UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from to

Commission File Number: 001-37874

Everbridge, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**26-2919312** **(I.R.S. Employer Identification No.)**
25 Corporate Drive, Suite 400 **Burlington, Massachusetts** **(Address of principal executive offices)**	**01803** **(Zip Code)**

Registrant's telephone number, including area code: (818) 230-9700

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and such files). Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of August 1, 2018, the registrant had 29,385,797 shares of common stock issued and outstanding.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except share data)
(unaudited)

	As of June 30, 2018	As of December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 102,599	$ 103,051
Short-term investments	3,423	42,908
Accounts receivable, net	33,064	31,699
Prepaid expenses	4,949	2,563
Deferred costs	5,419	2,429
Other current assets	2,858	811
Total current assets	152,312	183,461
Property and equipment, net	2,722	2,796
Capitalized software development costs, net	11,487	10,005
Goodwill	53,048	31,328
Intangible assets, net	23,842	8,634
Deferred costs	7,792	—
Other assets	242	189
Total assets	$ 251,445	$ 236,413
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,154	$ 2,446
Accrued payroll and employee related liabilities	12,727	11,111
Accrued expenses	4,277	1,825
Deferred revenue	79,417	70,090
Note payable	440	—
Contingent liabilities	—	682
Other current liabilities	791	808
Total current liabilities	101,806	86,962
Long-term liabilities:		
Deferred revenue, noncurrent	3,046	2,982
Convertible senior notes	91,755	89,481
Deferred tax liabilities	922	482
Other long term liabilities	1,079	515
Total liabilities	198,608	180,422
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $0.001, 10,000,000 shares authorized, no shares issued or outstanding as of June 30, 2018 and December 31, 2017, respectively	—	—
Common stock, $0.001 par value, 100,000,000 shares authorized, 29,259,367 and 28,330,460 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	29	28
Additional paid-in capital	184,654	164,995
Accumulated deficit	(129,415)	(109,252)
Accumulated other comprehensive income (loss)	(2,431)	220
Total stockholders' equity	52,837	55,991
Total liabilities and stockholders' equity	$ 251,445	$ 236,413

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue	$ 35,822	$ 25,021	$ 66,341	$ 47,865
Cost of revenue	11,532	7,239	21,192	14,893
Gross profit	24,290	17,782	45,149	32,972
Operating expenses:				
Sales and marketing	19,179	11,057	34,955	21,963
Research and development	12,027	5,179	20,198	10,456
General and administrative	8,635	5,065	16,479	10,265
Total operating expenses	39,841	21,301	71,632	42,684
Operating loss	(15,551)	(3,519)	(26,483)	(9,712)
Other income (expense), net:				
Interest and investment income	400	77	856	128
Interest expense	(1,572)	(2)	(3,144)	(3)
Other expense, net	(6)	(6)	(204)	(38)
Total other income (expense), net	(1,178)	69	(2,492)	87
Loss before income taxes	(16,729)	(3,450)	(28,975)	(9,625)
Provision for income taxes	(189)	13	(285)	(14)
Net loss	$ (16,918)	$ (3,437)	$ (29,260)	$ (9,639)
Net loss per share attributable to common stockholders:				
Basic	$ (0.59)	$ (0.12)	$ (1.02)	$ (0.35)
Diluted	$ (0.59)	$ (0.12)	$ (1.02)	$ (0.35)
Weighted-average common shares outstanding:				
Basic	28,848,809	27,877,346	28,642,887	27,526,038
Diluted	28,848,809	27,877,346	28,642,887	27,526,038

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net loss	$ (16,918)	$ (3,437)	$ (29,260)	$ (9,639)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of taxes	(2,384)	85	(2,651)	126
Total comprehensive loss	$ (19,302)	$ (3,352)	$ (31,911)	$ (9,513)

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(in thousands)
(unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated— other comprehensive income (loss)	Total
	Shares	Par value				
Balance at December 31, 2017	28,330,460	$ 28	$ 164,995	$ (109,252)	$ 220	$ 55,991
Cumulative effect of adoption of ASU 2014-09, net of taxes	—	—	—	9,097	—	9,097
Stock-based compensation	—	—	16,716	—	—	16,716
Vesting of restricted stock units	444,248	—	—	—	—	—
Restricted stock units withheld to settle employee tax withholding liability	(81,097)	—	(3,772)	—	—	(3,772)
Exercise of stock options	521,563	1	5,834	—	—	5,835
Issuance of shares under employee stock purchase plan	44,193	—	881	—	—	881
Other comprehensive income	—	—	—	—	(2,651)	(2,651)
Net loss	—	—	—	(29,260)	—	(29,260)
Balance at June 30, 2018	29,259,367	$ 29	$ 184,654	$ (129,415)	$ (2,431)	$ 52,837

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash flows from operating activities:		
Net loss	$ (29,260)	$ (9,639)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,328	5,228
Amortization of deferred costs	2,513	2,808
Loss on disposal of assets	84	—
Deferred income taxes	101	41
Accretion of interest on convertible senior notes	2,274	—
Non-cash investment income	(228)	(8)
Provision for doubtful accounts and sales reserve	24	369
Change in fair value of contingent consideration	(250)	—
Stock-based compensation	16,512	2,044
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	5,627	(2,973)
Prepaid expenses	(2,011)	(1,044)
Deferred costs	(4,198)	(2,427)
Other assets	(1,005)	(352)
Accounts payable	93	(430)
Accrued payroll and employee related liabilities	305	500
Accrued expenses	566	293
Deferred revenue	1,061	2,868
Other liabilities	12	363
Net cash used in operating activities	(1,452)	(2,359)
Cash flows from investing activities:		
Capital expenditures	(414)	(505)
Proceeds from sale leaseback	—	395
Payments for acquisition of business, net of acquired cash	(35,857)	(21,529)
Purchase of short-term investments	(30,932)	(12,427)
Maturities of short-term investments	70,645	—
Additions to intangibles	(168)	—
Additions to capitalized software development costs	(4,038)	(3,044)
Net cash used in investing activities	(764)	(37,110)
Cash flows from financing activities:		
Restricted stock units withheld to settle employee tax withholding liability	(3,772)	—
Payment of contingent consideration	(431)	—
Proceeds from follow on offering, net	—	10,444
Payments of public offering costs	—	(729)
Payments of debt issuance costs	(84)	—
Proceeds from employee stock purchase plan	881	854
Proceeds from stock option exercises	5,835	1,115
Net cash provided by financing activities	2,429	11,684
Effect of exchange rates on cash and cash equivalents	(665)	(147)
Net decrease in cash, cash equivalents and restricted cash	(452)	(27,932)
Cash, cash equivalents and restricted cash—beginning of period	103,051	60,765
Cash, cash equivalents and restricted cash—end of period	$ 102,599	$ 32,833
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 771	$ —
Taxes, net of refunds received	41	3
Supplemental disclosure of non-cash activities:		
Capitalized assets included in accounts payable and accrued expenses	85	1,335
Deferred offering costs in accounts payable and accrued expenses	—	143
Stock-based compensation capitalized for software development	204	25

See accompanying notes to condensed consolidated financial statements.

(1) Business and Nature of Operations

Everbridge, Inc., a Delaware corporation (together with its wholly-owned subsidiaries, referred to as Everbridge or the Company), is a global software company that provides critical communications and enterprise safety applications that enable customers to automate and accelerate the process of keeping people safe and businesses running during critical events. The Company's SaaS-based platform enables the Company's customers to quickly and reliably deliver messaging to a large group of people during critical situations. The Company's enterprise applications, such as Mass Notification, Incident Management, IT Alerting, Safety Connection, Community Engagement, Secure Messaging, Crisis Commander and Visual Command Center, automate numerous critical communications processes. The Company generates revenue primarily from subscription fees to the Company's enterprise applications. The Company has operations in the United States, Norway, India, the Netherlands, Sweden, England and China.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP and applicable rules and regulations of the Securities and Exchange Commission, or the SEC regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

The condensed consolidated balance sheet as of December 31, 2017, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures including certain notes required by GAAP on an annual reporting basis.

Certain reclassifications have been made to conform prior-year amounts to the current-year presentation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year 2018 or any future period.

Effective January 1, 2018, the Company adopted the requirements of Accounting Standards Update ASU, No. 2014-09, Revenue from Contracts with Customers, as discussed in this Note 2 and Note 15.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets and liabilities which are subject to judgment and use of estimates include allowances for doubtful accounts, the fair value of assets acquired and liabilities assumed in business combinations, the recoverability of goodwill and long-lived assets, valuation allowances with respect to deferred tax assets, useful lives associated with property and equipment and intangible assets, contingencies, and the valuation and assumptions underlying stock-based compensation. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities. In addition, the Company engaged valuation specialists to assist with management's determination of the valuation of its fair values of assets acquired and liabilities assumed in business combinations.

Concentrations of Credit and Business Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable.

The Company maintains cash balances at several banks. Accounts located in the United States are insured by the Federal Deposit Insurance Corporation, or FDIC, up to $250,000. From time to time, balances may exceed amounts insured by the FDIC. The Company has not experienced any losses in such amounts.

The Company's accounts receivable are generally unsecured and are derived from revenue earned from customers located in the United States, Norway, Sweden and the United Kingdom and are generally denominated in U.S. dollars, Norwegian Krone, Swedish Kronor or British Pounds. Each reporting period, the Company reevaluates each customer's ability to satisfy credit obligations and maintains an allowance for doubtful accounts based on the evaluations. No single customer comprised more than 10% of the Company's total revenue or accounts receivable for the three and six months ended June 30, 2018 and 2017.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. As of June 30, 2018, $90.7 million of the Company's cash equivalents were invested in money market funds.

Short-Term Investments

Short-term investments consist of highly liquid investments, primarily commercial paper, U.S. Treasury and U.S. agency securities, with maturities over three months from the date of purchase and less than 12 months from the date of the balance sheet. Debt securities, money market funds and U.S. agency bonds that the Company has the ability and positive intent to hold to maturity are carried at amortized cost, which approximates fair value. Short-term investments of $3.4 million and $42.9 million at June 30, 2018 and December 31, 2017, respectively, were classified as held-to-maturity and primarily comprised of U.S. treasury and U.S. government and agency securities. All held-to-maturity securities at June 30, 2018 have maturity dates within one year.

Significant Accounting Policies

Except for the accounting policies for revenue recognition and deferred commissions that were updated, as set forth below, as a result of adopting ASU No. 2014-09, there have been no changes to the Company's significant accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 12, 2018, that have had a material impact on the Company's condensed consolidated financial statements and related notes.

Revenue Recognition

The Company derives its revenues primarily from subscription services and professional services. Revenues are recognized when control of these services is transferred to the Company's customers in an amount that reflects the consideration it expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfy a performance obligation

Subscription Services Revenues

Subscription services revenues primarily consist of fees that provide customers access to one or more of the Company's hosted applications for critical communications and enterprise safety applications, with routine customer support. Revenue is generally recognized over time on a ratable basis over the contract term beginning on the date that the Company's service is made available to the customer. All services are recognized using an output measure of progress looking at time elapsed as the contracts generally provide the customer equal benefit throughout the contract period. The Company's subscription contracts are generally two years or longer in length, billed annually in advance, and non-cancelable.

Professional Services Revenues

Professional services revenues primarily consist of fees for deployment and optimization services, as well as training. The majority of the Company's consulting contracts are billed on a time and materials basis and revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of the contract performed.

Contracts with Multiple Performance Obligations

Some of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines the standalone selling prices based on the Company's overall pricing objectives, taking into consideration market conditions and other factors, including the value of its contracts, the applications sold, customer demographics, geographic locations, and the number and types of users within its contracts.

Returns

The Company does not offer rights of return for its products and services in the normal course of business.

Customer Acceptance

The Company's contracts with customers generally do not include customer acceptance clauses.

Trade and Other Receivables

Trade and other receivables are primarily comprised of trade receivables that are recorded at the invoice amount, net of an allowance for doubtful accounts, which is not material. Other receivables represent unbilled receivables related to subscription and professional services contracts.

Deferred Costs

Sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized on a straight-line basis over a period of benefit that the Company has determined to be four years. The Company has determined the period of benefit by taking into consideration its customer contracts, its technology and other factors. Amortization of deferred commissions is included in sales and marketing expenses in the accompanying condensed consolidated statements of operations.

Deferred Revenue

Deferred revenue consists of amounts that have been invoiced and for which the Company has the right to bill, but that have not been recognized as revenue because the related goods or services have not been transferred. Deferred revenue that will be realized during the succeeding 12-month period is recorded as current, and the remaining deferred revenue is recorded as non-current.

In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts generally do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, not to receive financing from its customers or to provide customers with financing. Examples include invoicing at the beginning of a subscription term with revenue recognized ratably over the contract period.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers ("Topic 606")*. Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition ("Topic 605"), and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers, which requires the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Company refers to Topic 606 and Subtopic 340-40 as the "new revenue standard" or "ASC 606."

The Company adopted the requirements of the new revenue standard as of January 1, 2018, utilizing the modified retrospective method of transition. Adoption of the new revenue standard resulted in changes to the Company’s accounting policies for revenue recognition and deferred commissions as detailed below. The Company applied the new standard using a practical expedient where the consideration allocated to the remaining performance obligations or an explanation of when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of the initial application is not disclosed.

Based on the results of the Company’s evaluation, the adoption of the new revenue standard did not have a material impact on its revenue for the three or six months ended June 30, 2018. The primary impact of adopting the new revenue standard relates to the deferral of incremental commission costs of obtaining subscription contracts. Under Topic 605, the Company deferred only direct and incremental commission costs to obtain a contract and amortized those costs over one year. Under the new revenue standard, the Company defers all incremental commission costs to obtain the contract. The Company amortizes these costs over a period of benefit that the Company has determined to be four years. Adoption of the new revenue standard had no impact on total cash provided from or used in operating, financing, or investing activities in the Company’s consolidated statements of cash flows.

The Company adjusted its condensed consolidated financial statements from amounts previously reported to reflect the impact of the adoption of ASU No. 2014-09. For details on the impact of the Company’s adoption of the new revenue standard, see Note 15.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business, which provides additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update provide new guidance to determine when an integrated set of assets and activities (collectively referred to as a ‘‘set’’) is not a business. The new guidance requires that, when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The new guidance reduces the number of transactions that need to be evaluated as a business. The Company adopted this amendment as of January 1, 2018. The adoption of ASU 2017-01 did not have a material impact on the Company's financial statements for the three or six months ended June 30, 2018.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows, Restricted Cash (Topic 230), which requires that a statement of cash flows explain the change during the period for the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective for the fiscal year beginning January 1, 2018. The Company adopted ASU No. 2016-18 retrospectively, effective January 1, 2018. The adoption of ASU 2016-08 did not have a material impact on the Company's financial statements for the period ended June 30, 2018 and June 30, 2017, respectively.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments (Topic 230), which addresses eight specific cash flow issues to reduce the diversity in practice for appropriate classification on the statement of cash flows. The Company has adopted this guidance during the first quarter of 2018, and there was no significant effect of the standard on its condensed consolidated financial statements.

Recently Issued Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*, to require lessees to recognize most leases on the balance sheet, while recognition on the statement of operations will remain similar to current lease accounting. The ASU also eliminates real estate-specific provisions and modifies certain aspects of lessor accounting. The ASU is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. Adoption of the ASU is modified retrospective. The Company is still in the process of evaluating the ASU but currently plans to adopt the ASU on January 1, 2019.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act of 2017. The new standard is effective for the Company beginning on January 1, 2019, with early adoption permitted. The Company will adopt ASU 2018-02 effective January 1, 2019. The Company does not expect the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

Other accounting standard updates effective for interim and annual periods beginning after December 31, 2018 are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

(3) Accounts Receivable, Net

Accounts receivable, net is as follows (in thousands):

	As of June 30, 2018	As of December 31, 2017
Accounts receivable	$ 33,780	$ 32,662
Allowance for doubtful accounts	(716)	(963)
Net accounts receivable	$ 33,064	$ 31,699

Bad debt expense was $0.1 million and 0.3 million for the three months ended June 30, 2018 and 2017, respectively. Bad debt expense was a credit of $0.1 million and expense of $0.4 million for the six months ended June 30, 2018 and 2017, respectively.

The following table summarizes the changes in the allowance for doubtful accounts (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance, beginning of period	$ (637)	$ (359)	$ (863)	$ (374)
Additions	(83)	(289)	109	(289)
Write-offs	4	38	38	53
Balance, end of period	$ (716)	$ (610)	$ (716)	$ (610)

The following table summarizes the changes in the sales reserve (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance, beginning of period	$ (78)	$ (125)	$ (100)	$ (45)
Additions	(133)	—	(133)	(80)
Write-offs	2	9	24	9
Balance, end of period	$ (209)	$ (116)	$ (209)	$ (116)

As a result of the adoption of the new revenue standard, the Company reclassified its sales reserve from a current asset to a current liability within the consolidated financial statements, effective January 1, 2018.

(4) Property and Equipment

Property and equipment consisted of the following (in thousands):

	Useful life in years	As of June 30, 2018	As of December 31, 2017
Furniture and equipment	5	$ 1,903	$ 1,854
System hardware	5	1,714	1,623
Office computers	3	3,124	2,586
Computer and system software	3	1,222	1,193
		7,963	7,256
Less accumulated depreciation and amortization		(5,241)	(4,460)
Property and equipment, net		$ 2,722	$ 2,796

Depreciation and amortization expense for property and equipment was $0.5 million and $0.4 million for the three months ended June 30, 2018 and 2017, respectively. Depreciation and amortization expense for property and equipment was $0.9 million and $1.1 million for the six months ended June 30, 2018 and 2017, respectively.

(5) Capitalized Software Development Costs

Capitalized software development costs consisted of the following (in thousands):

	Gross carrying amount	Amortization period	Accumulated amortization	Net carrying amount
			As of June 30, 2018	
Capitalized software development costs	$ 41,141	3 years	$ (29,654)	$ 11,487
Total capitalized software development costs	$ 41,141		$ (29,654)	$ 11,487

	Gross carrying amount	Amortization period	Accumulated amortization	Net carrying amount
			As of December 31, 2017	
Capitalized software development costs	$ 36,899	3 years	$ (26,894)	$ 10,005
Total capitalized software development costs	$ 36,899		$ (26,894)	$ 10,005

The Company capitalized software development costs of $4.2 million and $3.1 million for the six months ended June 30, 2018 and June 30, 2017, respectively.

