

ACTIVE NETWORK INC
Form S-1
February 14, 2011
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As filed with the Securities and Exchange Commission on February 14, 2011

Registration Number 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

The Active Network, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7372
(Primary Standard Industrial
Classification Code Number)
10182 Telesis Court, Suite 100

33-0884962
(I.R.S. Employer
Identification Number)

San Diego, California 92121

(858) 964-3800

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

David Alberga

Chief Executive Officer and

Chairman of the Board

Matthew Landa

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President and Director

The Active Network, Inc.

10182 Telesis Court, Suite 100

San Diego, California 92121

(858) 964-3800

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

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San Diego, California 92130

(858) 350-2300

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

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

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

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

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

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

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Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value \$0.001 per share	\$150,000,000	\$17,415

(1) Estimated solely for the purpose of computing the registration fee in accordance with Rule 457(o) under the Securities Act. Includes shares that the underwriters have the option to purchase to cover over-allotments, if any.

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

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

Subject to Completion

Preliminary Prospectus dated February 14, 2011

PROSPECTUS

Shares

Common Stock

This is The Active Network's initial public offering. We are selling _____ shares of our common stock and the selling stockholders are selling _____ shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

We expect the public offering price to be between \$ _____ and \$ _____ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the _____ under the symbol _____.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 11 of this prospectus.

	Per Share	Total
Public offering price	\$ _____	\$ _____
Underwriting discount	\$ _____	\$ _____
Proceeds, before expenses, to us	\$ _____	\$ _____
Proceeds, before expenses, to the selling stockholders	\$ _____	\$ _____

The underwriters may also exercise their option to purchase up to an additional _____ shares from us, and up to an additional _____ shares from the selling stockholders, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about _____, 2011.

BofA Merrill Lynch

Citi

Allen & Company LLC

Stifel Nicolaus Weisel

RBC Capital Markets

ThinkEquity LLC

WR Hambrecht+Co

The date of this prospectus is _____, 2011.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. We and the underwriters are offering to sell shares of common stock and seeking offers to buy shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

Through and including _____, 2011 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

The Active Network, Active, Active.com, ActiveWorks, ActiveNet, RegOnline, ReserveAmerica and our logo are our some of our trademarks used in this prospectus. This prospectus also includes trademarks, trade names and service marks that are the property of other organizations.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations.

THE ACTIVE NETWORK

Mission

*Our mission is to power the world's activities and
connect people with the things they love, want and need to do.*

Overview

We are the leading provider of organization-based cloud computing applications. We provide applications that form an online network connecting a fragmented and diverse group of activity and event organizers with a large base of potential participants. Our proprietary technology platform transforms the way organizers manage their activities and events by automating online registrations and streamlining other critical management functions, while also driving consumer participation to their events.

We power a broad range of activities, such as reserving a campsite or tee time, signing up for a marathon or sports league, purchasing a fishing or hunting license, or participating in a community event or corporate conference. From the introduction of our platform in 1999, we have experienced significant growth and now have over 47,000 customer organizations and drive over 70 million annual consumer registrations.

Organizations of all sizes are faced with time-consuming and costly administrative tasks which often detract from maximizing participation in their events. Our proprietary technology platform, ActiveWorks, provides cloud computing applications that reduce the cost and complexity of managing, organizing and promoting activities by replacing low-tech and manual processes. The ActiveWorks architecture allows us to efficiently provide vertically-specialized applications to a large and diverse market. Our applications are delivered over the Internet to any connected device.

Historically, participants have spent considerable time and effort to find, learn about and sign up for activities and events. In response, we believe we have created the leading network of websites that enable consumers to easily discover, choose and register for activities. We create vibrant and highly engaging online communities of like-minded participants through features such as social sharing, targeted recommendations and how-to guides. We leverage this engagement to increase overall participation in our customers' activities and events.

Our business also benefits from a powerful network effect. As more organizations use our platform, we increase the breadth and depth of activities and events offered through our platform. This more comprehensive offering of activities attracts more participants. As we attract more participants, we are able to drive increased demand for our customers' activities, thus increasing registrations and revenue. In this way, we build increasing value for both organizations and participants.

We serve a wide range of customers including community and sports organizations, large corporations, small and medium sized businesses, educational institutions, government agencies, non-profit organizations and other similar entities. We primarily generate revenue from technology fees paid by participants who register for our customers' activities through our cloud computing applications. During the nine months ended September 30, 2010, we generated revenue of \$218.0 million, as compared to \$188.5 million in the nine months ended September 30, 2009, an increase of approximately 16%.

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Industry Overview

Organizations of all sizes need to inform, engage and support their respective participants, which include attendees, members, registrants and other constituents. We believe activity and event registration and administration is a broad and large market with more than 800,000 potential customers in North America within our four primary customer groups of sports, community activities, outdoors and business events. According to a study we commissioned, 73% of U.S. households paid to take part in a recreational or community activity last year. Based on this study, we believe that our target market encompasses more than 1.8 billion total registrations annually in the United States, representing more than \$110 billion in registration spending. We have the opportunity to receive a fraction of each registration fee by providing the applications that help organize and manage activities and events. Furthermore, we believe the market opportunity outside the United States is greater than our domestic market opportunity.

Historically, activities and events have been organized and registrations tracked by using a combination of paper-based systems, basic desktop applications and spreadsheets. Participants register for events by phone, mail or walk-up registration, which is often costly and inefficient for both organizers and participants. This manual approach to event registration can be haphazard, time-consuming and lack sufficient process controls. Mistakes due to incorrect data entry of participant information often lead to incomplete or lost registration forms. These frequent errors add incremental costs for organizers, delay registration for participants and cause problems on-site at the activity or event.

Building a fully functional management system is a costly endeavor. Most organizers cannot afford to make the investment nor do they have the necessary technical resources to develop applications sufficient to run their businesses effectively. When organizers do attempt to automate registration and administration themselves, building and maintaining an internal system often becomes technologically challenging, time-intensive and cost prohibitive.

Our Solution

ActiveWorks, our organization-based cloud computing platform, transforms the way organizers record, track, manage and share information regarding activities and events. We offer applications that allow our customers to reduce cost, attract new participants and focus resources on enhancing the quality of their events. ActiveWorks allows organizers to leverage our large-scale, common infrastructure to manage their activities and events more effectively. Additionally, we have created a number of mobile applications to enhance functionality and access to our solutions.

Our applications provide the following benefits to organizers:

Create operational efficiencies by automating registration and administration. Our applications reduce costs by automating processes such as activity and event registration, facility reservation, roster management, results publishing, membership management and operational reporting.

