetings of the board of directors;
- upon first joining the board of directors, an initial award of restricted stock with an aggregate value of $300,000; and

after the market closes on the date of the annual meeting of our stockholders of each year, beginning in calendar year 2012, an automatic annual award with an aggregate value of $150,000 paid in restricted stock with respect to the annual award granted in calendar year 2012 and paid in cash or restricted stock at the election of the outside director with respect to the annual awards granted after calendar year 2012.

With respect to the annual award described above, our outside director compensation policy provides that the outside director will receive the award in the form of restricted stock if the outside director fails to make a timely election. Our outside directors are also eligible to receive all types of awards, except incentive stock options, under our 2012 Equity Incentive Plan, or 2012 Plan, including discretionary awards not covered under our outside director compensation policy. All grants of awards to our outside directors are subject to the 2012 Plan in all respects. Directors who are employees will not receive any compensation for their service on our board of directors. An employee director who subsequently ceases to be an employee, but remains a director, will not receive an initial award described above.

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Our outside director compensation policy provides that, in the event of a change of control, any options and stock appreciation rights granted to an outside director under our 2012 Plan will vest fully and become immediately exercisable, all restrictions on his or her restricted stock or restricted stock units will lapse, and all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100.0% of target levels and all other terms and conditions met.

Prior to the adoption of our outside director compensation policy, we did not pay any cash compensation to our directors for their services as directors or as members of committees of our board of directors. We have granted options to purchase shares of our common stock to certain of our non-employee directors in connection with the director s appointment to our board of directors as follows:

Name	Date of Grant	Number of Shares Underlying Options	Exercise Price	Vesting Start Date(1)
Michael S. Bennett	11/16/2010	112,477	$ 4.86	11/2/2010
Dev C. Ittycheria	1/18/2010	274,993	2.86	1/18/2010(2)
Edward B. Keller	5/18/2006	192,600	0.05	5/18/2006
Thomas J. Meredith	8/11/2010	112,477	4.86	8/11/2010

(1) Unless otherwise indicated, the shares subject to the options vest 1/24th on the one month anniversary of the vesting start date with an additional 1/24th vesting monthly thereafter subject to continued service of the director on the applicable vesting date. In addition, upon a Change of Control (as defined in our 2005 Stock Plan), 100% of the unvested shares shall immediately vest.

(2) Shares subject to the option vest 1/48th on the one month anniversary of the vesting start date with an additional 1/48th vesting monthly thereafter subject to continued service of the director on the applicable vesting date. In addition, upon a Change of Control (as defined in our 2005 Stock Plan), 100% of the unvested shares shall immediately vest. On May 24, 2011, the option agreement with Mr. Ittycheria was amended to permit early exercise of the options subject to the agreement.

In addition to these stock option grants in connection with the appointment of our non-employee directors, we have made additional stock option grants to Mr. Keller as follows. In June 2008, we granted an option to purchase 59,404 shares of our common stock to Mr. Keller at an exercise price of $2.60 per share. This option is exercisable with respect to 1/24th of the shares subject to the option on the one month anniversary of the vesting start date with an additional 1/24th vesting monthly thereafter subject to Mr. Keller s continued service on the applicable vesting date. In February 2010, we granted an option to purchase 74,852 shares of our common stock to Mr. Keller at an exercise price of $4.13 per share. The shares subject to this option were fully vested on the date of grant. In May 2010, we granted Mr. Keller an option to purchase 112,477 shares of our common stock at an exercise price of $4.20 per share. This option is exercisable with respect to 1/24th of the shares subject to the option on the one month anniversary of the vesting start date with an additional 1/24th vesting monthly thereafter subject to Mr. Keller s continued service on the applicable vesting date. In addition, upon a Change of Control (as defined in our 2005 Stock Plan), 100.0% of the unvested shares subject to these options granted to Mr. Keller shall immediately vest.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This following discussion and analysis of our compensation arrangements with our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers, or our named executive officers, for fiscal year 2012 should be read together with the compensation tables and related disclosures that follow this discussion.

Our Named Executive Officers for Fiscal Year 2012

Our named executive officers in our fiscal year ended April 30, 2012, or fiscal year 2012, were:

Brett A. Hurt	Founder, Chief Executive Officer and President
Stephen R. Collins	Chief Financial Officer and Chief Innovation Officer
Bryan C. Barksdale	General Counsel and Secretary
Heather J. Brunner	Chief Operating Officer
Erin C. Nelson	Chief Marketing Officer

Our Executive Compensation Philosophy

Our executive compensation philosophy is to provide market-competitive opportunities with realized compensation that is closely tied to performance. Our compensation strategy focuses on providing a total compensation package that will not only attract, motivate and retain excellent executive officers, but will also align the interests of our executive officers with our stockholders by tying a significant portion of their total compensation to the achievement of our long-term business goals. Our board of directors strives to maintain a balance between cash and equity compensation to encourage our executive officers to act as owners and drive long-term stockholder value. Our executive compensation program is designed to provide our executive officers with a competitive total compensation package and share our success with them when our objectives are met.

Our executive compensation program is designed to be flexible, include complementary compensation elements and collectively serve the compensation objectives described above. Neither our compensation committee nor our board of directors has adopted any formal or informal policies or guidelines for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation or among different forms of cash and non-cash compensation. We have determined that our compensation committee and board of directors should retain discretion and flexibility to make these determinations each year rather than adopting formal policies or guidelines.

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Determining Executive Compensation for Fiscal Year 2012

For fiscal year 2012, our compensation committee was responsible for designing, recommending for approval by our board of directors and overseeing our executive compensation program.

Our compensation committee engaged Compensia, a national compensation consulting firm, to perform a competitive assessment of our executive compensation program, to assist in developing a framework for a company-wide compensation strategy up to and beyond our initial public offering and to generally advise our compensation committee on executive compensation matters. To assess the competitiveness of our executive compensation program and compensation levels, Compensia examined the executive compensation practices of a group of both late stage pre-IPO and public technology companies of similar revenue size to us. Compensia gathered this information from the Advance HR Survey and the Radford High Technology Survey and also from the public filings of a select peer group consisting of the following companies:

Bottomline Technologies (de), Inc.	OpenTable, Inc.
comScore, Inc.	Pros Holdings, Inc.