Amortization expense for capitalized software development costs was $1.4 million and $1.1 million for the three months ended June 30, 2018 and 2017, respectively. Amortization expense for capitalized software development was $2.8 million and $2.6 million for the six months ended June 30, 2018 and 2017, respectively. Amortization of capitalized software development costs is classified within cost of revenue in the consolidated statements of operations.

The expected amortization of capitalized software development costs, as of June 30, 2018, for each of the following years is as follows (in thousands):

	Amounts
2018 (for the remaining six months)	$ 3,047
2019	4,850
2020	2,853
2021	737
	$ 11,487

(6) Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these items.

Certain assets, including long-lived assets, goodwill and intangible assets are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the six months ended June 30, 2018 and year ended December 31, 2017, no impairments were identified.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at June 30, 2018 and December 31, 2017 by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	As of June 30, 2018			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
Assets:				
Cash equivalents:				
Money market funds	$ 90,704	—	—	$ 90,704
Short-term investments:				
U.S. government and agency securities	—	3,423	—	3,423
Total financial assets	**$ 90,704**	**$ 3,423**	**$ —**	**$ 94,127**

	At December 31, 2017			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
Assets:				
Cash equivalents:				
Money market funds	$ 35,521	—	—	$ 35,521
U.S. treasury securities	—	11,974		11,974
U.S. government and agency securities	—	50,352	—	50,352
Short-term investments:				
U.S. treasury securities	—	12,972	—	12,972
U.S. government and agency securities	—	29,936	—	29,936
Total financial assets	**$ 35,521**	**$ 105,234**	**$ —**	**$ 140,755**
Liabilities:				
Contingent consideration	—	—	$ 682	$ 682
Total financial liabilities	**$ —**	**$ —**	**$ 682**	**$ 682**

The Company classifies and discloses fair value measurements in one of the following three categories of fair value hierarchy:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets and liabilities.

Level 2 - Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company's assets that are measured by management at fair value on a recurring basis are generally classified within Level 1 or Level 2 of the fair value hierarchy. The Company did not have any transfers into and out of Level 1 or Level 2 during the six months ended June 30, 2018.

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents. The fair value of the Company's investments in certain money market funds is their face value and such instruments are classified as Level 1 and are included in cash and cash equivalents on the consolidated balance sheets. At June 30, 2018 the Company's Level 2 securities were priced by pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities.

The following table summarizes the changes in Level 3 financial instruments (in thousands).

		Amount
Fair Value at December 31, 2017	**$**	**682**
Foreign currency translation		(1)
Change in fair value		(250)
Payments made during the year		(431)
Balance at June 30, 2018	**$**	**—**

The Company estimates the fair value of the convertible senior notes based on their last actively traded prices (Level 1) or market-observable inputs (Level 2). As of June 30, 2018 and December 31, 2017 the fair value of the convertible senior notes was determined to be $163.6 million and $126.9 million, respectively and the carrying value of the notes was $91.8 million and $89.5 million, respectively.

(7) Goodwill and Intangible Assets

Goodwill was $53.0 million and $31.3 million as of June 30, 2018 and December 31, 2017, respectively. There were no impairments recorded against goodwill during the six months ended June 30, 2018 and for the year ended December 31, 2017. The following table displays the changes in the gross carrying amount of goodwill (in thousands):

		Amount
Balance at December 31, 2017	**$**	**31,328**
Foreign currency translation		(1,174)
Increase due to acquisitions		22,894
Balance at June 30, 2018	**$**	**53,048**

Intangible assets consisted of the following (in thousands):

				As of June 30, 2018			
		Gross carrying amount	Weighted average life (years)		Accumulated amortization		Net carrying amount
Amortizable intangible assets:							
Developed technology	$	5,739	3.03	$	(2,620)	$	3,119
Tradenames		3,231	4.43		(1,057)		2,174
Non-compete		240	2.00		(170)		70
Customer relationships		23,864	5.00		(5,385)		18,479
Total intangible assets	$	33,074		$	(9,232)	$	23,842

				As of December 31, 2017			
		Gross carrying amount	Weighted average life (years)		Accumulated amortization		Net carrying amount
Amortizable intangible assets:							
Developed technology	$	4,065	3.04	$	(2,017)	$	2,048
Tradenames		2,495	5.18		(701)		1,794
Non-compete		240	2.00		(110)		130
Customer relationships		8,556	5.00		(3,894)		4,662
Total intangible assets	$	15,356		$	(6,722)	$	8,634

Amortization expense for intangible assets was $1.8 million and $0.9 million for the three months ended June 30, 2018 and 2017, respectively. Amortization expense for intangible assets was $2.7 million and $1.5 million for the six months ended June 30, 2018 and 2017, respectively.

The expected amortization of the intangible assets, as of June 30, 2018, for each of the next five years and thereafter is as follows (in thousands):

	Amounts
2018 (for the remaining six months)	$ 3,760
2019	6,413
2020	5,028
2021	4,541
2022 and thereafter	4,100
	$ 23,842

(8) Acquisitions

2018 Acquisitions

The Company accounted for the acquisitions of Unified Messaging Systems ASA, Respond B.V. and PlanetRisk, Inc. using the acquisition method of accounting for business combinations under ASC 805, *Business Combinations*. The total purchase price is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date.

As the Company finalizes their estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months). Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materially impact the Company's results of operations. Significant inputs used for the model included the amount of cash flows, the expected period of the cash flows and the discount rates. The finalization of the acquisition accounting assessment may result in a change in the valuation of the deferred tax assets, deferred tax liabilities and intangible assets, which could have a material impact on the Company's results of operations and financial position.

Unified Messaging Systems ASA

On April 3, 2018, the Company acquired Unified Messaging Systems ASA, or UMS, in exchange for cash consideration of $31.9 million, net of cash acquired. UMS is an industry leader in the area of critical communication and population alerting systems and is headquartered in Oslo, Norway. The Company acquired UMS for its customer base and to complement some of the existing facets of the Company's business with existing customers.

The following table summarizes the allocation of the purchase consideration and the Company's preliminary estimate of acquisition date fair values of the assets acquired and the liabilities assumed for the acquisition of UMS made by the Company. The following table also summarizes the aggregate consideration for UMS as of June 30, 2018 (in thousands):

	UMS
Assets acquired	
Accounts receivable	3,834
Other assets	1,383
Property and equipment	27
Trade names	520
Acquired technology	1,460
Customer relationships	13,800
Goodwill	20,201
Total assets acquired	$ 41,225
Liabilities assumed	
Accounts payable and accrued expenses	3,981
Deferred revenue	5,210
Other liabilities	150
Net assets acquired	$ 31,884
Consideration paid	
Cash paid, net of cash acquired	31,884
Total	$ 31,884

The weighted average useful life of all identified acquired intangible assets is 4.68 years. The weighted average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 5.0 years and 1.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method and the estimated useful lives of one to five years. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets.

As a result of the acquisition, the Company recorded $20.2 million of goodwill. The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of UMS's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of UMS support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the UMS acquisition is deductible for income tax purposes.

For the three and six months ended June 30, 2018, the Company incurred transaction costs of $0.1 million and $0.4 million, respectively, in connection with the UMS acquisition, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations.

PlanetRisk, Inc.

On May 1, 2018, the Company acquired certain assets from PlanetRisk, Inc., or PlanetRisk, in exchange for cash consideration of $2.0 million. PlanetRisk is a provider of data analytics and visualization solutions and is headquartered in Tysons Corner, Virginia. The Company acquired these assets from PlanetRisk for its customer base and to complement some of the existing facets of the Company's business with existing products.

The following table summarizes the allocation of the purchase consideration and the Company's preliminary estimate of acquisition date fair values of the assets acquired and the liabilities assumed for the acquisition of PlanetRisk made by the Company. The following table also summarizes the aggregate consideration for PlanetRisk as of June 30, 2018 (in thousands):

		PlanetRisk
Assets acquired		
Accounts receivable		2,862
Property and equipment		488
Acquired technology		160
Customer relationships		1,100
Goodwill		1,205
Total assets acquired	$	5,815
Liabilities assumed		
Accounts payable and accrued expenses		694
Deferred revenue		2,810
Other liabilities		290
Net assets acquired	$	2,021
Consideration paid		
Cash paid, net of cash acquired		2,021
Total	$	2,021

The weighted average useful life of all identified acquired intangible assets is 4.75 years. The weighted average useful lives for acquired technologies and customer relationships are 3.0 years and 5.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method and the estimated useful lives of three to five years. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets.

As a result of the acquisition, the Company recorded $1.2 million of goodwill. The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of PlanetRisk's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of PlanetRisk support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the PlanetRisk acquisition is not deductible for income tax purposes.

For the three and six months ended June 30, 2018, the Company incurred transaction costs of $0.1 million and $0.1 million, respectively, in connection with the PlanetRisk acquisition, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations.

Respond Acquisition

On May 18, 2018, the Company acquired Respond B.V., or Respond, in exchange for current cash consideration of $2.0 million, net of cash acquired and issued a note to be paid one year after the transaction date in the amount of $0.4 million, for a total purchase price of $2.6 million. Respond is a provider of critical communication solutions and is headquartered in the Netherlands. The Company acquired Respond for its customer base and to complement some of the existing facets of the Company's business with its existing customers.

The following table summarizes the allocation of the purchase consideration and the Company's preliminary estimate of acquisition date fair values of the assets acquired and the liabilities assumed for the acquisition of Respond made by the Company. The following table also summarizes the aggregate consideration for Respond as of June 30, 2018 (in thousands):

		Respond
Assets acquired		
Accounts receivable		86
Other assets		87
Property and equipment		19
Trade names		80
Acquired technology		160
Customer relationships		1,100
Goodwill		1,488
Total assets acquired	$	3,020
Liabilities assumed		
Accounts payable and accrued expenses		208
Deferred revenue		220
Other liabilities		257
Net assets acquired	$	2,335
Consideration paid		
Cash paid, net of cash acquired		1,952
Note payable		383
Total	$	2,335

The weighted average useful life of all identified acquired intangible assets is 4.63 years. The weighted average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 5.0 years and 1.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method and the estimated useful lives of one to five years. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets.

As a result of the acquisition, the Company recorded $1.5 million of goodwill. The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of Respond's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of Respond support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the Respond acquisition is deductible for income tax purposes.

For the three and six months ended June 30, 2018, the Company incurred transaction costs of $0.1 million and $0.1 million, respectively, in connection with the Respond acquisition, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations.

Neither the investment in the assets nor the results of operations of the three combined acquisitions were significant to the Company's consolidated financial position or results of operations, and thus pro forma information is not presented.

2017 Acquisitions

IDV Solutions

On January 27, 2017, the Company acquired IDV Solutions, or IDV, in exchange for current cash consideration of $21.2 million, net of cash acquired and the fair value of contingent future consideration. As a result of the acquisition, the Company recorded $21.2 million of goodwill. The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of IDV's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of IDV support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the IDV acquisition was deductible for income tax purposes. The operations of the IDV business are included in the Company's operating results since the date of acquisition.

Unaudited Pro Forma Financial Information

The following unaudited pro forma statement of operations data presents the results of the Company's acquisition of IDV completed during the year ended December 31, 2017, assuming that the business acquisition was completed during 2017 and had occurred on January 1, 2017. The unaudited pro forma statement of operations data below includes adjustments for additional amortization expense related to acquired intangible assets and depreciation assuming the 2017 acquisitions had occurred on January 1, 2017.

	Revenue	Net income (loss)
Results of acquired business included in the six months ended (in thousands):		
From the acquisition date to June 30, 2017	$ 3,018	$ (1,583)
For the six months ended June 30, 2017 pro forma	$ 3,555	$ (2,337)

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Basic and diluted earnings per share pro forma	$ (0.03)	$ (0.08)

The unaudited pro forma information presented does not purport to be indicative of the results that would have been achieved had the acquisition been consummated at January 1, 2017 nor of the results which may occur in the future. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable.

(9) Convertible Senior Notes

In November 2017, the Company issued $115.0 million aggregate principal amount of 1.50% convertible senior notes, or the Notes, due November 1, 2022, unless earlier repurchased by the Company or converted by the holder pursuant to their terms. Interest is payable semiannually in arrears on May 1 and November 1 of each year, commencing on May 1, 2018.

The Notes are governed by an Indenture between the Company, as issuer, and U.S. Bank, National Association, as trustee. The Notes are unsecured and rank: senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated; effectively subordinated in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries.

Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election.

The Notes have an initial conversion rate of 29.6626 shares of common stock per $1,000 principal amount of Notes. This represents an initial effective conversion price of approximately $33.71 per share of common stock and approximately 3.4 million shares issuable upon conversion. Throughout the term of the Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock paid or delivered, as the case may be, to the holder upon conversion of a Note.

Prior to the close of business on the business day immediately preceding May 1, 2022, the Notes will be convertible at the option of holders during certain periods, only upon satisfaction of certain conditions set forth below. On or after May 1, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at the conversion rate at any time regardless of whether the conditions set forth below have been met.

Holders may convert all or a portion of their Notes prior to the close of business on the business day immediately preceding May 1, 2022, in multiples of $1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

- during the five business day period after any five consecutive trading day period, or the Notes Measurement Period, in which the "trading price" (as the term is defined in the Indenture) per $1,000 principal amount of notes for each trading day of such Notes Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock on such trading day and the conversion rate on each such trading day;
- If the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date; or
- upon the occurrence of specified corporate events.

Based on the market price of the Company's common stock during the 30 trading days preceding June 30, 2018, the Notes are convertible at the option of the debt holder as of June 30, 2018.

Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its Notes to be approximately 6.93%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the equity component, including market interest rates, credit standing, and yield curves, all of which are defined as Level 2 observable inputs. The estimated implied interest rate was applied to the Notes, which resulted in a fair value of the liability component of $92.1 million upon issuance, calculated as the present value of implied future payments based on the $115.0 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the Notes. The $22.9 million difference between the aggregate principal amount of $115.0 million and the estimated fair value of the liability component was recorded in additional paid-in capital as the Notes were not considered redeemable.

In accounting for the transaction costs related to the issuance of the Notes, the Company allocated the total amount incurred to the liability and equity components based on their estimated relative fair values. Transaction costs attributable to the liability component, totaling $3.2 million, are being amortized to expense over the term of the Notes, and transaction costs attributable to the equity component, totaling $0.8 million, and were netted with the equity component in shareholders' equity.

The Notes consist of the following (in thousands):

	for the period	
	June 30, 2018	December 31, 2017
Liability component:		
Principal	$ 115,000	$ 115,000
Less: debt discount, net of amortization	(23,245)	(25,519)
Net carrying amount	$ 91,755	$ 89,481
Equity component (a)	22,094	22,094

a) Recorded in the consolidated balance sheet within additional paid-in capital, net of $0.8 million transaction costs in equity as of December 31, 2017.

The following table sets forth total interest expense recognized related to the Notes (in thousands):

	As of	
	June 30, 2018	December 31, 2017
1.50% coupon	$ 868	$ 192
Amortization of debt discount and transaction costs	2,274	499
	$ 3,142	$ 691

As of June 30, 2018 and December 31, 2017, the fair value of the Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted price of the Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's convertible notes classified in equity) were as follows (in thousands):

	June 30, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Convertible senior notes	$ 163,615	$ 91,755	$ 126,931	$ 89,481

In connection with the issuance of the Notes, the Company entered into capped call transactions with certain counterparties affiliated with the initial purchasers and others. The capped call transactions are expected to reduce potential dilution of earnings per share upon conversion of the Notes. Under the capped call transactions, the Company purchased capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the Notes, with an initial strike price of approximately $33.71 per share, which corresponds to the initial conversion price of the Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Notes, and have a cap price of approximately $47.20. The cost of the purchased capped calls of $12.9 million was recorded to shareholders' equity as of December 31, 2017 and will not be re-measured.

Based on the closing price of the Company's common stock of $47.42 on June 29, 2018, the if-converted value of the Notes was more than their respective principal amounts.

(10) Stockholders' Equity

Preferred Stock

As of June 30, 2018, the Company had authorized 10,000,000 shares of preferred stock, par value $0.001, of which no shares were outstanding.

Common Stock

As of June 30, 2018, the Company had authorized 100,000,000 shares of common stock, par value $0.001. Holders of common stock are entitled to one vote per share. At June 30, 2018 and December 31, 2017, there were 29,259,367 and 28,330,460 shares of common stock issued and outstanding, respectively.

(11) Stock Plans and Stock-Based Compensation

The Company's 2016 Equity Incentive Plan, or the 2016 Plan, became effective on September 15, 2016. The 2016 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and performance share awards to employees, directors and consultants of the Company. A total of 3,893,118 shares of the Company's common stock were initially reserved for issuance under the 2016 Plan, which is the sum of (1) 2,000,000 shares, (2) the number of shares reserved for issuance under the Company's 2008 Equity Incentive Plan or the 2008 Plan, at the time the 2016 Plan became effective (up to a maximum of 42,934 shares) and (3) shares subject to stock options or other stock awards granted under the 2008 Plan that would have otherwise returned to the Company's 2008 Plan (up to a maximum of 1,850,184 shares). The number of shares of common stock reserved for issuance under the 2016 Plan will automatically increase on January 1 of each year, beginning on January 1, 2017, by 3% of the number of shares of the Company's capital stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

As a result of the adoption of the 2016 Plan, no further grants may be made under the 2008 Plan. The 2008 Plan provided for the grant of stock options to the Company's employees, directors and consultants. Stock option awards were granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant as determined by the Company's board of directors. The option awards generally vested over four years and were exercisable any time after vesting. The stock options expire ten years after the date of grant.

2016 Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan, or the 2016 ESPP, became effective on September 15, 2016. A total of 500,000 shares of the Company's common stock were initially reserved for issuance under the 2016 Plan. The number of shares reserved for issuance under the 2016 ESPP will automatically increase on January 1 of each year, beginning on January 1, 2017, by the lesser of 200,000 shares of the Company's common stock, 1% of the number of shares of the Company's common stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

The 2016 ESPP allows eligible employees to purchase shares of the Company's common stock at a discount of up to 15% through payroll deductions of their eligible compensation, subject to any plan limitations. Except for the initial offering period, the 2016 ESPP provides for separate six-month offering periods beginning each March and September of each fiscal year.

On each purchase date, eligible employees will purchase the Company's stock at a price per share equal to 85% of the lesser of (i) the fair market value of the Company's common stock on the offering date or (ii) the fair market value of the Company's common stock on the purchase date.