Manage participant and activity information. ActiveWorks centralizes a comprehensive data set of participant information for each customer and provides a user-friendly interface to easily track, manage and enhance the ongoing relationship between participants and activity organizers.

Communicate real-time with event participants. We enable organizers to engage participants through websites and email. This empowers our customers to seamlessly and efficiently inform, motivate and support participants, thereby building greater affinity for their organizations.

Provide access to efficient marketing channels. Our integrated platform allows organizers to reach a targeted group of new potential participants through a variety of resources to provide greater exposure for their activities and events.

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Our applications provide the following benefits to participants:

Foster discovery through our comprehensive directory. Our websites deliver content based on a participant's interests, while facilitating discovery of new relevant and targeted activities. Our directory provides access to a broad database of events, classes, leagues, tournaments, organizations, facilities and a wide range of other activities.

Support participation. Throughout our offerings, participants can find resources and like-minded individuals to support every step of their journey. We offer free and premium access to training plans, articles, videos, discounts and experts through our websites, mobile applications and other social media channels.

Our Strengths

Our applications are designed to reach many aspects of a consumer's lifestyle from community activities and sports to business events and the outdoors. Given this breadth, we believe the following strengths provide us with a competitive advantage within this large and growing market:

Leader in a large and fragmented market. We believe we have the largest customer base in our industry, including over 47,000 customers and more than 70 million annual registrations.

Proprietary technology platform. Our cloud computing platform allows us to efficiently develop and deliver vertical specialization and feature-rich applications for customers of all sizes.

Dedicated and highly engaged consumers. We provide relevant and vertical-specific directories, content and tools that engage participants and form enthusiastic and dedicated online communities. These participants generate over 1 billion page views annually on our websites.

High degree of predictable and recurring revenue. We have long-term, exclusive contracts with many of our customers. We also have a successful track record of renewing a high percentage of these contracts for multiple successive terms. As a result, a significant percentage of our revenue is predictable and recurring.

Powerful network effect. The continued growth of our customers results in more participants visiting our online communities. This growing audience creates a powerful network effect where our platform becomes increasingly valuable to both our organizers and participants, driving more registrations to our customer's activities while simultaneously offering participants additional relevant activities from which to choose.

Alignment with our customers' interests. Our business is uniquely aligned with the interests of our customers. Like our customers, the success of our business is directly dependent on maximizing the number of participants who register for activities and events.

Economies of scale. We have achieved a level of scale in our business that provides operational and technological competitive advantages. For example, we are able to leverage our significant investment in cloud infrastructure to provide higher levels of service and reliability, while maintaining a lower unit cost structure than our competition. We also apply our solutions experience accumulated through interactions with tens of thousands of organizations to design and develop features that can easily be configured for multiple types of customers, thus allowing us to spread our development costs across a much wider market opportunity than our competitors.

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Growth Strategy

To extend our leadership position in the activities and events market, we intend to do the following:

Grow the number of customers we serve. We will continue to promote the migration of organizations towards online management of activities and events, and in so doing, grow our customer base.

Increase our online registration conversion rates. We plan to increase participant usage of online registration services by training our customers in the execution of conversion techniques. We have developed and refined these techniques over the past 12 years through our experience working with tens of thousands of organizations.

Deepen our relationship with existing customers. We are dedicated to developing comprehensive, vertical-specific applications and features that increase the value of our platform to our customers. We believe these enhanced applications will allow us to generate additional revenue.

Pursue strategic acquisitions. We intend to pursue acquisitions to strengthen our market position, broaden our organization base, enhance our capabilities and add new applications to our platform.

Expand internationally. We intend to commit additional resources to markets outside North America. We believe this opportunity is larger than our domestic market, and that we are well positioned to take advantage of this opportunity as our model is readily transferable to new markets.

Customers

We work with organizations of all sizes. We currently have over 47,000 sports, community activities, outdoors and business event customers and received technology fees from more than 70 million registrations in 2010. Based on a study we commissioned, we believe the organizations we target produce or organize activities and events for the majority of U.S. households.

For the nine months ended September 30, 2010, none of our customers accounted for more than five percent of our total revenue. Our technology customers can be categorized in the following four groups and can be further broken down into the verticals listed in the table below:

<i>Sports</i>	<i>Community Activities</i>	<i>Outdoors</i>	<i>Business Events</i>
Endurance Events	Parks & Recreation Departments	State Campgrounds	Conferences
Leagues & Teams	Schools & Districts	National Parks	Conventions
Golf Courses	City & County Governments	Fishing Licenses	Association Gatherings
Clubs	Camps & Retreats	Hunting Permits	Meetings & Seminars
Tournaments	Faith-Based Organizations	Marinas	Trade Shows & Expos

Risk Factors Associated with our Business

You should carefully consider the risks described under the **Risk Factors** section beginning on page 11, and elsewhere in this prospectus. These risks could materially and adversely impact our business, financial condition, operating results and cash flow, which could cause the trading price of our common stock to decline and could result in a partial or total loss of your investment.

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Corporate Information

We were originally incorporated in California in October 1998 as Racegate.com, Inc. and became a Delaware corporation through a stock exchange agreement in July 1999. In May 2001, we changed our name to The Active Network, Inc. Our principal executive offices are located at 10182 Telesis Court, Suite 100, San Diego, California. Our corporate website address is www.activenetwork.com, and our primary participant website is www.active.com. Information contained on our websites is not a part of this prospectus and the inclusion of our website addresses in this prospectus is an inactive textual reference only. Unless the context requires otherwise, the words Active, The Active Network, we, company, us and our refer to The Active Network and our wholly-owned subsidiaries.

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The Offering

Common stock offered:

By us shares

By the selling stockholders shares

Common stock to be outstanding after this offering shares

Use of proceeds We currently plan to use the net proceeds of this offering to retire borrowings under our existing debt facilities, to acquire complementary businesses and for general corporate purposes. We have no commitments with respect to any future acquisitions.

We will not receive any of the proceeds from the sale of shares by the selling stockholders.

Risk Factors See Risk Factors beginning on page 11 and other information included in this prospectus for a discussion of factors that you should carefully consider before deciding to invest in our common stock.