For the six months ended June 30, 2018 and 2017, 44,193 and 83,790 shares of common stock were purchased under the 2016 ESPP, respectively. The 2016 ESPP is considered compensatory for purposes of stock-based compensation expense. The Company recorded stock-based compensation expense of $0.2 million and $0.2 million for the three months ended June 30, 2018 and 2017, respectively. The Company recorded stock-based compensation expense of $0.4 million and $0.3 million for the six months ended June 30, 2018 and 2017, respectively.

Stock Options

The Company recorded stock-based compensation expense of $2.1 million and $1.1 million for the three months ended June 30, 2018 and 2017, respectively. The Company recorded stock-based compensation expense of $3.9 million and $2.1 million for the six months ended June 30, 2018 and 2017, respectively.

The total intrinsic value of options exercised for the six months ended June 30, 2018 was $16.1 million. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option. Based on the fair market value of the Company's common stock at June 30, 2018, the total intrinsic value of all outstanding options was $61.3 million.

The fair value of stock option grants and ESPP are determined using the Black-Scholes option pricing model with the following weighted average assumptions. In addition, the fair value per share on grant date is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Employee Stock Options:				
Fair value per share on grant date	$43.86	$24.87	$33.06 - $43.86	$18.05 - $24.87
Expected term (in years)	6.00	6.00	6.00	6.00 - 6.11
Expected volatility	45%	60%	45% - 50%	60%
Risk-free interest rate	2.98%	1.98%	2.72% - 2.98%	1.98% - 2.47%
Dividend rate	0%	0%	0%	0%
Employee Stock Purchase Plan:				
Expected term (in years)	0.50	0.50	0.50	0.50
Expected volatility	50% - 60%	60%	50% - 60%	60%
Risk-free interest rate	1.18% - 1.93%	0.45%	1.18% - 1.93%	0.45%
Dividend rate	0%	0%	0%	0%

(1) The expected term represents the period that the stock-based compensation awards are expected to be outstanding. Since the Company did not have sufficient historical information to develop reasonable expectations about future exercise behavior, the Company used the simplified method to compute expected term, which reflects the average of the time-to-vesting and the contractual life;

(2) The expected volatility of the Company's common stock on the date of grant is based on the weighted average of the Company's historical volatility as a public company and the volatilities of publicly traded peer companies that are reasonably comparable to the Company's own operations;

(3) The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the options; and

(4) The expected dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to pay any dividends on the Company's common stock.

Total unrecognized compensation cost related to nonvested stock options was approximately $19.9 million as of June 30, 2018, and is expected to be recognized over a weighted average period of 3.0 years.

A summary of activities under the 2008 Plan and the 2016 Plan is shown as follows for the year ended December 31, 2017 and the six months ended June 30, 2018:

	Stock options outstanding	Weighted average exercise price
Outstanding at December 31, 2016	1,884,425	$ 10.02
Granted	1,096,881	22.84
Exercised	(497,175)	5.77
Forfeited	(43,841)	15.60
Outstanding at December 31, 2017	2,440,290	16.55
Granted	556,396	34.94
Exercised	(521,563)	11.43
Forfeited	(67,327)	15.44
Outstanding at June 30, 2018	2,407,796	$ 21.94

Stock-based compensation expense is recognized over the award's expected vesting schedule, which is reduced for forfeitures.

Stock options outstanding, and options exercisable and vested are as follows:

Outstanding as of June 30, 2018	Remaining contractual life (years)	Weighted average exercise price	Exercisable as of June 30, 2018	Remaining contractual life (years)	Weighted average exercise price
2,407,796	8.45	$ 21.94	510,494	6.93	$ 12.33

Outstanding as of December 31, 2017	Remaining contractual life (years)	Weighted average exercise price	Exercisable as of December 31, 2017	Remaining contractual life (years)	Weighted average exercise price
2,440,290	8.28	$ 16.55	748,148	7.00	$ 10.39

Vested and nonvested stock option activity was as follows:

	Vested		Nonvested	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at June 30, 2018	510,094	$ 12.33	1,897,702	$ 24.53
Outstanding at December 31, 2017	748,148	$ 10.39	1,692,142	$ 19.27

Restricted Stock Units

The Company has granted 466,000 restricted stock units, or RSUs, to members of its senior management and certain other employees pursuant to the 2016 Plan. The Company accounts for RSUs issued to employees at fair value, based on the market price of the Company's common stock on the date of grant. During the three and six months ended June 30, 2018 the Company recorded $1.1 million and $2.0 million, respectively, of stock-based compensation related to the RSUs that had been issued to-date. No stock-based compensation expense was recorded for the three and six months ended June 30, 2017, respectively. There were no RSUs that vested during the three and six months ended June 30, 2018.

As of June 30, 2018, there was $8.9 million of unrecognized compensation expense related to unvested employee RSU awards which is expected to be recognized over a weighted-average period of approximately 2.19 years. For RSUs subject to graded vesting, the Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

Performance-Based Restricted Stock Units

In June 2018, the Company granted 9,000 performance-based restricted stock units, or PSUs, to members of its management pursuant to the 2016 Plan. The PSUs vest based on the Company achieving certain revenue growth thresholds which range from 20% to 40% compounded annual growth over a measure period of two years for the first 50% of PSU's and three years for the remaining PSUs. The vesting of the PSU's is subject to the employee's continued employment with the Company through the date of achievement. The share price of the Company's common stock on the date of issuance of the PSUs was $43.86 per share. The fair value is based on value of the common stock at the date of issuance and the probability of achieving the performance metric. Compensation cost is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions. For the three and six months ended June 30, 2018, the Company recognized $0.1 million, in each period for stock compensation expense in connection with these awards. No stock-based compensation expense was recorded for the three and six months ended June 30, 2017, respectively.

As of June 30, 2018, there was $0.4 million of unrecognized compensation expense related to unvested PSUs which is expected to be recognized over a weighted-average period of approximately 3.25 years. The Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

None of the PSUs had vested as of June 30, 2018.

Market-Based Restricted Stock Units

The Company has granted 559,017 market-based restricted stock units, or market-based RSUs, to members of its senior management and certain other employees pursuant to the 2016 Plan. The market-based RSUs vest based on the Company achieving certain stock price thresholds which range from $35 per share to $65 per share for 30 consecutive trading days as reported by The Nasdaq Stock Market, LLC, subject to the employee's continued employment with the Company through the date of achievement. The share price of the Company's common stock on the date of issuance of the market-based RSUs was $23.16 - $51.99 per share. The fair value is based on values calculated under the Monte Carlo simulation model on the grant date. The key estimates used in the Monte-Carlo simulation were a risk-free rate of 2.26% - 2.85%, dividend yield of zero, expected term of 10 years and volatility of 50% - 60%. Compensation cost is not adjusted in future periods for subsequent changes in the expected outcome of market related conditions. For the three and six months ended June 30, 2018, the Company recognized $6.7 million and $10.3 million, respectively, of stock compensation expense in connection with these awards. No stock-based compensation expense was recorded for the three and six months ended June 30, 2017, respectively.

As of June 30, 2018, there was $0.1 million of unrecognized compensation expense related to unvested market based RSUs which is expected to be recognized over a weighted-average period of approximately 0.6 years. The Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

A summary of activity in connection with the Company's RSUs, market-based RSUs and PSUs for the six-month period ended June 30, 2018 is as follows:

	Number of Shares
Outstanding as of December 31, 2017	784,000
Granted	250,077
Vested	(444,248)
Forfeited	(11,500)
Outstanding as of June 30, 2018	578,329

During the six months ended June 30, 2018, 444,248 market-based RSUs vested.

Stock-Based Compensation Expense

The Company recorded the total stock-based compensation expense as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of revenue	$ 940	$ 60	$ 1,565	$ 125
Sales and marketing	3,532	282	5,967	559
Research and development	3,205	176	4,515	322
General and administrative	2,345	583	4,669	1,063
Total	$ 10,022	$ 1,101	$ 16,716	$ 2,069

(12) Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential dilutive shares of common stock. Basic and diluted net loss per share of common stock were the same for all periods presented as the impact of all potentially dilutive securities outstanding was anti-dilutive.

The following common equivalent shares were excluded from the diluted net loss per share calculation because their inclusion would have been anti-dilutive:

	As of June 30,	
	2018	2017
Stock options	2,407,796	1,956,077
Convertible senior notes	3,411,199	—
Non-vested performance-based restricted stock units	9,000	—
Non-vested market-based restricted stock units	110,829	—
Non-vested restricted stock units	458,500	—
Total	6,397,324	1,956,077

The Company is required to reserve and keep available from the Company’s authorized but unissued shares of common stock a number of shares equal to the number of shares subject to outstanding awards under the 2008 Plan and the number of shares reserved for issuance under each of the 2016 Plan and 2016 ESPP.

The amount of such shares of the Company’s common stock reserved for these purposes at June 30, 2018 is as follows:

	Number of Shares
Stock options issued and outstanding	2,407,796
Additional shares available for grant under equity plans	1,913,623
Total	4,321,419

In connection with the issuance of the Notes in November 2017, the Company paid $12.9 million to enter into capped call option agreements to reduce the potential dilution to holders of the Company’s common stock upon conversion of the Notes. The capped call option agreements are excluded from the calculation of diluted net loss per share attributable to common stockholders, as their effect is antidilutive.

(13) Income Taxes

The Company is subject to income tax in the United States as well as other tax jurisdictions in which it conducts business. Earnings from non-U.S. activities are subject to local country income tax. The Company does not provide for U.S. deferred income taxes on the undistributed earnings of its foreign subsidiaries as such earnings are reinvested indefinitely.

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual tax rate changes, the Company makes a cumulative adjustment in that quarter. The Company's quarterly tax provision, and its quarterly estimate of its annual effective tax rate, are subject to significant volatility due to several factors, including the Company's ability to accurately predict its pre-tax income and loss in multiple jurisdictions.

For the three months ended June 30, 2018 and 2017, the Company recorded a provision for income taxes of $189,000 and a benefit of $13,000, respectively, resulting in an effective tax rate of 1.13% and a benefit of 0.38%, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded a provision for income taxes of $285,000 and $14,000, respectively, resulting in an effective tax rate of 0.98% and 0.15%, respectively. During the current year periods, the effective tax rate is lower than the statutory federal tax rate as the Company was not able to benefit from its net operating losses due to its full valuation allowance.

As of June 30, 2018, the Company had gross tax-effected unrecognized tax benefits of $0.4 million, of which $0.4 million, if recognized, would favorably impact the effective tax rate. The Company's existing tax positions will continue to generate an increase in unrecognized tax benefits in subsequent periods. The Company's policy is to record interest and penalties related to unrecognized tax benefits as income tax expense. During the three and six months ended June 30, 2018 and 2017, the amounts recorded related to the accrual of interest and penalties were immaterial in each period.

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act of 2017. The accounting for all items is expected to be complete when the Company's 2017 U.S. corporate income tax return is filed in September of 2018. Any differences between what was previously recorded and the final tax return amounts or estimates made for subsequent quarters are not expected to be material.

(14) Segment information

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, or CODM, who is the Company's chief executive officer, in deciding how to allocate resources and assess the Company's financial and operational performance. While the Company has applications that address multiple use cases, all of the Company's applications operate on and leverage a single technology platform and are deployed and sold in an identical way. In addition, the Company's CODM evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis. As a result, the Company has determined that the Company's business operates in a single operating segment. Since the Company operates as one operating segment, all required financial segment information can be found in the consolidated financial statements.

(15) Revenue Recognition

On January 1, 2018, the Company adopted the new revenue standard and applied it to all contracts using the modified retrospective method. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of accumulated deficit. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The cumulative effect of the changes made to the Company's consolidated January 1, 2018 balance sheet for the adoption of the new revenue standard was as follows (in thousands):

	Balance at December 31, 2017	Adjustments Due to ASC 606	Balance at January 1, 2018
BALANCE SHEET			
ASSETS			
Accounts receivable, net	$ 31,699	$ 100	$ 31,799
Deferred Cost	2,429	2,132	4,551
Deferred Cost (non-current)	—	6,965	6,965
LIABILITIES AND STOCKHOLDERS' EQUITY			
Other current liabilities	$ 808	$ 100	$ 908
Deferred revenue	73,072	—	73,072
Accumulated deficit	(109,252)	9,097	(100,155)

The impact of the adoption of the new revenue standard on the Company's consolidated balance sheet and consolidated statement of operations was as follows (in thousands):

	June 30, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
BALANCE SHEET			
ASSETS			
Accounts receivable, net	$ 33,064	$ 32,855	$ 209
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deferred revenue (short and long term)	82,463	82,463	—
Other current liabilities	791	582	209
Accumulated deficit	(129,415)	(138,303)	8,888

	For the Three Months Ended June 30, 2018		
	As Reported	Activity Without Adoption of ASC 606	Effect of Change Higher/(Lower)
STATEMENT OF OPERATIONS			
Revenue	$ 35,822	$ 35,822	$ —
Net loss	(16,918)	(17,143)	225

	For the Six Months Ended June 30, 2018		
	As Reported	Activity Without Adoption of ASC 606	Effect of Change Higher/(Lower)
STATEMENT OF OPERATIONS			
Revenue	$ 66,341	$ 66,341	$ —
Net loss	(29,260)	(29,469)	209

The following table disaggregates the Company's revenue by geography which provides information as to the major source of revenue (in thousands).

Primary Geographic Markets	For the Six Months Ended June 30, 2018 Total
United States	$ 59,891
International	6,450
Total	$ 66,341

The following table presents the Company's revenues disaggregated by revenue source (in thousands, unaudited).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017(1)	2018	2017(1)
Subscription services	$ 33,804	$ 23,937	$ 62,329	$ 46,011
Professional services	2,018	1,084	4,012	1,854
Total revenues	$ 35,822	$ 25,021	$ 66,341	$ 47,865

(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

Contract Assets

The Company does not have material amounts of contract assets since revenue is recognized as control of goods is transferred or as services are performed. There are a small number of professional services that may occur over a period of time, but that period of time is generally very short in duration. Any contract assets that may arise are recorded in other assets in the Company's consolidated balance sheet. As of June 30, 2018, the Company had $1.2 million in unbilled receivables related to services performed which were not billed.

Contract Liabilities

The Company's contract liabilities consist of advance payments and deferred revenue. The Company's contract liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The Company classifies advance payments and deferred revenue as current or noncurrent based on the timing of when it expects to recognize revenue. Generally, all contract liabilities are expected to be recognized within one year and are included in deferred revenue in the Company's consolidated balance sheet. The noncurrent portion of deferred revenue is included and separately disclosed in the Company's consolidated balance sheet.

Deferred Costs

Deferred costs, which primarily consist of deferred sales commissions, were $13.2 million as of June 30, 2018. For the three and six months ended June 30, 2018, amortization expense for the deferred costs was $1.3 million and $2.6 million, respectively and there was no impairment loss in relation to the costs capitalized.

Deferred Revenue

$33.0 million and $60.7 million of subscription services revenue was recognized during the three and six months ended June 30, 2018 and was included in the deferred revenue balances at the beginning of the respective period. Professional services revenue recognized in the same period from deferred revenue balances at the beginning of the respective periods was not material.

As of June 30, 2018, approximately $76.4 million of revenue is expected to be recognized from remaining performance obligations for subscription contracts.

The Company expects to recognize revenue on approximately $73.4 million of these remaining performance obligations over the next 12 months, with the balance recognized thereafter. Revenue from remaining performance obligations for professional services contracts as of June 30, 2018 was not material.

(16) Commitments and Contingencies

(a) Leases

The Company leases office space in Pasadena, California; San Francisco, California; Burlington, Massachusetts; Colchester, England; Windsor, England; Lansing, Michigan, Orlando, Florida, Tysons Corner, Virginia, Norsborg, Sweden, Oslo, Norway, Tilburg, Holland and Beijing, China under operating leases and recognizes escalating rent expense on a straight-line basis over the expected lease term.

Except as set forth below, there were no material changes in the Company's commitments under contractual obligations, as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017 and related notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. As a result of the acquisitions of UMS and Respond, the Company assumed lease obligations which are included in the table below.

As of June 30, 2018, future minimum lease payments under non-cancelable operating leases are as follows (in thousands):

		Amounts
2018 (for the remaining six months)	$	1,832
2019		3,152
2020		2,720
2021		2,644
2022 and thereafter		2,886
Total minimum lease payments	$	13,234

(b) Rent

Rent expense was $0.9 million and $0.5 million for the three months ended June 30, 2018 and 2017, respectively. Rent expense was $1.6 million and $1.0 million for the six months ended June 30, 2018 and 2017, respectively.

(c) Litigation

In the normal course of business, the Company has been subjected to various unasserted claims. The Company does not believe these claims will have a material adverse impact to the financial statements.

(d) Credit Facility

The Company has a revolving line of credit agreement with Western Alliance Bank, which provides for a $15.0 million revolving secured credit facility maturing on June 30, 2018. Amounts outstanding under the line of credit bear interest at the prime rate plus 0.75% with accrued interest payable on a monthly basis and outstanding and unpaid principal due upon maturity. Western Alliance Bank maintains a security interest in substantially all of the Company's tangible and intangible assets, excluding intellectual property, to secure any outstanding amounts under the loan agreement. The loan agreement contains customary events of default, conditions to borrowing and covenants, including restrictions on the Company's ability to dispose of assets, make acquisitions, incur debt, incur liens and make distributions and dividends to stockholders. The loan agreement also includes a financial covenant related to the Company's recurring revenue renewal rate. During the continuance of an event of default, Western Alliance Bank may accelerate amounts outstanding, terminate the credit facility and foreclose on the collateral.

In June 2018 the Company extended the line of credit with the same terms as above except for a change in maturity date to September 28, 2018.

As of June 30, 2018, no amounts had been drawn under the credit facility.

(e) Employee Contracts

The Company has entered into employment contracts with certain of the Company's executive officers which provide for at-will employment. However, under the provisions of the contracts, the Company would incur severance obligations of up to twelve months of the executive's annual base salary for certain events, such as involuntary terminations.

(17) Subsequent Events

In July 2018, the Company announced that it had entered into an amendment with the President of the Company under which he would forfeit options to purchase 375,000 shares of the Company's common stock from his original 500,000 share option stock grant. At the same time, he was granted 12,500 restricted stock units which will vest over three years, based on his continued service with the Company, and 12,500 performance-based stock units which will vest based on the Company's compound annual growth rate reaching certain targets over the two-year and three-year periods after the grant date.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with (i) our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and (ii) our audited consolidated financial statements and the related notes and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2017 included in our Annual Report on Form 10-K filed with the SEC on March 12, 2018. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would" or the negative or plural of these words or similar expressions or variations and such forward-looking statements include, but are not limited to, statements with respect to our outlook; the impact of new accounting standards; our ability to service our debt; our business strategy, plans and objectives for future operations; and our future financial and business performance. The events described in these forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors", set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Everbridge is a global software company that provides enterprise software applications that automate and accelerate organizations' operational response to critical events in order to keep people safe and businesses running faster. During public safety threats such as active shooter situations, terrorist attacks or severe weather conditions, as well as critical business events such as IT outages, cyber-attacks or other incidents such as product recalls or supply-chain interruptions, our SaaS-based platform enables our customers to quickly and reliably aggregate and assess threat data, locate people at risk and responders able to assist, automate the execution of pre-defined communications processes and track progress on executing response plans. Our customers use our platform to identify and assess hundreds of different types of threats to their organizations, people, assets or brand. Our solutions enable organizations to deliver intelligent, contextual messages to, and receive verification of delivery from, hundreds or millions of recipients, across multiple communications modalities such as voice, SMS and e-mail. Our applications enable the delivery of messages in near real-time to more than 100 different communication devices, in over 200 countries and territories, in 15 languages and dialects – all simultaneously. We delivered over 2.0 billion communications in 2017. We automate the process of sending contextual notifications to multiple constituencies and receiving return information on a person's or operation's status so that organizations can act quickly and precisely. Our Critical Event Management platform is comprised of a comprehensive set of software applications that address the full spectrum of tasks an organization has to perform to manage a critical event, including Mass Notification, Incident Management, Safety Connection, IT Alerting, Visual Command Center, Crisis Commander, Community Engagement and Secure Messaging. We believe that our broad suite of integrated, enterprise applications delivered via a single global platform is a significant competitive advantage in the market for Critical Event Management solutions, which we refer to generally as CEM.

Our customer base has grown from 867 customers at the end of 2011 to more than 4,100 customers as of June 30, 2018. As of June 30, 2018, our customers were based in 45 countries and included nine of the 10 largest U.S. cities, eight of the 10 largest U.S.-based investment banks, 25 of the 25 busiest North American airports, six of the 10 largest global consulting firms, six of the 10 largest global auto makers, all four of the largest global accounting firms, four of the 10 largest U.S.-based health care providers and four of the 10 largest U.S.-based health insurers. We provide our applications to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and governmental agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We sell all of our critical event management and enterprise safety applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 2.0 years as of June 30, 2018, and generally bill and collect payment annually in advance. We derive substantially all of our revenue from subscriptions to our critical event management and enterprise safety applications. Historically, we derived more than 74% of our revenue in each of the last three fiscal years from sales of our Mass Notification application. Over 90% of the revenue that we recognized in each of the eight most recently completed quarters was generated from contracts entered into in prior quarters or renewals of those contracts; the balance of the revenue that we recognized in each such quarter was generated from contracts entered into with new customers or new contracts, other than renewals, entered into with existing customers in such quarter. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications that our customers subscribe to and the number of contacts and devices connected to our platform.

We generated revenue of $35.8 million and $25.0 million for the three months ended June 30, 2018 and 2017, respectively, representing a period-over-period increase of 43%. We generated revenue of $66.3 million and $47.9 million for the six months ended June 30, 2018 and 2017, respectively, representing a period-over-period increase of 39%. We had net losses of $16.9 million and $3.4 million for the three months ended June 30, 2018 and 2017, respectively. We had net losses of $29.3 million and $9.6 million for the six months ended June 30, 2018 and 2017, respectively. Our adjusted EBITDA, which is a measure that is not calculated and presented in accordance with generally accepted accounting principles in the United States, or GAAP, was $(3.6) million and $(2.5) million for the six months ended June 30, 2018 and 2017, respectively. See "Other Metrics" below for a discussion of the limitations of adjusted EBITDA and a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP.

As of June 30, 2018 and 2017, 28% and 14% of our customers, respectively, were located outside of the United States and these customers generated 19% and 10% of our total revenue for the three months ended June 30, 2018 and 2017, respectively.

We have focused on rapidly growing our business and believe that the future growth of our business is dependent on many factors, including our ability to increase the functionality of our platform and applications, expand our customer base, accelerate adoption of our applications beyond Mass Notification within our existing customer base and expand our international presence. Our future growth will also depend on the growth in the market for critical event management and enterprise safety solutions and our ability to effectively compete. In order to further penetrate the market for critical event management and enterprise safety solutions and capitalize on what we believe to be a significant opportunity, we intend to continue to invest in research and development, build-out our data center infrastructure and services capabilities and hire additional sales representatives, both domestically and internationally, to drive sales to new customers and incremental sales of new applications to existing customers. Nevertheless, we expect to continue to incur losses in the near term and, if we are unable to achieve our growth objectives, we may not be able to achieve profitability.

Recent Developments

In April 2018, we acquired approximately 94.2% of the outstanding shares of Unified Messaging Systems ASA, or UMS, and have completed a compulsory acquisition of the remaining outstanding shares of UMS. We acquired UMS for cash consideration of approximately $31.9 million, net of cash acquired. UMS is a provider of SaaS mobile crisis management solutions and population alerting systems operating out of Norway, Sweden, India and the U.S.

In April 2018, we acquired we acquired certain assets from PlanetRisk, Inc., or PlanetRisk based out of Tysons Corner, Virginia. We acquired these assets for cash consideration of approximately $2.0 million. PlanetRisk is a provider of data analytics and visualization solutions.

In May 2018, we acquired all of the outstanding shares of Respond Beheer B.V., or Respond, which is based in the Netherlands. We acquired Respond for cash consideration of approximately $2.3 million, net of cash acquired. Respond is a provider of SaaS emergency notification systems with a majority of its customers in the Netherlands.

Presentation of Financial Statements

Our consolidated financial statements include the accounts of our wholly-owned subsidiaries. Business acquisitions are included in our consolidated financial statements from the date of the acquisition. Our purchase accounting resulted in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates. All intercompany balances and transactions have been eliminated in consolidation.

We report our financial results as one operating segment. Our operating results are regularly reviewed on a consolidated basis by our chief executive officer, who is our chief operating decision maker, principally to make strategic decisions regarding how we allocate our resources and to assess our consolidated operating performance.

Adoption of Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financing Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or the new revenue standard. The new revenue standard outlines a single, comprehensive model for accounting for revenue from contracts with customers and requires more detailed disclosure to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from such contracts. The new revenue standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. On January 1, 2018, we adopted the new standard under the modified retrospective transition method. This method was applied to contracts that were not complete as of the date of initial application of the new revenue standard.

During the three and six months ended June 30, 2018, we recognized revenue based on the new revenue standard, but revenue for the three and six months ended June 30, 2017 was recognized based on Accounting Standards Codification, Topic 605, Revenue Recognition. Therefore, the periods are not directly comparable. See Notes 2 and 15 in the notes to our consolidated financial statements included in this Quarterly Report on Form 10-Q for additional discussion of the impact of the adoption of the new revenue standard and changes in accounting policies relating to revenue recognition and deferred commissions.

Components of Results of Operations

Revenue

We derive substantially all of our revenue from the sale of subscriptions to our critical event management and enterprise safety applications.

We generally bill and collect payment for our subscriptions annually in advance. All revenue billed in advance of services being delivered is recorded in deferred revenue. The initial subscription period typically ranges from one to three years. We offer varying levels of customer support based on customer needs and the complexity of their businesses, including the level of usage by a customer in terms of minutes or the amount of data used to transmit the notifications. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of premium features and applications that our customers subscribe to and the number of contacts connected to our platform.

We also sell professional services which primarily consist of fees for deployment and optimization services, as well as training.

Cost of Revenue

Cost of revenue includes expenses related to the fulfillment of our subscription services, consisting primarily of employee-related expenses for data center operations and customer support, including salaries, bonuses, benefits and stock-based compensation expense. Cost of revenue also includes hosting costs, messaging costs and depreciation and amortization. As we add data center capacity and support personnel in advance of anticipated growth, our cost of revenue will increase and, if anticipated revenue growth does not occur, our gross profit will be adversely affected.

Operating Expenses

Operating expenses consist of sales and marketing, research and development and general and administrative expenses. Salaries, bonuses, stock-based compensation expense and other personnel costs are the most significant components of each of these expense categories. We include stock-based compensation expense incurred in connection with the grant of stock options within the applicable operating expense category based on the equity award recipient's functional area.

Sales and Marketing

Sales and marketing expense primarily consists of employee-related expenses for sales, marketing and public relations employees, including salaries, bonuses, commissions, benefits and stock-based compensation expense. Sales and marketing expense also includes trade show, market research, advertising and other related external marketing expense as well as office and software related costs to support sales. We defer certain sales commissions related to acquiring new customers and amortize these expenses ratably over the period of benefit that we have determined to be four years. We plan to continue to expand our sales and marketing functions to grow our customer base and increase sales to existing customers. This growth will include adding sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. In the near term, we expect our sales and marketing expense to increase on an absolute dollar basis as we hire new sales representatives in the United States and worldwide and grow our marketing staff.

Research and Development

Research and development expense primarily consists of employee-related expenses for research and development staff, including salaries, bonuses, benefits and stock-based compensation expense. Research and development expense also includes the cost of certain third-party services, office related costs to support research and development activities, software subscriptions and hosting costs. We capitalize certain software development costs that are attributable to developing new applications and adding incremental functionality to our platform and amortize these costs over the estimated life of the new application or incremental functionality, which is generally three years. We focus our research and development efforts on improving our applications, developing new applications and delivering new functionality. In the near term, we expect our research and development expense to increase on an absolute dollar basis as we continue to increase the functionality of our platform and applications.

General and Administrative

General and administrative expense primarily consists of employee-related expenses for administrative, legal, finance and human resource personnel, including salaries, bonuses, benefits and stock-based compensation expense. General and administrative expense also includes professional fees, insurance premiums, corporate expenses, transaction-related costs, office-related expenses, facility costs, depreciation and amortization and software license costs. In the near term, we expect our general and administrative expense to increase on an absolute dollar basis as we incur the costs associated with being a publicly traded company.

Interest and Investment Income

Interest income consists of interest earned on our cash balances held at financial institutions. Investment income consist of interest earned on our short term investments which consist of U.S. treasuries, U.S. government agency obligations and money market funds.

Interest Expense

Interest expense consists of interest on our outstanding debt obligations.

Other Income and Expense, Net

Other expense, net consists primarily of realized foreign currency gains and losses.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period-to-period comparison of our historical results is not necessarily indicative of the results that may be expected in the future.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Revenue	$ 35,822	$ 25,021	$ 66,341	$ 47,865
Cost of revenue(1) (2)	11,532	7,239	21,192	14,893
Gross profit	24,290	17,782	45,149	32,972
Operating expenses:				
Sales and marketing(1)(2)	$ 19,179	$ 11,057	$ 34,955	$ 21,963
Research and development(1) (2)	12,027	5,179	20,198	10,456
General and administrative(1) (2)	8,635	5,065	16,479	10,265
Total operating expenses	39,841	21,301	71,632	42,684
Operating loss	(15,551)	(3,519)	(26,483)	(9,712)
Other income (expenses), net	(1,178)	69	(2,492)	87
Loss before income taxes	(16,729)	(3,450)	(28,975)	(9,625)
Provision for income taxes	(189)	13	(285)	(14)
Net loss attributable to common stockholders	$ (16,918)	$ (3,437)	$ (29,260)	$ (9,639)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(in thousands)			
Cost of revenue	$ 940	$ 60	$ 1,565	$ 125
Sales and marketing	3,532	282	5,967	559
Research and development	3,205	176	4,515	322
General and administrative	2,345	583	4,669	1,063
Total	$ 10,022	$ 1,101	$ 16,716	$ 2,069

(2) Includes depreciation and amortization of acquired intangible assets as follows:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(in thousands)			
Cost of revenue	$ 1,992	$ 1,514	$ 3,822	$ 3,781
Sales and marketing	78	78	159	150
Research and development	69	46	136	92
General and administrative	1,551	657	2,211	1,205
Total	$ 3,690	$ 2,295	$ 6,328	$ 5,228

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Consolidated Statements of Operations, as a percentage of revenue(1)				
Revenue	100%	100%	100%	100%
Cost of revenue	32%	29%	32%	31%
Gross profit	68%	71%	68%	69%
Operating expenses:				
Sales and marketing	54%	44%	53%	46%
Research and development	34%	21%	30%	22%
General and administrative	24%	20%	25%	21%
Total operating expenses	111%	85%	108%	89%
Operating loss	(43)%	(14)%	(40)%	(20)%
Other income (expenses), net	(3)%	*	(4)%	*
Loss before income taxes	(47)%	(14)%	(44)%	(20)%
(Provision for) benefit from income taxes	*	*	*	*
Net loss attributable to common stockholders	(47)%	(14)%	(44)%	(20)%

(1) Columns may not add up to 100% due to rounding.
* Represents less than 0.5% of revenue.

Comparison of the Three Months Ended June 30, 2018 and 2017

Revenue

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Change $	Change %
	(dollars in thousands)			
Revenue	$ 35,822	$ 25,021	$ 10,801	43.2%

Revenue increased by $10.8 million for the three months ended June 30, 2018 compared to the same period in 2017. The increase was due to a $10.8 million increase in sales of our historical solutions driven by expansion of our customer base from 3,201 customers as of June 30, 2017 to 4,158 customers as of June 30, 2018, including increased sales to larger organizations with greater numbers of contacts and locations.

Cost of Revenue

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Change $	Change %
	(dollars in thousands)			
Cost of revenue	$ 11,532	$ 7,239	$ 4,293	59.3%
Gross margin %	68%	71%		

Cost of revenue increased by $4.3 million for the three months ended June 30, 2018 compared to the same period in 2017. The increase was due to a $1.8 million increase in employee-related costs associated with our increased headcount from 115 employees as of June 30, 2017 to 163 employees as of June 30, 2018. In addition, $2.0 million of the increase was attributed to an increase in hosting, software and messaging costs, $0.4 million increase in depreciation and amortization expense attributed to our fixed assets, acquired intangibles and capitalized software and $0.1 million attributed to an increase in office related expenses to support revenue generating activities.

Gross margin percentage decreased due to an increase in amortization of acquired intangible assets and capitalized software and our continued investment in personnel to support our growth.

Operating Expenses

Sales and Marketing Expense

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Change $	Change %
	(dollars in thousands)			
Sales and marketing	$ 19,179	$ 11,057	$ 8,122	73.5%
% of revenue	54%	44%		

Sales and marketing expense increased by $8.1 million for the three months ended June 30, 2018 compared to the same period in 2017. The increase was primarily due to a $7.3 million increase in stock compensation and employee-related costs associated with our increased headcount from 205 employees as of June 30, 2017 to 284 employees as of June 30, 2018. The remaining increase was principally the result of a $0.8 million increase in software costs and office related expenses to support the sales team. The impact to commission expense was not material based upon the adoption of ASC 606 for the period beginning January 1, 2018.

Research and Development Expense

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Change $	Change %
	(dollars in thousands)			
Research and development	$ 12,027	$ 5,179	$ 6,848	132.2%
% of revenue	34%	21%		

Research and development expense increased by $6.8 million for the three months ended June 30, 2018 compared to the same period in 2017. The increase was primarily due to a $6.6 million increase in stock compensation and employee-related costs associated with our increased headcount from 155 employees as of June 30, 2017 to 237 employees as of June 30, 2018. The remaining increase was principally the result of a $0.8 million increase in office related expenses and support fees. A total of $1.6 million of internally developed software costs during the three months ended June 30, 2017 and $2.2 million of internally developed software costs during the three months ended June 30, 2018 were capitalized, resulting in a decrease of the expense by $0.6 million in the second quarter of 2018.

General and Administrative Expense

	Three Months Ended June 30,		Change	
	2018	2017	$	%
	(dollars in thousands)			
General and administrative	$ 8,635	$ 5,065	$ 3,570	70.5%
% of revenue	24%	20%		

General and administrative expense increased by $3.6 million for the three months ended June 30, 2018 compared to the same period in 2017. The increase was primarily due to a $2.5 million increase in stock compensation and employee-related costs associated with our increased headcount from 73 employees as of June 30, 2017 to 88 employees as of June 30, 2018. The remaining increase was due to a $0.5 million increase in professional services attributed to tax and audit services, and a $1.0 million increase in depreciation and amortization. These increases were offset by a decrease of $0.2 million in bad debt expense.

Other Income (Expense), Net

	Three Months Ended June 30,		Change	
	2018	2017	$	%
	(dollars in thousands)			
Other income (expense), net	$ (1,178)	$ 69	$ (1,247)	(1807.2)%
% of revenue	(3)%	*		

Other expense increased by $1.2 million for the three months ended June 30, 2018 compared to the same period in 2017 as we issued $115.0 million in convertible senior notes in November 2017, resulting in a $1.6 million increase in interest expense. The increase in interest expense was offset by an increase of $0.4 million in interest and investment income as a result of proceeds invested from our public offerings and our convertible note offering.

Comparison of the Six Months Ended June 30, 2018 and 2017

Revenue

	Six Months Ended June 30,		Change	
	2018	2017	$	%
	(dollars in thousands)			
Revenue	$ 66,341	$ 47,865	$ 18,476	38.6%

Revenue increased by $18.5 million for the six months ended June 30, 2018 compared to the same period in 2017. The increase was due to an $18.5 million increase in sales of our historical solutions driven by expansion of our customer base from 3,201 customers as of June 30, 2017 to 4,158 customers as of June 30, 2018, including increased sales to larger organizations with greater numbers of contacts and locations.

Cost of Revenue

	Six Months Ended June 30,		Change	
	2018	2017	$	%
	(dollars in thousands)			
Cost of revenue	$ 21,192	$ 14,893	$ 6,299	42.3%
Gross margin %	68%	69%		

Cost of revenue increased by $6.3 million for the six months ended June 30, 2018 compared to the same period in 2017. The increase was primarily due to a $3.0 million increase in employee-related costs associated with our increased headcount from 115 employees as of June 30, 2017 to 135 employees as of June 30, 2018. In addition, $3.1 million of the increase was attributed to an increase in hosting, software and messaging costs and a $0.2 million increase in office related expenses to support revenue generating activities.