Proposed Symbol

The number of shares of our common stock to be outstanding immediately after this offering is based on 43,034,493 shares of our common stock (including preferred stock on an as-converted basis) outstanding as of December 31, 2010 and excludes, as of December 31, 2010:

1,775,640 shares of common stock included in treasury stock;

11,433,588 shares of our common stock subject to outstanding options granted pursuant to our 2002 Stock Option/Stock Issuance Plan, or our 2002 Plan, at a weighted average exercise price of \$2.18, of which 3,579,080 represent shares of our common stock subject to vesting requirements;

150,435 shares of our common stock available for future grant or issuance under our 2002 Plan;

shares of our common stock available for future grant or issuance under our 2011 Employee Stock Purchase Plan, or our 2011 ESPP, which will become effective upon the completion of this offering, and the annual increases in the number of shares authorized under this plan beginning January 1, 2012;

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shares of our common stock which will be available for future grant or issuance under our 2011 Equity Incentive Plan, or our 2011 Plan, which will become effective upon the completion of this offering, and the annual increases in the number of shares authorized under this plan beginning January 1, 2012;

281,438 shares of our common stock issuable upon the conversion of outstanding principal and interest under our convertible promissory notes as of December 31, 2010, with a weighted average conversion price of \$16.00 per share; and

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8,050 shares of our common stock issuable upon exercise of outstanding warrants with a weighted average exercise price of \$60.55, which will terminate 90 days following the completion of this offering.

Except as otherwise indicated, all information in this prospectus (except for the historical financial statements) assumes:

the automatic conversion of all shares of our outstanding preferred stock into 34,635,878 shares of common stock effective immediately prior to but contingent upon the completion of this offering;

the exercise, on a cash basis, of warrants to purchase an aggregate of 568,901 shares of common stock at a weighted average exercise price of \$3.90, which will automatically be exercised or cancelled pursuant to their terms upon completion of this offering;

no options, warrants or shares of common stock were issued after December 31, 2010, and no outstanding options or warrants were exercised after December 31, 2010;

the filing of our amended and restated certificate of incorporation, which we will file in connection with the completion of this offering, and the adoption of our amended and restated bylaws, are in effect; and

no exercise of the underwriters' overallotment option.

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The following tables summarize the consolidated financial data for our business. You should read this summary in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Selected Consolidated Financial Data, and our consolidated financial statements and related notes, all included elsewhere in this prospectus. Unless otherwise noted, the following information does not give effect to the conversion of our outstanding preferred stock into common stock.

We derived the consolidated statements of operations data for the years ended December 31, 2007, 2008 and 2009 and the consolidated balance sheet data as of December 31, 2008 and 2009 from our audited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated statements of operations data for the nine months ended September 30, 2009 and 2010, and the unaudited consolidated balance sheet data as of September 30, 2010, are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited financial information on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our interim results are not necessarily indicative of the results to be expected for the full fiscal year.

	Years Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009	2009	2010
	(Unaudited)				
	(In thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenue:					
Technology revenue	\$ 78,542	\$ 145,789	\$ 210,483	\$ 166,787	\$ 188,504
Marketing services revenue	23,335	27,407	32,401	21,725	29,473
Total net revenue	101,877	173,196	242,884	188,512	217,977
Cost of net revenue:					
Cost of technology revenue	36,284	74,316	103,130	79,825	88,682
Cost of marketing services revenue	4,797	5,365	4,058	2,537	4,562
Cost of net revenue⁽¹⁾	41,081	79,681	107,188	82,362	93,244
Gross profit	60,796	93,515	135,696	106,150	124,733
Operating expenses:					
Sales and marketing ⁽¹⁾	31,140	48,739	50,556	38,420	44,799
Research and development ⁽¹⁾	21,099	31,997	58,767	43,261	46,400
General and administrative ⁽¹⁾	25,639	42,865	39,455	29,889	32,958
Amortization of intangibles	5,944	13,820	18,491	13,728	12,149
Total operating expenses	83,822	137,421	167,269	125,298	136,306
Loss from operations	(23,026)	(43,906)	(31,573)	(19,148)	(11,573)
Interest income	2,455	1,695	194	197	113
Interest expense	(1,825)	(4,991)	(5,237)	(3,928)	(4,089)
Other (expense) income, net	234	(268)	1,196	822	141
Loss before income taxes	(22,162)	(47,470)	(35,420)	(22,057)	(15,408)
Income tax provision	2,606	1,506	2,439	1,725	2,772
Net loss	(24,768)	(48,976)	(37,859)	(23,782)	(18,180)
Accretion of redeemable convertible preferred stock	(8,532)	(15,639)	(25,774)	(18,967)	(20,828)
Net loss attributable to common stockholders	\$ (33,300)	\$ (64,615)	\$ (63,633)	\$ (42,749)	\$ (39,008)
Net loss per share attributable to common stockholders:					
Basic and diluted	\$ (8.12)	\$ (11.68)	\$ (10.86)	\$ (7.37)	\$ (5.53)

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Weighted-average shares used to compute net loss per share attributable to common stockholders	4,103	5,530	5,862	5,797	7,050
Pro forma net loss per share⁽²⁾:					
Basic and diluted			\$ (0.93)		\$ (0.44)
Pro forma weighted-average shares used to compute pro forma net loss per share⁽²⁾:					
Basic and diluted			40,498		41,686

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	Years Ended December 31,			Nine Months Ended	
	2007	2008	2009	September 30, 2009	September 30, 2010
	(Unaudited) (In thousands)				
Other Financial and Operational Data:					
Adjusted EBITDA ⁽³⁾	\$ (1,965)	\$ (2,672)	\$ 15,746	\$ 16,318	\$ 22,256
Organizations	35.1	41.5	44.9	38.2	40.5
Registrations	12,920	25,074	65,461	51,586	54,859

	As of September 30, 2010		
	Actual	Pro Forma ⁽⁴⁾ (Unaudited) (In thousands)	As Adjusted
Consolidated Balance Sheet Data:			
Cash and cash equivalents	\$ 36,859	\$ 39,079	
Restricted cash	5,000	5,000	
Property and equipment, net	27,965	27,965	
Software development costs, net	35,726	35,726	
Working capital	(55,394)	(53,174)	
Total assets	402,780	405,000	
Debt	43,334	43,334	
Convertible preferred stock	21,187		
Redeemable convertible preferred stock	363,850		
Total stockholders' equity (deficit)	(173,108)	214,149	

	Years Ended December 31,			Nine Months Ended	
	2007	2008	2009	September 30, 2009	September 30, 2010
	(Unaudited) (In thousands)				
(1) Stock-based compensation included in the above line items:					
Cost of net revenue	\$ 22	\$ 70	\$ 128	\$ 107	\$ 79
Sales and marketing	175	358	765	618	390
Research and development	148	257	597	482	287
General and administrative	7,628	13,852	9,750	8,591	3,786
Total	\$ 7,973	\$ 14,537	\$ 11,240	\$ 9,798	\$ 4,542

(2) Pro forma net loss per share has been calculated assuming the conversion of all outstanding shares of our preferred stock into shares of common stock prior to the completion of this offering.