Gross margin percentage decreased due to an increase in amortization of acquired intangible assets and capitalized software.

Operating Expenses

Sales and Marketing Expense

	Six Months Ended June 30,		Change	
	2018	2017	$	%
	(dollars in thousands)			
Sales and marketing	$ 34,955	$ 21,963	$ 12,992	59.2%
% of revenue	53%	46%		

Sales and marketing expense increased by $13.0 million for the six months ended June 30, 2018 compared to the same period in 2017. The increase was primarily due to an $11.8 million increase in employee-related costs associated with our increased headcount from 205 employees as of June 30, 2017 to 227 employees as of June 30, 2018. The remaining increase was principally the result of a $0.6 million increase in advertising costs, a $0.4 million increase in office related expenses to support revenue generating activities and a $0.2 million increase in software cost and office related expenses to support the sales team.

Research and Development Expense

	Six Months Ended June 30,		Change	
	2018	2017	$	%
	(dollars in thousands)			
Research and development	$ 20,198	$ 10,456	$ 9,742	93.2%
% of revenue	30%	22%		

Research and development expense increased by $9.7 million for the six months ended June 30, 2018 compared to the same period in 2017. The increase was primarily due to a $9.7 million increase in employee-related costs associated with our increased headcount from 155 employees as of June 30, 2017 to 180 employees as of June 30, 2018. The remaining increase was principally the result of a $0.4 million increase in hosting and software cost to support research and development activities and a $0.6 million increase in office related expenses to support research and development activities. A total of $3.1 million of internally developed software costs during the six months ended June 30, 2017 and $4.1 million of internally developed software costs during the six months ended June 30, 2018 were capitalized, resulting in a decrease of the expense by $1.1 million in the 2018 period.

General and Administrative Expense

	Six Months Ended June 30,		Change	
	2018	2017	$	%
	(dollars in thousands)			
General and administrative	$ 16,479	$ 10,265	$ 6,214	60.5%
% of revenue	25%	21%		

General and administrative expense increased by $6.2 million for the six months ended June 30, 2018 compared to the same period in 2017. The increase was primarily due to a $4.6 million increase in employee-related costs associated with our increased headcount from 73 employees as of June 30, 2017 to 76 employees as of June 30, 2018. The remaining increase was due to a $1.0 million increase in depreciation and amortization expense attributable to our acquired intangible assets and a $0.7 million increase in cost to operate as a public company offset by a decrease of $0.1 million in office related expenses to support the administrative team.

Other Income (Expense), Net

	Six Months Ended June 30,		Change	
	2018	2017	$	%
	(dollars in thousands)			
Other income (expense), net	$ (2,492)	$ 87	$ (2,579)	(2964.4)%
% of revenue	(4)%	*		

Other expense increased by $2.6 million for the six months ended June 30, 2018 compared to the same period in 2017 as we issued $115.0 million in convertible senior notes in November 2017, resulting in a $3.1 million increase in interest expense. The increase in interest expense was offset by an increase of $0.6 million in interest and investment income as a result of proceeds invested from our public offerings and our convertible note offering. In addition, we had an increase in other expense of $0.1 million as a result of a loss on disposal of assets.

Other Metrics

We regularly monitor a number of financial and operating metrics in order to measure our current performance and estimate our future performance. Our other business metrics may be calculated in a manner different than similar other business metrics used by other companies.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(dollars in thousands)			
Adjusted EBITDA	$ (1,845)	$ (129)	$ (3,643)	$ (2,453)
Adjusted gross margin	$ 25,611	$ 18,133	$ 47,347	$ 34,129
Free cash flow	$ (11,160)	$ (5,657)	$ (5,904)	$ (5,908)

- ***Adjusted EBITDA***. Adjusted EBITDA represents our net loss before interest and investment income and interest expense, income tax expense and benefit, depreciation and amortization expense and stock-based compensation expense. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense and stock-based compensation expense. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with GAAP. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (1) although depreciation and amortization are non-cash charges, the capitalized software that is amortized will need to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; (2) adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (3) adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (4) adjusted EBITDA does not reflect tax payments or receipts that may represent a reduction or increase in cash available to us; and (5) other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of the metric as a comparative measure. Because of these and other limitations, you should consider adjusted EBITDA alongside our other GAAP-based financial performance measures, net loss and our other GAAP financial results. The following table presents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Net loss	$ (16,918)	$ (3,437)	$ (29,260)	$ (9,639)
Interest and investment (income) expense, net	1,172	(75)	2,288	(125)
Provision for income taxes	189	(13)	285	14
Depreciation and amortization expense	3,690	2,295	6,328	5,228
Stock-based compensation expense	10,022	1,101	16,716	2,069
Adjusted EBITDA	$ (1,845)	$ (129)	$ (3,643)	$ (2,453)

- ***Adjusted Gross Margin***. Adjusted gross margin represents gross profit plus stock-based compensation and amortization of acquired intangibles. Adjusted gross margin is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans. The exclusion of stock-based compensation expense and amortization of acquired intangibles facilitates comparisons of our operating performance on a period-to-period basis. In the near term, we expect these expenses to continue to negatively impact our gross profit. Adjusted gross margin is not a measure calculated in accordance with GAAP. We believe that adjusted gross margin provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, our use of adjusted gross margin has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. You should consider adjusted gross margin alongside our other GAAP-based financial performance measures, gross profit and our other GAAP financial results. The following table presents a reconciliation of adjusted gross margin to gross profit, the most directly comparable GAAP measure, for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Gross profit	$ 24,290	$ 17,782	$ 45,149	$ 32,972
Amortization of acquired intangibles	381	291	633	1,032
Stock-based compensation expense	940	60	1,565	125
Adjusted gross margin	$ 25,611	$ 18,133	$ 47,347	$ 34,129

- ***Free Cash Flow***. Free cash flow represents net cash provided by operating activities minus capital expenditures and capitalized software development costs. Free cash flow is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans. The exclusion of capital expenditures and amounts capitalized for internally-developed software facilitates comparisons of our operating performance on a period-to-period basis and excludes items that we do not consider to be indicative of our core operating performance. Free cash flow is not a measure calculated in accordance with GAAP. We believe that free cash flow provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, our use of free cash flow has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. You should consider free cash flow alongside our other GAAP-based financial performance measures, net cash provided by operating activities, and our other GAAP financial results. The following table presents a reconciliation of free cash flow to net cash for operating activities, the most directly comparable GAAP measure, for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Net cash provided by operating activities	$ (8,960)	$ (3,818)	$ (1,452)	$ (2,359)
Capital expenditures	(161)	(282)	(414)	(505)
Capitalized software development costs	(2,039)	(1,557)	(4,038)	(3,044)
Free cash flow	$ (11,160)	$ (5,657)	$ (5,904)	$ (5,908)

Additional Supplemental Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain additional supplemental non-GAAP financial measures, including non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP sales and marketing expense, non-GAAP research and development expense, non-GAAP general and administrative expense, non-GAAP total operating expenses, non-GAAP operating loss and non-GAAP net loss, which we collectively refer to as non-GAAP financial measures. These non-GAAP financial measures exclude all or a combination of the following (as reflected in the following reconciliation tables): stock-based compensation expense and amortization of acquired intangibles. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision making. While our non-GAAP financial measures are an important tool for financial and operational decision making and for evaluating our own operating results over different periods of time, you should consider our non-GAAP financial measures alongside our GAAP financial results.

We exclude stock-based compensation expense because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact our non-cash expense. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allow for more meaningful comparisons between our operating results from period to period. We believe that excluding the impact of amortization of acquired intangibles allows for more meaningful comparisons between operating results from period to period as the intangibles are valued at the time of acquisition and are amortized over a period of several years after the acquisition. Accordingly, we believe that excluding these expenses provides investors and management with greater visibility of the underlying performance of our business operations, facilitates comparison of our results with other periods and may also facilitate comparison with the results of other companies in our industry.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact upon our reported financial results. Further, stock-based compensation expense has been and will continue to be for the foreseeable future a significant recurring expense in our business and an important part of the compensation provided to our employees.

The following table reconciles our GAAP to non-GAAP numbers for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Cost of revenue	$ 11,532	$ 7,239	$ 21,192	$ 14,893
Amortization of acquired intangibles	(381)	(291)	(633)	(1,032)
Stock-based compensation expense	(940)	(60)	(1,565)	(125)
Non-GAAP cost of revenue	10,211	6,888	18,994	13,736
Gross profit	24,290	17,782	45,149	32,972
Amortization of acquired intangibles	381	291	633	1,032
Stock-based compensation expense	940	60	1,565	125
Non-GAAP gross profit	25,611	18,133	47,347	34,129
Non-GAAP gross margin	71.5%	72.5%	71.4%	71.3%
Sales and marketing expense	19,179	11,057	34,955	21,963
Stock-based compensation expense	(3,532)	(282)	(5,967)	(559)
Non-GAAP sales and marketing	15,647	10,775	28,988	21,404
Research and development expense	12,027	5,179	20,198	10,456
Stock-based compensation expense	(3,205)	(176)	(4,515)	(322)
Non-GAAP research and development	8,822	5,003	15,683	10,134
General and administrative expense	8,635	5,065	16,479	10,265
Amortization of acquired intangibles	(1,426)	(554)	(1,997)	(1,002)
Stock-based compensation expense	(2,345)	(583)	(4,669)	(1,063)
Non-GAAP general and administrative	4,864	3,928	9,813	8,200
Total operating expenses	39,841	21,301	71,632	42,684
Amortization of acquired intangibles	(1,426)	(554)	(1,997)	(1,002)
Stock-based compensation expense	(9,082)	(1,041)	(15,151)	(1,944)
Non-GAAP total operating expenses	$ 29,333	$ 19,706	$ 54,484	$ 39,738
Operating loss	$ (15,551)	$ (3,519)	$ (26,483)	$ (9,712)
Amortization of acquired intangibles	1,807	845	2,630	2,034
Stock-based compensation expense	10,022	1,101	16,716	2,069
Non-GAAP operating loss	$ (3,722)	$ (1,573)	$ (7,137)	$ (5,609)
Net loss	$ (16,918)	$ (3,437)	$ (29,260)	$ (9,639)
Amortization of acquired intangibles	1,807	845	2,630	2,034
Stock-based compensation expense	10,022	1,101	16,716	2,069
Non-GAAP net loss	$ (5,089)	$ (1,491)	$ (9,914)	$ (5,536)

Liquidity and Capital Resources

To date, we have financed our operations primarily through cash from operating activities, along with equity issuances and debt financing arrangements. Our principal source of liquidity is cash and cash equivalents totaling $102.6 million as of June 30, 2018, which includes $98.2 million received in November 2017 as a result of our convertible senior notes after deducting debt issuance cost and the cost for the capped call transactions entered into in connection with the note offering. We have generated significant losses since inception and expect to continue to generate losses for the foreseeable future.

We believe that our cash and cash equivalent balances, our available borrowings under our revolving line of credit and the cash flows generated by our operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of this Quarterly Report on Form 10-Q titled "Risk Factors." We cannot assure you that we will be able to raise additional capital on acceptable terms or at all. In addition, if we fail to meet our operating plan during the next 12 months, our liquidity could be adversely affected.

Credit Facility

In June 2015, we entered into a loan and security agreement with Western Alliance Bank (formerly known as Bridge Bank) to provide a secured revolving line of credit that allows us to borrow up to $10.0 million for working capital and general business requirements. In February 2016, we entered into an amendment of our loan and security agreement with Western Alliance Bank to (1) increase the capacity of our revolving line of credit by $5.0 million to $15.0 million and (2) set the minimum prime rate based on which interest due is calculated at 3.25%. No other changes were made to the loan and security agreement. The loan and security agreement, as amended, allows us to borrow up to $15.0 million for working capital and general business requirements. Amounts outstanding under the line of credit bear interest at the prime rate plus 0.75% with accrued interest payable on a monthly basis and outstanding and unpaid principal due upon maturity of the credit facility in June 2018. As of June 30, 2018, the total amount available to be borrowed by us was $15.0 million and we had no outstanding balance on the revolving line of credit. In June 2018, the Company extended the maturity date of the credit facility until September 28, 2018.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(in thousands)			
Cash, cash equivalents and restricted cash at beginning of period	$ 103,633	$ 39,679	$ 103,051	$ 60,765
Cash used in operating activities	(8,960)	(3,818)	(1,452)	(2,359)
Cash provided by (used in) investing activities	7,364	(14,165)	(764)	(37,110)
Cash provided by financing activities	1,188	11,116	2,429	11,684
Effects of exchange rates on cash	(626)	21	(665)	(147)
Cash and cash equivalents at end of period	$ 102,599	$ 32,833	$ 102,599	$ 32,833

Uses of Funds

Our historical uses of cash have primarily consisted of cash used for operating activities, such as expansion of our sales and marketing operations, research and development activities and other working capital needs.

Operating Activities

Our net loss and cash flows provided by operating activities are significantly influenced by our investments in headcount and infrastructure to support our growth, marketing and sponsorship expenses, and our ability to bill and collect in a timely manner. Our net loss has been significantly greater than our use of cash for operating activities due to the inclusion of non-cash expenses and charges.

Operating activities used $1.5 million in cash in the six months ended June 30, 2018, primarily from $0.5 million in cash provided by operations as a result of changes in operating assets and liabilities, which was decreased by $1.9 million of non-cash operating expenses and partially offset by our net loss of $29.3 million. Specifically, we recognized non-cash charges aggregating to $6.3 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, $16.5 million for stock-based compensation, $2.5 million for amortization of deferred commissions and $2.3 million related to the accretion of interest on our convertible senior notes which was offset by a decrease of $0.3 million for our change in fair value of contingent consideration and $0.2 million of investment income. The change in operating assets and liabilities reflected a $5.6 million decrease in accounts receivable, a $0.6 million increase in accrued expenses as a result of timing of payments made to vendors, a $0.3 million increase in accrued employee related expenses due to timing of payments to employees and a $1.1 million increase in deferred revenue. These increases were partially offset by a $4.2 million increase in deferred cost, $2.0 million increase in prepaid expenses for upfront payments made for prepaid software and insurance, and a $1.0 million increase in other assets.

Operating activities used $2.4 million in cash in the six months ended June 30, 2017, primarily from $0.3 million in cash used in operations as a result of changes in operating assets and liabilities, which was increased by $7.6 million of non-cash operating expenses and partially offset by our net loss of $9.6 million. Specifically, we recognized non-cash charges aggregating to $5.2 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment and $2.0 million for stock-based compensation and an increase of $0.4 million for our bad debt and sales return provision. The change in operating assets and liabilities reflected a $2.9 million increase in deferred revenue, a $0.3 million increase in accrued expenses, a $0.5 million increase in accrued employee related expenses due to timing of payments to employees and a $0.4 million increase in other liabilities. These increases were partially offset by a $3.0 million increase in accounts receivable, $1.0 million increase in prepaid expenses for upfront payments made for prepaid software and insurance, and a $0.4 million decrease in accounts payable as a result of timing of payments made to vendors.

Investing Activities

Our investing activities consist primarily of capital expenditures for capitalized software development costs, business acquisition and property and equipment expenses.

Investing activities used $0.8 million in cash in the six months ended June 30, 2018, primarily from our purchase of short-term investments of $30.9 million, investment in software development of $4.0 million, our purchase of property and equipment of $0.4 million, $35.9 million in cash used for acquisitions and a $0.2 million in purchases of intangible assets. This was offset by cash provided of $70.6 million in maturities of our short-term investments.

Investing activities used $37.1 million in cash in the six months ended June 30, 2017, primarily from our purchase of IDV Solutions, or IDV, for $21.5 million and our investment in software development of $3.0 million, our purchase of property and equipment of $0.5 million and $12.4 million in purchases of short-term investments. This was offset by cash provided of $0.4 million attributed to landlord reimbursements for tenant improvements in our Burlington, Massachusetts office lease.

Financing Activities

Cash generated by financing activities includes proceeds from the issuance of common stock upon the exercise of employee stock options and contributions to our employee stock purchase plan. Cash used in financing activities includes payments for debt issuance costs and employee withholding liabilities from the exercise of market based restricted stock units.

Financing activities provided $2.4 million of cash in the six months ended June 30, 2018, which reflects proceeds of $0.9 million from the issuance of stock under our employee stock purchase plan and proceeds of $5.8 million from the exercise of stock options. This amount was offset by a $3.8 million payment for employee withholding taxes and $0.4 million of contingent consideration related to our acquisition of IDV.

Financing activities provided $11.7 million of cash in the six months ended June 30, 2017, which reflects proceeds of $10.4 million from our follow-on public offering, $0.9 million from the issuance of stock under our employee stock purchase plan and proceeds of $1.1 million from the exercise of stock options. This amount was offset by $0.7 million of cost paid in connection with our initial and follow-on public offerings.

Critical Accounting Policies

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

Except for the accounting policies for revenue recognition and deferred commissions that were updated, as set forth below, as a result of adopting ASU No. 2014-09, there have been no changes to our critical accounting policies and estimates described in the Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 12, 2018, that have had a material impact on our condensed consolidated financial statements and related notes.

Revenue Recognition

We derive our revenues primarily from subscription services and professional services. Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Subscription Services Revenues

Subscription services revenues primarily consist of fees that provide customers access to one or more of our hosted applications for critical communications and enterprise safety applications, with routine customer support. Revenue is generally recognized over time on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Revenue is generally recognized over time on a ratable basis over the contract term beginning on the date that our service is made available to the customer. All services are recognized using an output measure of progress looking at time elapsed as the contract generally provide the customer equal benefit throughout the contract period. Our subscription contracts are generally two years or longer in length, billed annually in advance, and non-cancelable.

Professional Services Revenues

Professional services revenues primarily consist of fees for deployment and optimization services, as well as training. The majority of our consulting contracts are billed on a time and materials basis and revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion performed.

Contracts with Multiple Performance Obligations

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, the applications sold, customer demographics, geographic locations, and the number and types of users within our contracts.

Deferred Costs

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be four years. We determined the period of benefit by taking into consideration our customer contracts, our technology and other factors. Amortization expense is included in sales and marketing expenses in the accompanying condensed consolidated statements of operations.

Recently Issued Accounting Pronouncements

See Note 2 of the notes to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a summary of recently issued and adopted accounting pronouncements.