(3) We define Adjusted EBITDA as net loss, plus: provision for income taxes, other expense (income), net, depreciation and amortization, and stock-based compensation. Please see Adjusted EBITDA for more information and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

(4) The pro forma column reflects (i) the assumed conversion of all outstanding shares of our preferred stock into shares of common stock prior to completion of this offering; and (ii) the exercise on a cash basis of outstanding warrants to purchase an aggregate of 513,901 shares of common stock at a weighted average exercise price of \$4.32 per share, which will automatically be exercised or cancelled pursuant to their terms upon completion of this offering.

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To provide investors with additional information regarding our financial results, we have disclosed in the table above and within this prospectus Adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation below of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this prospectus because we seek to manage our business to an improving level of Adjusted EBITDA as a percentage of revenue, and it is a key basis upon which we assess the performance of our operations and management. We also use Adjusted EBITDA for business planning, evaluation of acquisition opportunities and as a measurement to create incentives and compensate our management. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are as follows:

Adjusted EBITDA does not reflect our cash expenditures for capital equipment or certain other contractual commitments;

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may need to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements;

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

Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation to our management team or employees;

Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and

other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP financial results.

The following table presents a reconciliation of Adjusted EBITDA for each of the periods indicated:

	Years Ended December 31,			Nine Months Ended September 30,	
	2007	2008	2009 (Unaudited)	2009	2010
(In thousands)					
Reconciliation of Adjusted EBITDA to Net Loss:					
Net loss	\$ (24,768)	\$ (48,976)	\$ (37,859)	\$ (23,782)	\$ (18,180)
Interest expense (income), net	(630)	3,296	5,043	3,731	3,976
Income tax provision	2,606	1,506	2,439	1,725	2,772
Depreciation and amortization	13,088	26,697	36,079	25,668	29,287
Stock-based compensation	7,973	14,537	11,240	9,798	4,542

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Other expense (income), net	(234)	268	(1,196)	(822)	(141)
Adjusted EBITDA	\$ (1,965)	\$ (2,672)	\$ 15,746	\$ 16,318	\$ 22,256

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RISK FACTORS

The text below discusses the material risks faced by us of which we are aware. Before making an investment in our common stock, you should carefully consider the risks described below, as well as the other information set forth in this prospectus, including the information contained in our consolidated financial statements and the related notes. If any of the risks or uncertainties described below were to occur, our business, financial condition and results of operations would likely be materially and adversely affected. In these circumstances, the trading price of our common stock would likely decline, and you could lose all or part of your investment.

Risks Related To Our Business

We have a history of significant net losses, and we may never achieve or maintain profitability.

We have incurred net losses since our inception in 1998. Our net losses were approximately \$18.2 million for the nine months ended September 30, 2010, \$37.9 million for the year ended December 31, 2009, \$49.0 million for the year ended December 31, 2008 and \$24.8 million for the year ended December 31, 2007. At September 30, 2010, we had an accumulated deficit of approximately \$231.7 million. We plan to increase our operating expenses in the future as we continue to develop additional functionality and features for our applications, continue to transition our customers to ActiveWorks, make additional acquisitions, increase our sales and marketing activities, expand outside of North America and enhance our customer service and call center capabilities. If our revenue grows at a slower rate than we anticipate, or if our operating expenses increase unexpectedly, we may never achieve profitability. Additionally, in the event we do achieve profitability in the future, we may not be able to sustain or increase profitability on a quarterly or annual basis.

Our limited operating history, new and unproven business model and rapidly evolving market make it difficult to evaluate our future prospects and increase the risk that we will not be successful.

We launched our application services in 1999, and we have made a number of changes to our operations, technology platform and online communities since that time. As a result, we have a limited operating history with our current business upon which to predict our future operating results. In addition, the business of providing cloud computing applications to activity and event organizers and building and supporting online communities for activity and event participants is relatively new and subject to rapid change. You must consider our business and prospects in light of the risks and difficulties we will continue to encounter as a company with a new and unproven business model and operating in a new and rapidly evolving market. These risks and difficulties include our ability to, among other things:

attract new customers;

deepen our relationships with our existing customers;

continue to transition our existing customers to ActiveWorks;

continue to earn the trust of organizers and participants with respect to the processing, storage and use of their confidential information and personal data in compliance with our own high standards of care and applicable governmental and other legal obligations related to privacy and data protection;

develop a scalable, high performance technology infrastructure that can securely, efficiently and reliably handle increased usage globally;

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- continue to manage and successfully integrate acquired businesses, applications and technologies;
- successfully compete with other companies that engage in the activity and event registration and management market;
- continue to build and support online communities and applications for activity and event participants;
- successfully introduce and deploy new features and functionality for our technology platform;
- increase revenue from our applications, websites and online communities;
- avoid interruptions or disruptions in our service;
- avoid problems with the functionality of our applications;
- continue to hire, integrate and retain highly skilled team members who embrace our values and culture; and
- successfully expand our business outside of North America.

We may not be able to address these risks and difficulties or others that we may encounter, including those described elsewhere in this risk factors section. Our failure to adequately address risks and difficulties as we encounter them could cause our reputation to suffer and harm our business. We base our current and future expense levels on our management's estimates of the size of our market and the number of potential customers and registrations, operating forecasts and estimates of future revenue. However, our revenue and operating results are difficult to forecast due to the uncertainty of our market and our ability to increase our customer base and the number of participants who elect to register for activities using our applications. In addition, certain of our expenses are fixed, and we may be unable to adjust our spending in a timely manner to compensate for any unexpected shortfall in revenue. As a result, we may make errors in predicting our revenue and expenses, which would harm our business and financial condition.

Our growth rate over the past few years may not be sustainable. If we fail to maintain an adequate growth rate, our business will be adversely affected and we may not achieve or maintain profitability.

Our revenue has grown rapidly over the past few years, increasing from \$101.9 million in 2007 to \$173.2 million in 2008 and to \$242.9 million in 2009, and \$218.0 million in the nine months ended September 30, 2010, representing a compound annual growth rate over this period of 32%. We may not be able to sustain this level of growth in future periods, and you should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. Further, a significant portion of our revenue growth in fiscal 2008 and 2009 resulted from acquisitions, and not organic growth. We may not complete acquisitions in the future that increase our revenue at the same rate as in prior periods. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete the acquisitions we do identify. If we are unable to maintain an adequate rate of growth, our business will be adversely affected and we may not achieve or maintain profitability.