Contractual Obligations and Commitments

Except as disclosed in Note 16 of the notes to the condensed consolidated financial statements included in this report, as of June 30, 2018, there were no material changes in our commitments under contractual obligations except for scheduled payments from the ongoing business, as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We do not engage in off-balance sheet financing arrangements. In addition, we do not engage in trading activities involving non-exchange traded contracts.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign exchange rates as well as, to a lesser extent, inflation.

Interest Rate Risk

Our investment portfolio is exposed to market risk from changes in interest rates. The fair market value of fixed rate securities may be adversely impacted by fluctuations in interest rates while income earned on floating rate securities may decline as a result of decreases in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. We attempt to ensure the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in investment grade securities. We have historically maintained a relatively short average maturity for our investment portfolio, and we believe a hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would change the fair value of our interest sensitive financial instruments by approximately $0.5 million. In addition, if a 100 basis point change in overall interest rates were to occur in 2018, our interest income would not change significantly in relation to amounts we would expect to earn, based on our cash, cash equivalents, and investments as of June 30, 2018.

Changes in interest rates may also impact gains or losses from the conversion of our outstanding convertible senior notes. In November 2017, we issued $115 million in aggregate principal amount of our 1.50% convertible senior notes due 2022, or the Notes. At our election, the Notes are convertible into cash, shares of our common stock, or a combination of cash and shares of our common stock in each case under certain circumstances, including trading price conditions related to our common stock. In the second quarter of 2018, the trading price of our common stock reaches a price for a sustained period at 130% above the conversion price of $33.71, resulting in the Notes becoming convertible at the option of the holder. Upon conversion, we are required to record a gain or loss for the difference between the fair value of the debt to be extinguished and its corresponding net carrying value. The fair value of the debt to be extinguished depends on our then-current incremental borrowing rate. If our incremental borrowing rate at the time of conversion is higher or lower than the implied interest rate of the Notes, we will record a gain or loss in our consolidated statement of operations during the period in which the Notes are converted. The implicit interest rate for the notes is 6.93%. An incremental borrowing rate that is a hypothetical 100 basis points lower than the implicit interest rate upon conversion of $115 million aggregate principal amount of the Notes would result in a loss of approximately $1.2 million.

We are exposed to interest rate risk in the ordinary course of our business. Our cash, cash equivalents and investments includes cash in readily available checking and money market accounts and marketable securities. These securities are not dependent on interest rate fluctuations that may cause the principal amount of these assets to fluctuate.

We had cash and cash equivalents of $102.6 million as of June 30, 2018, which consisted of bank deposits and money market funds. To date, fluctuations in interest income have not been significant. Amounts outstanding under our revolving line of credit carry a variable interest rate of the prime rate, but in no event less than 3.25%, plus 0.75%. As of June 30, 2018, the applicable prime rate was 4.75%. We monitor our cost of borrowing under our revolving line of credit, if any, taking into account our funding requirements, and our expectation for short-term rates in the future.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Although our credit facility and term loan have variable interest rates, a hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than our functional currency, the U.S. dollar, principally British Pounds, Norwegian Krone and Swedish Kronor. Movements in foreign currencies in which we transact business could significantly affect future net earnings. We do not currently engage in any hedging activity to reduce our potential exposure to currency fluctuations, although we may choose to do so in the future. A hypothetical 10% change in foreign exchange rates during any of the periods presented would not have had a material impact on our consolidated financial statements. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in foreign currency rate.

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 or failure to do so could harm our business, financial condition and results of operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's assessment of disclosure controls and procedures excluded consideration of the internal control over financial reporting of Unified Messaging Systems ASA, or UMS, which we acquired on April 3, 2018, PlanetRisk, Inc., or PlanetRisk, which we acquired on May 1, 2018 and Respond Beheer B.V., or Respond which we acquired on May 18, 2018. This exclusion is consistent with guidance provided by the staff of the SEC that an assessment of a recently acquired business may be omitted from management's report on internal control over financial reporting for up to one year from the date of acquisition, subject to specified conditions.

Changes in Internal Control

In connection with the integration of the Company's recent acquisitions, management is in the process of analyzing and evaluating our internal controls over financial reporting. This process may result in material additions or changes to our internal controls over financial reporting.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13(a)-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

We operate in a rapidly changing environment that involves a number of risks which could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I-Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on March 12, 2018. Except as set forth below, during the three months ended June 30, 2018, there were no material changes to the risk factors that were disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

As a result of becoming a public company, we are obligated to maintain a system of effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may harm investor confidence in our company and, as a result, the value of our common stock.

The Sarbanes-Oxley Act of 2002 requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. We are required, pursuant to 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. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. However, as an "emerging growth company," as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, our auditors have not been required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. As of the end of our fiscal year ending December 31, 2018 we will qualify as a "large accelerated filer" and, as a result, will cease to qualify as an emerging growth company. As a result, we will be required to have our auditors formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 in connection with our Annual Report for the year ended December 31, 2018.

Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We will continue to dedicate internal resources, engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting and to compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404. However, we cannot assure you that our independent registered public accounting firm will be able to attest to the effectiveness of our internal control over financial reporting. We may not be able to remediate any material weaknesses that may be identified, or to complete our evaluation, testing and any required remediation in a timely fashion and our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

Any failure to maintain adequate internal controls over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to express an opinion on the effectiveness of our internal controls when they are required to issue such opinion, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the Nasdaq Stock Market, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

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

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds

None

(c) Issuer Purchase of Equity Securities

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits.

2.1(1)	Transaction Agreement, dated as of February 13, 2018, by and among Everbridge, Inc., Everbridge Holdings Limited, and Unified Messaging Systems
3.1(2)	Amended and Restated Certificate of Incorporation of Everbridge, Inc.
3.2(3)	Amended and Restated Bylaws of Everbridge, Inc.
10.1*+	Employment Agreement, dated as of May 15, 2018, by and between Everbridge, Inc. and James Totton.
10.2*	Loan and Security Modification Agreement, dated as of June 27, 2018, by and between Everbridge, Inc. and Western Alliance Bank.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Previously filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange on February 20, 2018, and incorporated herein by reference.

(2) Previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange on September 21, 2016, and incorporated herein by reference.

(3) Previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange on September 21, 2016, and incorporated herein by reference.

* Filed herewith.

** This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

\+ Indicates management contract or compensatory plan.

SIGNATURES

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

	Everbridge, Inc.
Date: August 9, 2018	By: /s/ Jaime Ellertson Jaime Ellertson *Chief Executive Officer and Chairman of the Board of Directors*
Date: August 9, 2018	By: /s/ Kenneth S. Goldman Kenneth S. Goldman *Senior Vice President and Chief Financial Officer*

Exhibit 10.1

May 15, 2018

James Totton

Re: Terms of Employment

Dear James:

This letter agreement (this "**Agreement**") will set forth the terms of your "at-will" term employment relationship with Everbridge, Inc., and/or any present or future parent, subsidiary or affiliate thereof (collectively, the "**Company**"). This Agreement hereby supersedes any and all previous agreements relating to your employment relationship with the Company. The terms of your position with the Company are as set forth below and will be effective only upon, and subject to, the signing of this Agreement and any other agreements or documentation required hereunder, by you and the Company. Your employment shall commence on February 5, 2018 (the "**Commencement Date**"), unless you and the Company mutually agree on an alternative date.

1. Employment.

(a) Title and Duties. Subject to the terms and conditions of this Agreement, the Company will employ you, and you will be employed by the Company, on an "at-will" basis, as EVP of Product, Engineering & Operations, or in such additional or different position or positions as the Board of Directors of the Company (the "**Board**") may determine in its sole discretion, reporting to Jaime Ellertson, Chairman and Chief Executive Officer or his direct designate. You shall do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and which are normally associated with your position and as further described in **Schedule 1** attached hereto.

(b) Full Time Best Efforts. For so long as you are employed hereunder, you will devote substantially all of your business time and energies to the business and affairs of the Company, and shall at all times faithfully, industriously and to the best of your ability, experience and talent, perform all of your duties and responsibilities hereunder. In furtherance of, and not in limitation of the foregoing, during the term of this Agreement, you further agree that you shall not render commercial or professional services of any nature, including as a founder, advisor, or a member of a board of directors, to any person or organization, whether or not for compensation, if such services would materially interfere with your duties under this Agreement, without the prior approval of the Chief Executive Officer in his sole discretion; provided, however, that nothing contained in this Section 1(b) will be deemed to prevent or limit your right to (i) serve on boards of directors and/or advisor to companies that do not compete with the Company on your own personal time, (ii) manage your personal investments on your own personal time or (iii) participate in religious, charitable or civic organizations in any capacity on your own personal time. As set forth above, your employment with the Company is "at-will," and, accordingly, either you or the Company may terminate your employment at any time, with or without cause, for any reason or no reason.

(c) Location. Unless the parties hereto otherwise agree in writing, during the term of this Agreement, you shall perform the services required to be performed pursuant to this Agreement at the Company's Burlington, Massachusetts offices. In addition, the Company may, from time to time require you to travel temporarily to other locations in connection with the Company's business.

2. Compensation. During the term of your employment with the Company, the Company will pay you the following compensation:

(a) Salary. As of the effective date of this Agreement, which shall be the date set forth on the signature page hereof following the signature of the individual executing this Agreement on behalf of the Company (the "**Effective Date**"), you will be paid an annual salary of Two Hundred and Seventy-Five Thousand Dollars ($275,000.00), as may be increased from time to time as part of the Company's normal salary review process (the "**Salary**"). The Salary shall be prorated for any partial year of employment on the basis of a 365-day year. Your Salary will be subject to standard payroll deductions and withholdings, and payable in accordance with the Company's standard payroll practice as it exists from time to time.

(b) Expenses. During the term of your employment, the Company shall reimburse you for all reasonable and documented expenses incurred by you in the performance of your duties, under this Agreement in accordance with Company policy.

(c) Annual Performance Bonus. You will be eligible to earn an annual performance bonus in the amount of Two Hundred and Thirty-Five Thousand Dollars ($235,000.00) at the conclusion of each year (or pro-rated depending on your official start date) of employment with the Company (the "Annual Bonus"). The specific amount of the Annual Bonus shall be computed based on the Company Senior Management Incentive Plan, established each year by the CEO and approved by the Board, in its discretion.

(d) Stock Options. You will be granted 350,000 option shares pending approval of the Board (which approval shall be requested on or promptly following the Commencement Date, but in no event later than the next meeting of the Compensation Committee of the Board of Directors) pursuant to an Option Agreement as defined in the Employer's 2016 Equity Incentive Plan (the "**Equity Plan**"). Except as otherwise provided in the Option Agreement, the number of Option Shares that are vested (disregarding any resulting fractional share) as of any date shall be determined as follows: (i) no Option Shares will be vested prior to the Vesting Commencement Date (it being understood that the Vesting Commencement Date shall be the same as the Commencement Date); (ii) twenty-five percent (25%) of the Option Shares will be vested and exercisable upon the one (1) year anniversary of the Vesting Commencement Date, and (iii) the remaining Option Shares will vest and become exercisable in a series of twelve (12) equal installments occurring every three (3) months following, and measured from, the one (1) year anniversary of the Vesting Commencement Date, such that 100% of the Option Shares will be vested and exercisable upon the fourth (4th) anniversary of the Vesting Commencement Date; *provided, however*, that there has not been a Termination of Service as of each such date. In no event will the Option become exercisable for any additional Option Shares after a Termination of Service. In the event of a Change in Control (as defined in the Equity Plan), then the vesting and the right to exercise the Option Shares shall accelerate: (x) for the number of Option Shares equal to the number of months of full-time employment as of the date of a Change in Control divided by

48 (i.e., number of months of employment divided by 48), as well as, (y) the additional amount of 50% of all of the unvested (as of the date of a Change in Control after the acceleration granted in (x) above) Option Shares shall vest in full subject to the provisions of, and as more fully described in, the Stock Option Grant Notice. In the event the acquirer or successor party does not assume or convert 100% of your remaining unvested Option Shares after accelerated vesting in (x) and (y) above as part of the Change in Control or does not offer equivalently valued new options and incentives to you, then 100% of your remaining unvested Option Shares will vest in full immediately prior to consummation of the Change in Control. In addition, in the event that, within twelve (12) months following a Change in Control, there is an Involuntary Termination of Service (as defined in the Equity Plan) or you resign for Good Reason (as defined in Section 3(e) below), then any Option Shares that remain unvested as of such termination date will vest as of such termination date, subject to the provisions of, and as more fully described in, the Stock Option Grant Notice. At future dates after the Commencement Date, at the discretion of the Board, additional option grants may be made. Any undefined terms herein shall be as defined in the Equity Plan.

(e) Restricted Stock Units and Performance Stock Units. You will be granted 25,000 Restricted Stock Units (RSUs) and 25,000 Performance Stock Units (PSUs). The RSUs will be subject to annual cliff vesting, 33% 12 months after their grant date, another 33% 24 months after their grant date, and the balance of 34% 36 months after their grant date. The PSUs are eligible to vest following the Grant Date (the “Performance Period”) if the average of the closing price per share of Everbridge common stock (EVBG), as quoted on NASDAQ, over a consecutive, thirty (30) trading day period (the “Average Closing Price”) equals or exceeds $35 per Share, at which time they would vest 50%. If the Average Closing Price equals or exceeds $45 per Share, 100% of the PSUs would vest. If the Average Closing Price equals or exceeds $55 per Share, 125% of the PSUs would vest. The PSU grant will expire 10 years from Grant Date if not vested. In addition, in the event that, within twelve (12) months following a Change in Control (as defined in the Equity Plan), there is an Involuntary Termination of Service (as defined in the Equity Plan) or you resign for Good Reason (as defined in Section 3(e) below), then any RSUs and PSUs that remain unvested as of such termination date will vest as of such termination date, subject to the provisions of, and as more fully described in, the applicable PSU or RSU Grant Notice.

(f) Employee Benefits. As an employee of the Company, you will be eligible to participate in such Company-sponsored benefits and programs as are made generally available to other employees of the Company. This includes paying for your portion of healthcare coverage and same 401(k) match as other Company employees. You will receive the same cell phone stipend as other Everbridge executives, at $65 per month. In addition, you will be entitled to (i) annually accrue twenty (20) days of vacation and/or sick time in accordance with the Company’s vacation policy as established by the Board and as in effect from time to time. The Company reserves the right to change or eliminate any benefit plans at any time, upon notice to you.

3. Separation Benefits. You shall be entitled to receive separation benefits upon termination of employment only as set forth in this Section 3; *provided*, *however*, that in the event you are entitled to any severance pay under a Company-sponsored severance pay plan, any such severance pay to which you are entitled under such severance pay plan shall reduce the amount of severance pay to which you are entitled pursuant to this Section 3. In all cases, upon termination of employment you will receive payment for all salary and unused vacation accrued as of the date of

your termination of employment, and your benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law. In furtherance of, and not in limitation of the foregoing, but without duplication, during the period wherein which you shall be receiving Separation Payments in accordance with the provisions of Section 3(d) hereof (the "**Severance Period**"), then the Company shall, at its election, either (i) continue to pay for your health benefits under the Company's sponsored health care program in which you were enrolled and eligible to receive benefits prior to your termination of employment, or (ii) pay for your health coverage under the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), in each case, for the Severance Period, when such premiums are due and owing for a period of (12) twelve months following your separation date.

(a) Voluntary Resignation. If you voluntarily elect to terminate your employment with the Company (other than under the circumstances described in Section 3(c) below), you shall not be entitled to any separation benefits.

(b) Termination for Cause. If the Company or its successor terminates your employment for Cause (as defined below) then you shall not be entitled to receive any separation benefits.

(c) Termination for Death or Disability. If your employment with the Company is terminated by reason of death or disability, then, as a severance benefit, the Company shall continue to pay one-twelfth (1/12th) of your Salary for a period of three (3) months, in accordance with the Company's normal payroll schedule and policy in effect from time to time. For purposes of this section, "**Disability**" shall mean your inability to perform your duties under this Agreement because you have become permanently disabled within the meaning of any policy of disability income insurance covering employees of the Company then in force. In the event the Company has no policy of disability income insurance covering employees of the Company in force when you become disabled, the term "**Disability**" shall mean your inability to perform your duties under this Agreement by reason of any incapacity, physical or mental, which the Board, based upon medical advice or an opinion provided by a licensed physician acceptable to the Board, determines to have incapacitated you from satisfactorily performing all of your usual services for the Company for a period of at least ninety (90) days during any twelve (12) month period (whether or not consecutive) and is expected to continue to incapacitate you thereafter, not including any time during which you were on medical leave required by federal or state law. Based upon such medical advice or opinion, the determination of the Board shall be final and binding and the date such determination is made shall be the date of such Disability for purposes of this Agreement.

(d) Involuntary Termination. Subject to the provisions of Section 5 hereof, if your employment is terminated by the Company other than for Cause, or you voluntarily terminate your employment with the Company for Good Reason, then, as a severance benefit, the Company shall continue to pay you an amount equal to one-twelfth (1/12th) of your Salary for twelve (12) months.

(e) Certain Definitions". For purposes of this Agreement, the following terms shall have the following meanings:

(i) "**Cause**" shall mean any of the following: (i) acts of moral turpitude, fraud or dishonesty that involve the assets of the Company, its customers, suppliers or affiliates; (ii) the conviction of, or a pleading of guilty or *nolo contendere* to, a felony other than involving a traffic related infraction; (iii) use of narcotics, liquor or illicit drugs in a manner that has had a detrimental effect on the performance of your duties; (iv) willfully and repeatedly neglecting your duties to the Company; (v) engaging in any conduct which, after an investigation by a neutral third party, is determined to be discriminatory or harassing toward other Company employees; or (vi) engaging in any conduct which breaches a material provision of this Agreement or the Inventions Agreement (as defined below).

(A) Cause shall only exist where the Company has provided you with written notice of the alleged problem or violation of this Agreement or the Inventions Agreement, and you shall have failed to cure such condition to the reasonable satisfaction of the Company within ten (10) business days. In making any determination that Cause exists, the Board shall act fairly and in good faith and shall give you an opportunity to appear and be heard at a meeting of the Board or any committee thereof and present evidence on your behalf. For any termination pursuant to (e)(i) or (e)(vi) of Section 3, the Company must have reasonable, specific evidence to establish that such conduct has occurred or "Cause" shall not exist. For the avoidance of doubt, and notwithstanding anything herein contained to the contrary, in the event that (x) any of the conditions specified in Section (e)(i) through (e)(vi) of Section 3 shall have occurred, and (y) the Company has reasonable evidence to establish that such conduct has occurred, and (z) the occurrence of any such event shall not be capable of cure, then the Company shall not be required to provide you any notice and a cure period in respect thereof.