If we fail to effectively manage our growth, our business and operating results could be harmed.

The substantial growth in our business over the past few years has placed, and may continue to place, significant demands on our management, our operating infrastructure and our internal controls and procedures. As our operations grow in size and complexity, we will need to improve and upgrade our operating systems and infrastructure to offer an increasing number of organizers and participants enhanced applications, features, functionality and support. In addition, we will be required to strengthen our internal controls and our risk management policies and procedures. The expansion of our operating systems and infrastructure and the

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strengthening of our controls, policies and procedures will require us to commit substantial financial, operational and technical resources in advance of an increase in the volume of our business, with no assurance that our business will actually increase. Continued growth could also strain our ability to maintain reliable service levels for organizers and participants, as well as to recruit, train and retain highly skilled personnel. If we fail to effectively manage our growth, our business and operating results could be harmed.

Acquisitions could prove difficult to integrate, disrupt our business, dilute stockholder value, strain our resources and impair our operating results, financial conditions and prospects.

Acquisitions have been an important part of our growth to date. We have completed more than 25 acquisitions over the past five years. We intend to continue to seek to acquire and invest in businesses, applications and technologies that we believe could complement or expand our business, augment our market coverage, enhance our technology platform, provide us with valuable customer contacts or otherwise offer growth opportunities.

Acquisitions and investments involve numerous risks and difficulties, including:

difficulties in integrating operations, technologies, accounting functions and personnel;

difficulties in supporting and transitioning customers of our acquired companies to our technology platform;

difficulties in maintaining the security and reliability of acquired applications;

delays in strengthening internal controls and risk management policies and procedures;

diversion of financial and management resources from existing operations;

potential loss of key employees;

inability to generate sufficient revenue to offset acquisition or investment costs;

assumption of unknown liabilities and claims;

potential disputes and litigation;

potential diminishment in the value of any acquired brands; and

potential write-offs of acquired assets.

Acquisitions also frequently result in recording of goodwill and other intangible assets, which are subject to potential impairments in the future that could harm our operating results. In addition, if we finance acquisitions by issuing convertible debt or equity securities, our existing stockholders may be diluted. Such dilution could adversely affect the market price of our stock. Moreover, if we are unable to identify suitable future acquisition candidates, reach agreement with these parties or obtain the financing needed to complete such acquisitions, we could lose market share to competitors who are able to complete such acquisitions. This loss of market share could negatively impact our business, revenue

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and future growth. If we fail to achieve the anticipated benefits of any acquisitions we have completed or may complete in the future, our business, operating results, financial condition and prospects may be impaired.

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Any failure to compete successfully against current or future competitors would materially adversely affect our business and prospects.

The market for technology applications for activity and event organizers is fragmented, competitive and rapidly evolving. Our primary competition comes from traditional registration processing methods used by activity and event organizers, such as paper-based registrations submitted by mail or in person or reservations submitted by telephone. We also face competition from:

custom-developed applications created by an organizer's technical staff or an outside custom service provider;

companies that offer generalized functional software that have features and functionality that organizers can use to register participants and manage their activities, such as content or contact management software programs, e-commerce solutions, enterprise resource planning software other products having separate software modules; and

companies that offer organizers integrated hosted software solutions in one or more verticals within the activities and events market.

Our competitors may announce new products, services or enhancements that better address changing industry standards or the needs of organizers and participants. In addition, competitors and potential competitors may enter into business combinations or alliances that strengthen their competitive positions. For example, companies who we do not consider to be significant competitors could acquire one or more of the various companies in our fragmented industry and, over a short period of time, become a significant competitor in the markets we service. If any of these competitors were to aggressively price their competing services in our market, we may be required to reduce our prices, which could adversely affect our operating results and financial condition. In addition, it may be difficult to displace a competitor once they have established a relationship with an organizer.

We expect to encounter new and evolving competition as the market becomes aware of the advantages of cloud computing applications for activity and event organizers. For example, social networking companies with a large number of online users could develop competing applications or partner with third parties to do so. Future or existing competitors may introduce different pricing models, and offer users applications at minimal or no cost. In addition, larger, better capitalized companies with greater operational, strategic, financial, personnel, customer or user bases and other resources than we have could also enter our market and attempt to compete with us. If we do not successfully compete with existing and future competitors, our business and prospects will be adversely affected.

Our business may be harmed if we fail to successfully transition certain of our existing customers to ActiveWorks.

We have made a significant investment in developing ActiveWorks, and a majority of our customers are currently being served by our ActiveWorks architecture at varying levels of integration. We are in the process of transitioning to ActiveWorks certain customers who continue to use both our internally developed systems and acquired legacy systems. We are developing the additional features required to complete this transition. In addition, as part of our growth strategy, we expect to continue to inherit legacy systems. We will evaluate these systems to determine, based on their sophistication and compatibility, whether to integrate them into ActiveWorks or to migrate the customers using them to ActiveWorks. This process is time consuming and requires the investment of significant technical and human resources. During this process, we will continue to incur the costs and face the risks and difficulties associated with maintaining multiple legacy systems. During that transition period, we may also experience service interruptions, system failures and security breaches due to the shortcomings of certain of the legacy systems. Further, as we transition legacy systems to ActiveWorks, we

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may discontinue certain brands associated with those legacy systems and we may encounter resistance from customers who have affinity for these brands. If we fail to complete the transition to ActiveWorks in a cost-effective and timely manner and without service interruptions, system failures, security breaches or resistance from customers, our business may be harmed.

If our computer systems are compromised, we could be subject to fines, damages, litigation and enforcement actions and organizers and participants could curtail or cease using our applications, the occurrence of which would harm our business.

Our computer systems involve the storage and transmission of non-public personal and credit card information provided by our customers and participants. Despite our security measures, our computer systems are vulnerable to computer viruses, break-ins and other attacks that could lead to the unauthorized access, disclosure and use of non-public personal information, including credit card data. The techniques used by criminal elements to attack our computer systems are sophisticated, change frequently and may originate from less regulated and remote areas of the world. As a result, we may not be able to address these techniques proactively or implement adequate preventative measures. In one instance, we became aware of a security breach in one of the legacy computer systems we inherited through one of our acquisitions. This type of breach could potentially result in the unauthorized acquisition and use of credit card data of a number of participants. We promptly isolated the affected computer system, conducted a forensic analysis of this breach, took steps to clean the affected computer system and implemented a remediation plan to prevent any further breach. We are currently cooperating with the federal authorities investigating the criminals who perpetrated the attack. We cannot guarantee that we will be able to prevent a breach of our computer systems in the future. The breach of our computer systems may subject us to fines, damages from claims asserted by payment processors, merchant banks, organizers and participants, litigation and enforcement actions. In addition, if we experience further compromises of our computer systems, payment processors, merchant banks, organizers and participants may lose confidence and cease using our applications, which would harm our business.