(ii) "**Good Reason**" shall mean (A) a material reduction or diminution in your authority, duties, responsibilities, title or position with the Company or any successor thereto without your consent, (B) a material breach by the Company of its contractual obligations to you, (C) a material reduction in your Base Salary of more than ten percent (10%) or a material reduction in your benefits, without your written consent, other than a reduction in salary or benefits with respect to similarly situated employees of the Company generally, (D) the relocation, without your written consent, of your principal workplace to a geographic location that is more than fifty (50) miles from the Company's place of business in Burlington, Massachusetts, or (E) failure of any successor to the Company to assume and agree to perform substantially all of the Company's obligations pursuant to the terms and conditions of this Agreement. In order to resign for Good Reason, you must provide written notice to the Company within 30 days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company at least 30 days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, you must resign from all positions you then hold with the Company not later than 90 days after the expiration of the cure period.

4. Mitigation. You shall not be required to mitigate the amount of any payment or benefits provided for in this Agreement by seeking other employment or otherwise. Further, the amount of any payment or benefits provided for in this Agreement shall not be reduced by any compensation earned by you as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company or otherwise.

5. Conditions to Receipt of Severance or other Benefits Pursuant to this Agreement.

(a) Release of Claims Agreement. Notwithstanding anything herein contained to the contrary, the receipt of any severance or other benefits pursuant to Section 3(d) of this Agreement (the "**Separation Payments**") is subject to your signing and not revoking a separation agreement and release of claims, based on the Company's standard form release, of any and all claims you may have against the Company and its officers, employees, directors, parents and affiliates, in substantially the form attached hereto on **Exhibit A** (the "**Release**"), which must become effective and irrevocable no later than the sixtieth (60th) day following the termination of employment (the "**Release Deadline**"). If the Release does not become effective and irrevocable by the Release Deadline, you will forfeit any rights to Separation Payments or benefits under this Agreement. No Separation Payments and benefits under this Agreement will be paid or provided until the Release becomes effective and irrevocable, and any such Separation Payments and benefits otherwise payable between the date of your termination of employment and the date the Release becomes effective and irrevocable will be paid on the date the Release becomes effective and irrevocable.

(b) Continued Compliance with Agreements. Your receipt of any Separation Payments or other benefits pursuant to this Agreement will be subject to, and contingent upon, your not being in breach of this Agreement and / or the Inventions Agreement as of the date of your termination, and your continued compliance following the date of your termination with the terms of this Agreement, the Inventions Agreement and the Release, notwithstanding anything herein contained to the contrary.

6. Confidential and Proprietary Information.

(a) Confidential Information and Inventions Agreement. As a condition to the execution and effectiveness of this Agreement, you agree to execute concurrently herewith, and to abide by, the Company's Confidential Information and Inventions Agreement, attached hereto as **Exhibit B** (the "**Inventions Agreement**"). In furtherance, and not in limitation of the provisions thereof, you agree, during the term hereof and thereafter, that you shall take all steps reasonably necessary to hold the Company's proprietary information in trust and confidence, will not use proprietary information in any manner or for any purpose except in connection with the performance of your services to the Company, and will not (other than in the performance of the services to the Company as herein contemplated) disclose any such proprietary information to any third party without first obtaining the Company's express written consent on a case-by-case basis.

(b) Third Party Information. You understand that the Company has received, and will in the future receive, from third parties confidential or proprietary information ("**Third Party Information**") subject to a duty on the Company's part to maintain the confidentiality of such information and use it only for certain limited purposes. You agree to hold Third Party Information in confidence and not to disclose to anyone (other than the Company's personnel who need to know such information in connection with their work for the Company) or to use, except in connection with the performance of your services to the Company, Third Party Information unless expressly authorized in writing by an officer of the Company.

(c) Whistleblower Exception. Notwithstanding any provision of this Agreement to the contrary, including but not limited to this Section 6, you may report possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, and any agency Inspector General, or make other disclosures that are protected under the whistleblower provisions of federal law or regulation. You do not need the prior authorization from the Company to make any such reports or disclosures and you are not required to notify the Company that you have made such reports or disclosures.

7. Covenant Not to Compete. During the longer of (a) a period of two years beginning on the Commencement Date, or (b) the duration of your employment with the Company plus two years following the termination thereof, you shall not, directly or indirectly (whether as an employer, operator, agent, independent contractor, consultant, owner, director, officer, shareholder, investor, partner (general or limited), joint venturer or any other relationship or relationships similar to any of the foregoing), anywhere in the world, except as specifically provided in this Section 7 below:

(a) Restriction on Competitive Activities. Engage in any activities, perform any services or conduct, have an interest in or participate in any businesses that are competitive with any part of the business of the Company as currently conducted or as currently contemplated to be conducted (the "Business"), including without limitation, develop, create, license, sell, distribute or otherwise commercially exploit any product, service or methodology that has the same principal function or features as the Company's proprietary software products and related services that constitute the Business.

(b) No Solicitation of Customers. Solicit or divert away or attempt to solicit or divert away any customer of the Company in an effort to provide products or services to such customer which are competitive with the Business.

(c) Restrictions on Relationships Involving Competitive Activities. Be engaged by, employed by, consult with, own any capital stock of, or have any financial interest of any kind in, any individual, person or entity, which conducts a business that is competitive with any part of the Business. Notwithstanding the preceding sentence, you may own, for investment purposes only, up to 1% in the aggregate of the outstanding stock or other equity interest of any entity that is competitive with the Business.

8. Covenant Not to Solicit. During the longer of (a) a period of one year beginning on the Commencement Date, or (b) the duration of your employment with the Company plus one year following the termination thereof, you shall not, directly or indirectly (whether as an employer, operator, agent, independent contractor, consultant, owner, director, officer, shareholder, investor, partner (general or limited), joint venturer or any other relationship or relationships similar to any of the foregoing), anywhere in the world, except as specifically provided in this Section 8 below:

(a) Restrictions on Relationships Involving Solicitation. Cause, induce, solicit, recruit, hire or encourage or attempt to cause, induce, solicit, recruit, hire or encourage any person or entity that prior to the date hereof was an employee, subcontractor, contractor, agent, distributor, licensee, licensor or supplier of the Company to terminate, or otherwise change in any manner adverse to the Company or any of its affiliates, its relationship with the Company, or, hire or attempt to hire any person employed by the Company or any of its affiliates, provided that you may hire such employee if such employee’s employment with the Company or any of its affiliates has been terminated involuntarily prior to date of hire by you.

9. Arbitration.

(a) Agreement to Arbitrate. Except as provided for any action arising out of any violation of the Inventions Agreement or as set forth in clause (b) below addressing excluded claims and remedies, you and the Company both agree that any disputes of any kind whatsoever arising out of or relating to the termination of your employment with the Company, including any breach of this Agreement, shall be subject to final and binding arbitration.

(b) Excluded Claims, Relief and Enforcement. You understand that this Agreement does not prohibit you from pursuing an administrative claim with a local, state, or federal administrative body such as the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, the National Labor Relations Board, or the Workers’ Compensation Board, or the Department of Unemployment Assistance for unemployment benefits. This Agreement does not preclude the Company from pursuing court action regarding any claims arising out of any breach of the Inventions Agreement or other claims not otherwise resulting from, or arising out of, the termination of your employment with the Company. Nothing in this Agreement prohibits either party from seeking injunctive or declaratory relief from a court of competent jurisdiction. Either the Company or you may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, with the exception of claims set forth in this clause or arising out of the Inventions Agreement, neither party shall initiate or prosecute any lawsuit or claim in anyway related to any arbitrable claim, including without limitation any claims as to the making, existence, validity, or enforceability of the agreement to arbitrate.

(c) Procedure. You agree that any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. (“**JAMS**”), pursuant to its employment arbitration rules and procedures (the “**JAMS Rules**”), which are available at www.jamsadr.com/rules-employment-arbitration. A neutral and impartial arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, and motions related to discovery, prior to any arbitration hearing. You also agree that the arbitrator shall have the power to award any remedies available under applicable law. In the event that either party to this Agreement rejects a written offer to compromise from the other party, and fails to obtain a more favorable judgment or award, the arbitrator may award attorneys’ fees and costs to the party that made the offer to compromise in an amount that the arbitrator deems appropriate, taking into consideration the attorneys’ fees and costs (including expert fees) actually incurred and reasonably necessary to defend or prosecute the action. The arbitrator will not have the authority to disregard or refuse to enforce any lawful Company policy, and the arbitrator shall not order or require the Company to adopt a policy not otherwise required by law. You understand that the Company will pay the costs and fees of the arbitration that you initiate, but only those fees over and above the costs you would have incurred had you filed a complaint in a court of law. You agree that the arbitrator shall prepare a written decision containing the essential findings and conclusions on which the award is based. You agree that any arbitration under this Agreement shall be conducted in Boston, Massachusetts.

(d) Exclusive and Final Remedy. Except as provided by the JAMS Rules and this Agreement, arbitration shall be the sole, exclusive and final remedy for any dispute between you and the Company. Accordingly, except as provided for by the JAMS Rules and this Agreement, neither you nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration. Nothing in this Agreement or in this provision is intended to waive the provisional relief remedies available under the JAMS Rules.

(e) Prohibition of Group Actions. Claims must be brought in your individual capacity, not as a representative or class member in any purported class or representative proceeding. The arbitrator shall not consolidate claims of different employees into one proceeding, nor shall the arbitrator have the power to hear arbitration as a class action.

(f) Voluntary Nature of Agreement. You acknowledge and agree that you are executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this Agreement and have asked any questions needed for you to understand the terms, consequences, and binding effect of this Agreement and fully understand it, including that ***you are waiving your right to a jury trial.*** Finally, you acknowledge that you have been advised by the Company to seek the advice of an attorney of your choice before signing this Agreement and you agree that you have been provided such an opportunity.

10. General.

(a) Entire Agreement, Amendment and Waiver. This Agreement, together with the other agreements specifically referred to herein, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof, including but not limited to the offer letter between you and the Company dated July 24, 2017. The terms and provisions of this Agreement may be modified or amended only y written agreement executed by the parties hereto. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. Each such waiver or consent will be effective only in the specific instance and for the purpose for which it was given, and will not constitute a continuing waiver or consent.

(b) Notices. Any notice, request, instruction or other document required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified; (b) three (3) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (c) one (1) business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the following address of such party or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto in accordance with the provisions hereof:

If to the Company: Everbridge, Inc.
25 Corporate Drive
Burlington, MA 01803
Attention: Chief Executive Officer

with a copy to: Everbridge, Inc.
25 Corporate Drive
Burlington, MA 01803
Attention: General Counsel

If to you: James Totton

(c) Availability of Injunctive Relief. The parties hereto agree that, notwithstanding anything to the contrary herein contained, any party may petition a court for injunctive relief where either party alleges or claims a violation of this Agreement or the Inventions Agreement or any other agreement regarding trade secrets, confidential information, noncompetition, non-solicitation or assignment of inventions. In the event either party seeks injunctive relief, the prevailing party shall be entitled to recover reasonable costs and attorney's fees.

(d) Assignment. The Company may assign its rights and obligations hereunder to any person or entity that succeeds to all or substantially all of the Company's business or that aspect of the Company's business in which you are principally involved. You may not assign your rights and obligations under this Agreement without the prior written consent of the Company.

(e) Governing Law. This Agreement, and the rights and obligations of the parties hereunder, will be construed in accordance with and governed by the law of the Commonwealth of Massachusetts, without giving effect to the conflict of law principles thereof.

(f) Taxes. All payments to you under this Agreement shall be subject to all applicable federal, state and local withholding, payroll and other taxes.

(g) Severability. The finding by an arbitrator or a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such arbitrator or court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision. If moreover, any one or more of the provisions contained in this Agreement will for any reason be held to be excessively broad as to duration, geographic scope, activity or subject, it will be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it will then appear.

(h) Interpretation; Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel to the Company, but you have been encouraged to consult with, and have consulted with, your own independent counsel and tax advisors with respect to the terms of this Agreement. The parties acknowledge that each party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(i) Return of Company Property. Upon termination of this Agreement or earlier as requested by the Company, you shall deliver to the Company any and all equipment, and, at the election of the Company, either deliver or destroy, and certify thereto, any and all drawings, notes, memoranda, specifications, devices, formulas and documents, together with all copies, extracts and summaries thereof, and any other material containing or disclosing any Third Party Information or Proprietary Information (as defined in the Inventions Agreement) of the Company.

(j) Survival. The provisions of Sections 3, 5, 6, 7, 8 and 9, and the provisions of the Inventions Agreement, shall survive termination of this Agreement.

(k) Representations and Warranties. By signing this Agreement, you represent and warrant that (i) you are not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and (ii) your execution and performance of this Agreement shall not violate or breach any other agreements between you and any other person or entity, and (iii) you have provided the Company with copies of any written agreements presently in effect between you and any current or former employer. You further represent and warrant that you will not, during the term hereof, enter into any oral or written agreement in conflict with any of the provisions of this Agreement, the agreements referenced herein and the Company's policies.

(l) Confirmation of Employment Status. Prior to your first day of employment with the Company, and as a condition to such employment, you shall provide the Company with documentation of your eligibility to work in the United States, as required by the Immigration and Reform and Control Act of 1986.

(m) Trade Secrets of Others. It is the understanding of both the Company and you that you shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including your former employers, nor shall the Company seek to elicit from you any such information. Consistent with the foregoing, you shall not provide to the Company and/or its affiliates, and the Company and/or its affiliates shall not request, any documents or copies of documents containing such information.

(n) Telecopy Execution and Delivery. A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto and delivered by such party by facsimile or any similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen. Such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute and deliver an original of this Agreement as well as any facsimile, telecopy or other reproduction hereof.

(o) Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS BELOW]

EVERBRIDGE, INC.

Executive Employment Agreement -- Counterpart Signature Page

If the foregoing accurately sets forth our agreement, please so indicate by signing and returning to us the enclosed copy of this letter.

Very truly yours,

EVERBRIDGE, INC.

By: /s/ Jaime Ellertson

Name: Jaime Ellertson

Title: Chairman and CEO

Date: May 15, 2018

ACCEPTED AND AGREED TO BY:

/s/ James Totton
James Totton

Schedule 1

Duties and Responsibilities

The Executive Vice of Product Management, Engineering and Operations will work closely with our President and CEO to provide the leadership, management, and vision necessary to ensure that the organization drives product development, innovation, network scalability, internal and people systems to effectively grow the organization and to ensure financial strength and operating efficiency. The EVP of Product Management, Engineering and Operations will provide leadership to all of our Product Management, Engineering, Operations, Corporate IT and Facilities teams and will be a member of our Senior Management Team.

- The specific duties and responsibilities of the Executive Vice President shall include;
- Partner with the President and CEO to develop an execution plan to deliver a progressive Product Road Map and for both existing, new and acquired solutions
- Lead and manage all SaaS operations globally to deliver an average internal uptime goal of 99.99% and customer SLA of 99.99% all the time
- Lead and scale a globally distributed development organization driven by continuous innovation and quality
- Improve overall quality of our solution development efforts to achieve continuous and sustained code quality as well as "fit and finish" and measure success through direct customer survey feedback
- Establish an agile development process that coordinates our engineering and operations efforts to reduce time-to-market for new solution features (releases) as well as increases our overall delivery quality
- Establish efficiency and scalability with our Corporate IT systems
- Promote a culture of high performance and continuous improvement that values meeting aggressive goals with a commitment to quality
- Motivate and lead a high-performance management team; attract, recruit and retain required members of the senior leadership team not currently in place; provide mentoring
- Represent Everbridge with clients and business partners as appropriate
- Think across the business to evaluate and solve key organizational challenges; develop solutions within broad company policies and strategy
- Demonstrate exceptional leadership qualities, strategic thinking and decision making, while possessing strong business acumen and staying results focused
- Influence a wide range of audiences; present and defend complicated or sensitive issues that have an important impact on the business, and
- Actively shape the culture and lead the team to rally around our vision; consistently promoting and exhibiting behavior within our core values

<u>Exhibit A</u>

Form of Release Agreement

This Release Agreement ("***Release***" or "***Agreement***") is made by and between ________________________ ("you") and **Everbridge, Inc.** (the ***"Company"***). A copy of this Release is an attachment to the Employment Agreement between the Company and you dated __________ _____, 2018 (the "***Employment Agreement***"). Capitalized terms not defined in this Agreement carry the definition found in the Employment Agreement.

1. Separation Payments. In consideration for your execution, return and non-revocation of this Release on or after the date your employment is terminated (the "***Separation Date***"), the Company will provide you with the Separation Payments described in Section 3(d) of the Employment Agreement:

2. Compliance with Section 409A. The Separation Payments offered to you by the Company are payable in reliance on Treasury Regulation Section 1.409A-1(b)(9) and the short-term deferral exemption in Treasury Regulation Section 1.409A-1(b)(4). For purposes of Code Section 409A, your right to receive any installment payments (whether pay in lieu of notice, Separation Payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment shall at all times be considered a separate and distinct payment. All payments and benefits are subject to applicable withholdings and deductions.