We are subject to data privacy laws and regulations as well as contractual privacy obligations, and our failure to comply could subject us to fines and damages and would harm our reputation and business.

We are subject to the data privacy laws and regulations adopted by the federal, state and foreign governmental agencies. Data privacy is highly regulated, and may become the subject of additional regulation in the future. Privacy laws restrict our storage, use, processing, disclosure, transfer and protection of non-public personal information, including credit card data, provided to us by our customers and participants. In addition, we are subject to the privacy-related obligations in our contracts with our customers and other third parties (including voluntary third-party certification bodies such as TRUSTe). Any failure by us to comply with applicable privacy laws or regulations, our contractual privacy obligations or our own privacy policies, may result in fines, statutory or contractual damages or litigation or governmental enforcement actions. Additionally, violations of our legal or contractual privacy obligations could cause organizers and participants to lose trust in us, which would harm our reputation and business.

Our technology systems are vulnerable to damage, interruptions or failures, any of which could harm our reputation and business.

Our technology systems rely on computer hardware and communications systems located either in our facilities or at third-party facilities, including our main web-hosting facilities in Burbank, California and Ashburn, Virginia. We do not control the operation of the third-party facilities and must rely on third parties to provide the physical security, facilities management and communications infrastructure services to ensure the reliable and consistent delivery of our solutions to our customers. Our web-hosting technology systems located at our facilities and at third-party facilities are vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunications failures, terrorist attacks and similar unforeseen events. Despite any precautions we may take, the occurrence of a natural disaster or other unexpected

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problems at one of our facilities or the facilities operated by third parties who house our equipment could result in lengthy interruptions in our services.

We are in the process of implementing procedures designed to allow us to move our production operations over to a backup datacenter in the event of a catastrophe. Although this program is functional, it does not provide a real-time failover in all instances, so if one of our websites shuts down it would remain shut down for a period of time while the transition takes place, and during that time, the website would not be accessible.

We carry business interruption insurance but our coverage may not be sufficient to compensate us for the potentially significant losses that may result from prolonged interruptions in our services as a result of system failures.

If credit card payment processors and service providers fail or no longer agree to provide their services or increase processing fees, our customer relationships could be adversely affected and we could lose business and revenue.

We rely on agreements with large payment processing organizations to enable us to provide credit card authorization, data capture, settlement and merchant accounting services, and access to various reporting tools for the customers we serve. Our credit card processors and service providers could terminate their arrangements with us or fail to perform their services efficiently, each of which would adversely affect our relationships with customers and could cause customers to discontinue using our applications. In addition, we cannot guarantee that credit card companies will not increase the transaction fees we incur for each registration we process. If credit card payment processors and service providers fail or no longer agree to provide their services or increase processing fees, our customer relationships could be adversely affected and we could lose business and revenue.

We are subject to the rules and regulations adopted by the card networks, such as Visa, MasterCard and American Express, and if we fail to adhere to their rules and regulations, we would be in breach of our contractual obligations to payment processors and merchant banks, which could subject us to damages and liability and could eventually prevent us from processing or accepting credit cards.

The card networks, such as Visa, MasterCard and American Express, have adopted rules and regulations that apply to all merchants who process and accept credit cards for payment of goods and services. We are obligated to comply with these rules and regulations as part of the contracts we enter into with payment processors and merchant banks. The rules and regulations adopted by the card networks include the Payment Card Industry Data Security Standards, or the PCI DSS. Under the PCI DSS, we are required to adopt and implement internal controls over the use, storage and security of card data to help prevent credit card fraud. We assess our compliance with the PCI DSS on a periodic basis, and make necessary improvements to our internal controls. If we fail to comply with the rules and regulations adopted by the card networks, including the PCI DSS, we would be in breach our contractual obligations to payment processors and merchant banks. Such failure to comply may subject us to fines, penalties, damages and civil liability, and could eventually prevent us from processing or accepting credit cards. Further, there is no guarantee that even if we comply with the rules and regulations adopted by the card networks, we will be able to maintain our compliance. We also cannot guarantee that such compliance will prevent illegal or improper use of our payments systems or the theft, loss or misuse of the credit card data of customers or participants. Any such event would harm our reputation and business.

We face potential liability for the fraudulent activities of organizers and their employees, participants and our employees.

We have potential liability for losses caused by the fraudulent activities of our organizers or their employees. An organizer, or one of an organizer's employees, could use a stolen or counterfeit credit card or credit card number to record a false sales transaction, or intentionally fail to deliver merchandise, events, activities or services sold in an otherwise valid transaction. We may also face potential liability for credit card

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fraud by participants who register for an activity or complete a transaction through our applications. A participant could use a stolen credit card or a stolen credit card number in a credit card-not-present transaction, to register for an activity or event or purchase merchandise or services. In a traditional credit card-present transaction, if the merchant uses the credit card, receives authorization for the transaction from the credit card issuing bank and verifies the signature on the back of the credit card against the paper receipt signed by the individual using the credit card, the credit card issuing bank remains liable for any loss. In a fraudulent credit card-not-present transaction, we could be liable to the credit card issuing bank for any loss arising from the transaction, even if we receive authorization for the transaction from the same credit card issuing bank. In addition, we face potential fraud if our employees misappropriate or disclose to others who misappropriate the credit card or other sensitive information of organizers or participants. We have implemented systems and procedures designed to detect and reduce the impact of organizer, participant and employee fraud, but we cannot guarantee that these measures are or will be effective. It is possible that incidents of fraud could increase in the future, and they may remain undetected for extended periods of time if our systems and procedures are not effective. Significant or recurring credit card fraud could adversely affect our business, financial condition and operating results.

We may face significant chargeback liability if our customers refuse or cannot reimburse chargebacks resolved in favor of participants who register through our applications.

We may have potential liability for chargebacks associated with the transactions we process for certain of our organizer customers. If a billing dispute relating to a transaction is not ultimately resolved in favor of the organizer, the disputed transaction is charged back to our bank and credited to the credit card account of the participant. If we or our processing banks are unable to collect the chargeback from the organizer's account, or if the organizer refuses or is financially unable to reimburse us for the chargeback amount, we bear the risk of loss for the amount of the refund paid to the participant's credit card account. We have in the past experienced chargebacks related to cancelled and fraudulent events and transactions. Significant or recurring chargeback amounts could adversely affect our business, operating results and financial condition.

Our business is subject to a variety of U.S. and foreign laws, many of which are unsettled and still developing, and which could subject us to claims or otherwise harm our business.

We are subject to a variety of laws in the United States and abroad that are continuously evolving and developing, and that are costly to comply with, can require significant management time and effort and can subject us to claims or other remedies. Existing and future laws and regulations may be adopted, interpreted or implemented in a manner that is inconsistent with our current business practices or that require changes to such practices, our privacy policy, the features and functionality of our applications or the design of our websites. These regulations and laws may cover taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, broadband residential Internet access and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet. If we are not able to comply with these laws and regulations or if we become liable under them, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain practices, which could negatively affect our business, financial condition and results of operations. In addition, the increased attention focused on liability as a result of lawsuits and legislative proposals could harm our reputation or otherwise harm our business.

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Our quarterly operating results are volatile, subject to seasonal fluctuations and difficult to predict, all of which may adversely affect our stock price.

Our quarterly operating results have fluctuated in the past and may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. For example, we generally experience seasonality due to the greater number of activities and events during the spring and summer months in North America. Other factors that may contribute to the variability of our quarterly and annual results include:

our ability to accurately forecast revenue and appropriately plan our operating expenses;

our ability to attract new, and increase the engagement and penetration of our existing, activity and event organizers;

our ability to increase the number of participants who register for the activities and events offered by our customers using our applications;

our ability to control the cost and time required to transition certain customers to ActiveWorks;

our ability to maintain and effectively manage an adequate rate of growth;

our ability to successfully enter new markets and manage our planned global expansion;

our ability to successfully manage and integrate our past and any future acquisitions of businesses, applications or technologies;

our ability to limit interruptions in service and prevent the compromise of customer or participant data;

the effects of natural or man-made catastrophic events;

changes in the laws, regulations and legal standards affecting our business;

our ability to keep pace with changes in technology and the offerings by our competitors;

our ability to provide a high-quality participant experience through our applications and online communities;

our ability to design and implement effective internal controls and processes;

our ability to attract and retain qualified employees and key personnel;

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our ability to protect our intellectual property, including our technology platform and our key brands;

our ability to control the costs associated with defending intellectual property infringement and other claims by third parties; and

the impact of worldwide economic conditions, including the resulting effect on consumer spending.

As a result, we believe that quarterly comparisons of our operating results are not necessarily meaningful and that you should not rely on the results of one quarter as an indication of our future performance. In addition, our operating results may continue to vary significantly from one quarter to the next as part of our normal business cycle, which may adversely affect our stock price.

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If we do not continue to enhance and improve our existing applications and successfully introduce new applications, our ability to maintain the pricing of our applications and to attract and retain organizer customers will be harmed.

In the past we have grown our business by improving the functionality and features of our existing applications and introducing new applications to our customers, such as fundraising, real-time event tracking and merchandising for activities and events. If we fail to continue to offer new applications that increase the number of participants who register online for our customers' activities and events, and improve the ability of our customers to manage their activities and events, we may be unable to maintain the pricing of our applications. We cannot assure you that we will be able to timely and adequately develop additional functions and features or introduce new applications to satisfy the demands of our customers. Further, developing new technologies and applications entails significant technical and business risks. We cannot assure you that any new functions, features or applications will achieve the level of acceptance required for us to generate sufficient revenue to offset our development costs. If we do not continue to enhance and improve the functions and features of our existing applications and successfully introduce new applications, our ability to maintain the pricing of our applications and to attract and retain organizer customers will be harmed.

Activity and event organizers may not widely adopt our applications to manage the important aspects of their activities and events, which would limit our ability to grow our business.

Our ability to grow our business and increase revenue depends on our success in educating activity and event organizers about the potential benefits of our cloud computing applications. Cloud computing applications for organizing and managing important aspects of activities and events are relatively new, and have not been widely adopted by activity and event organizers. Concerns about cost, fraud, privacy, security, reliability and other issues may cause activity and event organizers not to adopt our applications. Moreover, activity and event organizers who have already invested substantial resources in other registration and management systems or methods may be reluctant to adopt a new approach like ours to supplement or replace existing systems or methods. If activity and event organizers do not widely adopt applications such as ours, our ability to grow our business will be limited.

If we fail to expand our customers' use of our applications, our ability to execute our growth strategy and increase our revenue will be limited.

Many of our organizer customers initially make a purchase of only one or a limited number of our available applications or use our applications for only one or a limited number of their activities or events. Our ability to grow our business and increase revenue is dependent on our ability to further penetrate our existing customers by selling additional applications to them, and by increasing the number of activities and events for which they deploy our applications. If we fail to expand the usage of our applications by our existing customers, our ability to execute our growth strategy and increase our revenue will be limited.

If we are unable to increase the percentage of participants who register through our websites, our ability to grow our business will be impaired.

In addition to expanding and increasing penetration within our organizer customer base, the growth of our business depends on our ability to increase the percentage of participants who elect to register for activities and events through our websites. Our ability to increase the percentage of participants who register through our websites depends on our ability to make our online registration and reservation processes simple, efficient, secure and cost-effective, as well as on our ability to develop applications, such as our online communities, activity and event information and searchable database of events, that encourage participants to use our websites. Our ability to increase participant use of our websites also depends on the ability and willingness of our organizer customers to increase the awareness of our websites to their participants. We cannot control the level of effort that organizers expend or the extent to which any of them will be successful in increasing awareness of our websites.

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among their participants. We may not be able to prevent organizers from devoting greater resources to support other registration methods developed by them or other third parties. If we are unable to increase the percentage of participants who register for activities and events through our websites, our ability to grow our business will be impaired.

We may be not be successful in expanding into new business areas within the activity and event registration and management market, which could harm our business and future prospects.

Our long-term strategic plan involves expanding our applications into new business areas within the activity and event registration and management market. We cannot assure you that our efforts to expand our business in this manner will succeed. We also cannot assure you that we will develop any new applications required to successfully compete in these new business areas in a cost-effective or timely manner. The lack of market acceptance of such efforts or our inability to generate satisfactory revenue to offset the development costs could harm our business and limit our future prospects.

The sales cycle for certain of our applications can be long, and we may not recognize revenue until completion of the entire sale, which makes it difficult for us to forecast our operating results.

It can take us between three and nine months to complete a sale to an activity or event organizer, and at times it may take up to one year or longer. The period between our initial contact with a potential customer and the completion of a sale may be relatively long due to several factors, including:

many activities and events occur only annually;

our need to educate potential customers about the uses, benefits, safety and reliability of our applications;

activity and event organizers have budget cycles which can affect the timing of purchases; and

some organizers, such as park and recreation department administrators, have lengthy internal approval processes before having the required authority to purchase our applications.