3. Release. In exchange for the Separation Payments and other consideration, to which you would not otherwise be entitled, and except as otherwise set forth in this Agreement, you, on behalf of yourself and, to the extent permitted by law, on behalf of your spouse, heirs, executors, administrators, assigns, insurers, attorneys and other persons or entities, acting or purporting to act on your behalf (collectively, the "***Employee Parties***"), hereby generally and completely release, acquit and forever discharge the Company, its parents and subsidiaries, and its and their officers, directors, managers, partners, agents, representatives, employees, attorneys, shareholders, predecessors, successors, assigns, insurers and affiliates (the "***Company Parties***") of and from any and all claims, liabilities, demands, contentions, actions, causes of action, suits, costs, expenses, attorneys' fees, damages, indemnities, debts, judgments, levies, executions and obligations of every kind and nature, in law, equity, or otherwise, both known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to and including the execution date of this Agreement, including but not limited to: all such claims and demands directly or indirectly arising out of or in any way connected with your employment with the Company or the termination of that employment; claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, severance pay, or any other form of compensation; claims pursuant to any federal, state or local law, statute, or cause of action; tort law; or contract law (individually a "***Claim***" and collectively "***Claims***"). The Claims you are releasing and waiving in this Agreement include, but are not limited to, any and all Claims that any of the Company Parties:

- has violated its personnel policies, handbooks, contracts of employment, or covenants of good faith and fair dealing;

- has discriminated against you on the basis of age, race, color, sex (including sexual harassment), national origin, ancestry, disability, religion, sexual orientation, marital status, parental status, source of income, entitlement to benefits, any union activities or other protected category in violation of any local, state or federal law, constitution, ordinance, or regulation, including but not limited to: the Age Discrimination in Employment Act, as amended ("***ADEA***"); Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; 42 U.S.C. § 1981, as amended; the Equal Pay Act; the Americans With Disabilities Act; the Genetic Information Nondiscrimination Act; the Family and Medical Leave Act; the Massachusetts Wage Act and the Massachusetts Fair Employment Practice Act; the Employee Retirement Income Security Act; the Employee Polygraph Protection Act; the Worker Adjustment and Retraining Notification Act; the Older Workers Benefit Protection Act; the anti-retaliation provisions of the Sarbanes-Oxley Act, or any other federal or state law regarding whistleblower retaliation; the Lilly Ledbetter Fair Pay Act; the Uniformed Services Employment and Reemployment Rights Act; the Fair Credit Reporting Act; and the National Labor Relations Act; and

- has violated any statute, public policy or common law (including, but not limited to, Claims for retaliatory discharge; negligent hiring, retention or supervision; defamation; intentional or negligent infliction of emotional distress and/or mental anguish; intentional interference with contract; negligence; detrimental reliance; loss of consortium to you or any member of your family and/or promissory estoppel).

Notwithstanding the foregoing, other than events expressly contemplated by this Agreement you do not waive or release rights or Claims that may arise from events that occur after the date this Release is executed. Also excluded from this Agreement are any Claims which cannot be waived by law, including, without limitation, any rights you may have under applicable workers' compensation laws. Nothing in this Agreement shall prevent you from filing, cooperating with, or participating in any proceeding or investigation before the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal government agency, or similar state or local agency ("***Government Agencies***"), or exercising any rights pursuant to Section 7 of the National Labor Relations Act. You further understand this Agreement does not limit your ability to voluntarily communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Agreement does not limit your right to receive an award for information provided to the Securities and Exchange Commission, you understand and agree that, you are otherwise waiving, to the fullest extent permitted by law, any and all rights you may have to individual relief based on any Claims that you have released and any rights you have waived by signing this Agreement. If any Claim is not subject to release, to the extent permitted by law, you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a Claim in which any of the Company Parties is a party. This Agreement does not abrogate your existing rights under any Company benefit plan or any plan or agreement related to equity ownership in the Company; however, it does waive, release and forever discharge Claims existing as of the date you execute this Agreement pursuant to any such plan or agreement.

4. Your Acknowledgments and Affirmations. You also acknowledge and agree that (i) the consideration given to you in exchange for the waiver and release in this Agreement is in addition to anything of value to which you were already entitled, and (ii) that you have been paid for all time worked, have received all the leave, leaves of absence and leave benefits and protections for which you are eligible, and have not suffered any on-the-job injury for which you have not already filed a Claim. You affirm that all of the decisions of the Company Parties regarding your pay and benefits through the date of your execution of this Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other classification protected by law. You affirm that you have not filed or caused to be filed, and are not presently a party to, a Claim against any of the Company Parties. You further affirm that you have no known workplace injuries or occupational diseases. You acknowledge and affirm that you have not been retaliated against for reporting any allegation of corporate fraud or other wrongdoing by any of the Company Parties, or for exercising any rights protected by law, including any rights protected by the Fair Labor Standards Act, the Family Medical Leave Act or any related statute or local leave or disability accommodation laws, or any applicable state workers' compensation law.

In addition, you acknowledge that you are knowingly and voluntarily waiving and releasing any rights you may have under the ADEA ("**ADEA Waiver**"). You also acknowledge that the consideration given for the ADEA Waiver is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised by this writing, as required by the ADEA, that: (a) your release and waiver herein does not apply to any rights or claims that arise after the date you sign this Agreement; (b) you should consult with an attorney prior to signing this Agreement; (c) you have twenty-one (21) days to consider this Agreement (although you may choose to voluntarily sign it sooner); (d) you have seven (7) days following the date you sign this Agreement to revoke it (by sending written revocation directly to the Company's **[title]**); and (e) the Agreement will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after you sign this Agreement.

5. Return of Company Property. By the Separation Date, you agree to return to the Company all Company documents (and all copies thereof) and other Company property that you have had in your possession at any time, including, but not limited to, Company files, notes, drawings, records, business plans and forecasts, financial information, specifications, computer-recorded information, tangible property (including, but not limited to, computers), credit cards, entry cards, identification badges and keys; and, any materials of any kind that contain or embody any proprietary or confidential information of the Company (and all reproductions thereof). Please coordinate return of Company property with **[name/title]**. **Receipt of the Separation Payments described in Section 1 of this Agreement is expressly conditioned upon return of all Company property.**

6. Confidential Information, Non-Competition and Non-Solicitation Obligations. Both during and after your employment you acknowledge your continuing obligations under your Confidential Information and Inventions Agreement not to use or disclose any confidential or proprietary information of the Company and comply with your post-employment non-competition and non-solicitation restrictions. The Company acknowledges that you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, in the event that you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose the trade secret to your attorney and use the trade secret information in the court proceeding, if you: (A) file any document containing the trade secret under seal; and (B) do not disclose the trade secret, except pursuant to court order.

7. **Confidentiality.** The provisions of this Agreement will be held in strictest confidence by you and will not be publicized or disclosed in any manner whatsoever; provided, however, that: (a) you may disclose this Agreement to your immediate family; (b) you may disclose this Agreement in confidence to your attorney, accountant, auditor, tax preparer, and financial advisor; and (c) you may disclose this Agreement insofar as such disclosure may be required by law. Notwithstanding the foregoing, nothing in this Agreement shall limit your right to discuss your employment with the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, other federal government agency or similar state or local agency or to discuss the terms and conditions of your employment with others to the extent expressly permitted by Section 7 of the National Labor Relations Act.

8. **Non-Disparagement.** You agree not to disparage the Company, and the Company's attorneys, directors, managers, partners, employees, agents and affiliates, in any manner likely to be harmful to them or their business, business reputation or personal reputation; provided that you will respond accurately and fully to any question, inquiry or request for information when required by legal process. Notwithstanding the foregoing, nothing in this Agreement shall limit your right to voluntarily communicate with the Equal Employment Opportunity Commission, United States Department of Labor, the National Labor Relations Board, other federal government agency or similar state or local agency or to discuss the terms and conditions of your employment with others to the extent expressly permitted by Section 7 of the National Labor Relations Act.

9. **No Admission.** This Agreement does not constitute an admission by the Company of any wrongful action or violation of any federal, state, or local statute, or common law rights, including those relating to the provisions of any law or statute concerning employment actions, or of any other possible or claimed violation of law or rights.

10. **Breach.** You agree that upon any breach of this Agreement you will forfeit all amounts paid or owing to you under this Agreement. Further, you acknowledge that it may be impossible to assess the damages caused by your violation of the terms of Sections 5, 6, 7 and 8 of this Agreement and further agree that any threatened or actual violation or breach of those Sections of this Agreement will constitute immediate and irreparable injury to the Company. You therefore agree that any such breach of this Agreement is a material breach of this Agreement, and, in addition to any and all other damages and remedies available to the Company upon your breach of this Agreement, the Company shall be entitled to an injunction to prevent you from violating or breaching this Agreement. You agree that if the Company is successful in whole or part in any legal or equitable action against you under this Agreement, you agree to pay all of the costs, including reasonable attorneys' fees, incurred by the Company in enforcing the terms of this Agreement.

11. **Miscellaneous.** This Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both you and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement and the provision in question will be modified by the court so as to be rendered enforceable. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the Commonwealth of Massachusetts as applied to contracts made and to be performed entirely within Massachusetts.

EVERBRIDGE, INC.

By: ____________________________________

____

James Totton

Exhibit C

Everbridge, Inc. Confidential Information and Inventions Agreement

Exhibit 10.2

LOAN AND SECURITY MODIFICATION AGREEMENT

This Loan and Security Modification Agreement is entered into as of June 27, 2018 by and between EVERBRIDGE, INC. ("Parent") and WESTERN ALLIANCE BANK ("Bank"). Parent is also referred to herein as "Borrower".

1. DESCRIPTION OF EXISTING INDEBTEDNESS: Among other indebtedness which may be owing by Parent to Bank, Parent is indebted to Bank pursuant to, among other documents, a Loan and Security Agreement by and between Parent and Bank, dated as of June 30, 2015 and as may be amended from time to time (the "Loan and Security Agreement"). Capitalized terms used without definition herein shall have the meanings assigned to them in the Loan and Security Agreement.

2. REMOVAL OF CO-BORROWER. IDV SOLUTIONS, LLC ("IDV") had been added as a "Borrower" to the Loan and Security Agreement pursuant to the Loan and Security Modification Agreement dated as of November 14, 2017 by and between Parent, IDV and Bank. IDV was subsequently merged with and into Parent and no longer exists as a separate entity. Therefore, IDV is hereby removed as a Borrower under the Loan and Security Agreement.

3. EVENT OF DEFAULTS; WAIVER. Parent acknowledges that there are existing and uncured Events of Default arising from Parent's failure to comply with (i) Section 6.11, Section 7.3 and Section 7.7 of the Loan and Security Agreement with respect to the acquisition of Unified Messaging Systems ABA by Holdings which is a foreign Subsidiary of Parent, and (ii) Section 6.12 of the Loan and Security Agreement with respect to the failure to provide notice of the foregoing Events of Default (collectively, the "Existing Defaults"). Subject to the conditions contained herein and performance by Borrower of all of the terms of the Loan and Security Agreement after the date hereof, Bank waives the Existing Defaults. Bank does not waive Borrower's obligations under such sections after the date hereof, and Bank does not waive any other failure by Borrower to perform its Obligations under the Loan Documents.

4. MODIFICATION(S) TO LOAN AND SECURITY AGREEMENT.

(A) The definition of "Revolving Maturity Date" in Section 1.1 is hereby amended and restated in its entirety as follows:
"'Revolving Maturity Date' means September 28, 2018."

(B) Sections 6.3(a) and 6.3(b) are amended and restated in their entirety to read as follows:

"(a) as soon as available, but in any event within five (5) days after the last day of each fiscal quarter in which periodic and other reports, proxy statements, and other materials are required to be filed by Borrower with the Securities and Exchange Commission pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended, (i) a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of Exhibit C hereto, (ii) a recurring revenue report, and (iii) a Compliance Certificate signed by a Responsible Officer in substantially the form of Exhibit D hereto;

(b) as soon as available, but in any event within five (5) days after the last day of each fiscal quarter in which periodic and other reports, proxy statements, and other materials are required to be filed by Borrower with the Securities and Exchange Commission pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended, (i) a company prepared consolidated and consolidating balance sheet, income statement, and cash flow statement covering Borrower's consolidated and consolidating operations during such period, prepared in accordance with GAAP, consistently applied, in a form acceptable to Bank and certified by a Responsible Officer, and (ii) aged listings of accounts receivable and accounts payable by invoice date;"

(C) Exhibit D to the Loan and Security Agreement is replaced in its entirety with the Exhibit D attached hereto.

5. CONSISTENT CHANGES; PAYMENT OF BANK EXPENSES. The Loan Documents are each hereby amended wherever necessary to reflect the changes described above. Borrower shall promptly pay all Bank Expenses incurred in connection herewith.

6. NO DEFENSES OF BORROWER/GENERAL RELEASE. Borrower agrees that, as of this date, it has no defenses against the obligations to pay any amounts under Loan Documents. Borrower and its affiliates (each, a "Releasing Party") acknowledges that Bank would not enter into this Loan and Security Modification Agreement without Releasing Party's assurance that it has no claims against Bank or any of Bank's officers, directors, employees or agents. Except for the obligations arising hereafter under this Loan and Security Modification Agreement, each Releasing Party releases Bank and each of Bank's officers, directors and employees from any known or unknown claims that Releasing Party now has against Bank of any nature, including any claims that Releasing Party, its successors, counsel, and advisors may in the future discover they would have now had if they had known facts not now known to them, whether founded in contract, in tort or pursuant to any other theory of liability, including but not limited to any claims arising out of or related to the Loan and Security Agreement or the transactions contemplated thereby. Releasing Party waives the provisions of California Civil Code section 1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The provisions, waivers and releases set forth in this section are binding upon each Releasing Party and its shareholders, agents, employees, assigns and successors in interest. The provisions, waivers and releases of this section shall inure to the benefit of Bank and its agents, employees, officers, directors, assigns and successors in interest. The provisions of this section shall survive payment in full of the Obligations, full performance of all the terms of this Loan and Security Modification Agreement and the other Loan Documents, and/or Bank's actions to exercise any remedy available under the Loan Documents or otherwise.

7. REPRESENTATIONS AND WARRANTIES. Borrower understands and agrees that in modifying the existing Loan Documents, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Loan Documents. Borrower represents and warrants that the representations and warranties contained in the Loan and Security Agreement are true and correct in all material respects (or, if qualified as to "materiality" or "Material Adverse Effect", in all respects) as of the date of this Loan and Security Modification Agreement (except to the extent any such representation and warranty expressly relates to an earlier date, in which case such representation and warranty is true and correct in all material respects as of such earlier date), and that after giving effect to this Loan and Security Modification Agreement, no Event of Default has occurred and is continuing.

8. CONTINUING VALIDITY. Except as expressly modified pursuant to this Loan and Security Modification Agreement, the terms of the Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Loan Documents pursuant to this Loan and Security Modification Agreement in no way shall obligate Bank to make any future modifications to the Loan Documents. Nothing in this Loan and Security Modification Agreement shall constitute a satisfaction of the Obligations. It is the intention of Bank and Borrower to retain as liable parties all makers and endorsers of Loan Documents, unless the party is expressly released by Bank in writing. No maker, endorser, or guarantor will be released by virtue of this Loan and Security Modification Agreement. The terms of this paragraph apply not only to this Loan and Security Modification Agreement, but also to any subsequent loan and security modification agreements.

9. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; REFERENCE PROVISION. This Loan and Security Modification Agreement constitutes a "Loan Document" as defined and set forth in the Loan and Security Agreement, and is subject to Sections 11 and 12 of the Loan and Security Agreement, which are incorporated by reference herein.

10. CONDITIONS PRECEDENT. As a condition to the effectiveness of this Loan and Security Modification Agreement, Bank shall have received, in form and substance satisfactory to Bank, the following:

(a) affirmation of guaranty duly executed by Everbridge Securities Corporation;

(b) affirmation of guaranty duly executed by Microtech USA, LLC; and

(c) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

[SIGNATURE PAGE FOLLOWS]

11. COUNTERSIGNATURE. This Loan and Security Modification Agreement shall become effective only when executed by Bank and Borrower.

BORROWER:	**BANK:**
EVERBRIDGE, INC.	**WESTERN ALLIANCE BANK**
By: /s/ Kenneth S. Goldman	By: /s/ Robert Bryant
Name: Kenneth S. Goldman	Name: Robert Bryant
Title: SVP & Treasurer	Title: AVP-Tech Banking

EXHIBIT D COMPLIANCE CERTIFICATE

TO: WESTERN ALLIANCE BANK

FROM: EVERBRIDGE, INC.

The undersigned authorized officer of EVERBRIDGE, INC. on behalf of itself and all other Borrowers. hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement between Borrowers and Bank (the "Agreement"), (i) each Borrower is in complete compliance for the period ending _____________ with all required covenants except as noted below and (ii) all representations and warranties of Borrowers stated in the Agreement are true and correct in all material respects as of the date hereof except as noted below; provided, however, that those representations and warranties expressly referring to another date shall be true, correct and complete in all material respects as of such date. Attached herewith are the required documents supporting the above certification. The officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies	
Recurring Revenue Report	Within 5 days of SEC Reporting	Yes	No
Borrowing Base Certificate	Within 5 days of SEC Reporting	Yes	No
Compliance Certificate	Within 5 days of SEC Reporting	Yes	No
Quarterly consolidated financial statements	Within 5 days of SEC Reporting	Yes	No
Quarterly consolidating financial statements	Within 5 days of SEC Reporting	Yes	No
A/R & A/P Agings	Within 5 days of SEC Reporting	Yes	No
Annual financial statements (CPA Audited)	FYE within 180 days	Yes	No
Annual operating budget, sales projections and operating plans approved by board of directors	Annually no later than 30 days following the beginning of each fiscal year or board approval, whichever is earlier	Yes	No
A/R Audit	Initial and Annual	Yes	No
IP Report	Annual	Yes	No
Deposit balances with Bank	$_______________		
Deposit balance outside Bank	$_______________		

Financial Covenant	Required	Actual	Complies	
Minimum MRR Renewal Rate (measured quarterly, on a rolling 4 quarters basis)	90%	______%	Yes	No

Comments Regarding Exceptions: See Attached.

Sincerely,

____
SIGNATURE

____
TITLE

____

DATE

Exhibit 31.1

CERTIFICATIONS

I, Jaime Ellertson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everbridge, Inc.;

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: August 9, 2018

By: /s/ Jaime Ellertson
Name: Jaime Ellertson
Title: Chief Executive Officer (*Principal Executive Officer*)

Exhibit 31.2

CERTIFICATIONS

I, Kenneth S. Goldman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everbridge, Inc.;

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: August 9, 2018

By: /s/ Kenneth S. Goldman
Name: Kenneth S. Goldman
Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Jaime Ellertson, Chief Executive Officer of Everbridge, Inc., do hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Everbridge, Inc. for the quarter ended June 30, 2018 (the "Report"):

(1) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Everbridge, Inc. for the period presented herein.

Date: August 9, 2018

By: /s/ Jaime Ellertson
Name: Jaime Ellertson
Title: Chief Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Everbridge, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Kenneth S. Goldman, Senior Vice President and Chief Financial Officer of Everbridge, Inc., do hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Everbridge, Inc. for the quarter ended June 30, 2018 (the "Report"):

(1) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Everbridge, Inc. for the period presented herein.

Date: August 9, 2018

By: /s/ Kenneth S. Goldman
Name: Kenneth S. Goldman
Title: Senior Vice President and Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Everbridge, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.