In addition, our customers may demand customization of the applications we provide them. As a result, these sales opportunities may require us to devote greater sales and technical resources, increasing the cost and time required to complete sales. As a result, it is difficult to predict when particular sales will occur or be completed, which adversely impacts our ability to accurately forecast our operating results.

Negative factors affecting the activities and events market have an adverse effect on our business and revenue.

We primarily generate revenue from the registration and reservation fees paid by the participants in the activities and events offered by our organizer customers. As a result, our business is directly affected by factors affecting the activities and events market, including global, national or local consumer trends, adverse weather, security concerns or environmental disasters. Our performance is also subject to economic conditions and their impact on levels of consumer spending, which may remain depressed, or be subject to further deterioration, for the foreseeable future. Some of the factors that have had and may continue to have an adverse impact on discretionary consumer spending include general economic conditions, unemployment, consumer debt, reductions in net worth, disruptions in the residential real estate or mortgage markets, higher taxation, energy prices or interest rates and decreases in consumer confidence and other macroeconomic factors. Because spending for activities is generally considered to be discretionary, declines in consumer spending may have a more negative effect on our business than on those businesses that sell products or services considered to be necessities. Unfavorable changes in the above factors or in other business and economic conditions affecting our activity and event customers and their participants could cause organizers to cancel activities, result in fewer

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participants using our applications to register for activities, lower our profit margins, cause our activity and event customers to terminate their relationship with us or default on their payment obligations to us, any of which would have a material adverse effect on our financial condition and operating results.

If our customers do not renew their agreements for our applications, our business and operating results will suffer.

We currently generate a majority of our revenue from customers who have entered into contracts with us with terms ranging from three to seven years. However, we have a number of customers with contract terms under three years. Our customers are not obligated to renew their contracts with us. Even if our customers perceive our applications to be of value, budgetary, economic or other competitive pressures may prevent some customers from renewing their contracts. If we are not successful in continuing to renew or extend the terms of our contracts with our existing customers, our business and operating results will suffer.

Our ability to grow our business will be impaired if we do not provide high quality customer support in a timely and cost-effective manner.

Our ability to maintain and increase our customer base and the number of participants who use our applications depends significantly on our ability to provide high quality levels of service and support. Complaints or negative publicity about our service or support could severely diminish confidence in or use of our applications. We spend significant time and resources to hire, train and retain our service and support personnel. In addition, we are required to hire temporary employees each year to provide customer service and support during peak registration seasons. These temporary employees require training and education and take time to reach full productivity. If we are not successful in timely hiring, training and retaining our service and support personnel or otherwise fail to provide high quality service and support to organizers and participants, our ability to grow our business will be impaired.

Our ability to improve our operating margins may be limited by the requirements imposed by our government agency customers.

We acquired the state hunting and fishing business of Automated License System and Central Trust Bank in October 2008 and the campground registration business of ReserveAmerica in January 2009. We currently operate registration services for fishing and hunting licenses in 23 states, and provide registration and management services for campgrounds located in 32 states in the U.S. Our government agency customers often require us to customize our applications and provide additional services to their participants to qualify for these contracts. For example, we are typically required to maintain call centers for these customers to allow participants to register telephonically and receive telephonic customer service and support. We continue to focus on ways to encourage participants to use the self-service features available through our websites, however, each year we are required to hire temporary employees and independent contractors to staff our call centers during peak registration periods. A number of our state customers require us to maintain a physical call center located in their particular state. Additionally, our state customers typically require us to provide third-party audits of our operations. These additional requirements are costly to comply with and add to the complexity of our business. If we are unable to properly manage and control the cost of the additional services required by our government agency customers, our operating margins will suffer and our business and results would be harmed.

We may be unsuccessful in expanding our operations outside of North America, which could negatively impact our growth strategy, revenue and future growth.

Our headquarters are located in the United States. To date, we have operated primarily in North America, and we have limited operations internationally. Expansion outside of North America is an important aspect of our future growth strategy. Our ability to expand outside of North America involves various risks and difficulties, including:

incurring significant expenses in advance of generating material revenue as we attempt to establish our presence in international markets;

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operating in unfamiliar competitive environments;

distraction of management and company resources;

different participant preferences and participation patterns than those in North America;

varied, unfamiliar and unclear legal and regulatory requirements and restrictions;

potentially greater susceptibility to fraud and security breaches;

pricing controls, legal, political or systemic restrictions on the ability of U.S. companies to compete with foreign competitors or otherwise do business in foreign countries;

less extensive adoption of the Internet as a commerce medium or information source and increased restrictions on privacy or the use of customer and participant data;

lack of infrastructure to adequately conduct electronic commerce transactions and data storage and management;

difficulties in staffing and managing foreign operations;

greater difficulty in accounts receivable collection;

currency fluctuations or other restrictions on foreign currency; and

potential adverse tax consequences.

As a result of these obstacles, we may find it difficult to expand outside of North America or we may be unsuccessful in our attempt to do so, which would negatively impact our growth strategy, revenue and future growth.

We may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our websites are accessible with little or no perceptible load times.

A key element in our continued growth is the ability of organizers and participants to access our websites at all times with little or no perceptible load times. This has become increasingly difficult to achieve as our applications have become more complex and our user traffic has increased. Strains on the capacity of our technology infrastructure caused by growth in the numbers of organizers and participants accessing our websites, new applications and features and overall engagement on our websites, especially at the opening of the registration period for a popular activity, have in the past resulted, and may in the future result in, slower load times or system failures. We have experienced website disruptions, outages and other performance problems due to a variety of factors, including maintaining multiple legacy systems, infrastructure changes, power failure, telecommunication outages, human or software errors and capacity constraints caused by overwhelming numbers of users accessing our websites simultaneously. If our websites are not available when users attempt to access them or do not function as expected, our customers may select another option to organize and manage their activities and events and participants may select alternative means of researching and registering for activities and events, each of which would negatively impact our business.

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We expect to continue to make significant investments to upgrade our technology and network infrastructure to handle increased usage and to enable the timely and effective release of new applications. These upgrades and expansions are complex and in the past have resulted, and in the future could result, in website outages or inefficiencies or operational failures. To the extent that we do not effectively address infrastructure challenges, upgrade our systems as needed and continually develop our technology and network architecture, our business and operating results may be harmed.

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If Internet search engines methodologies are modified or our search result page rankings decline for other reasons, participant engagement in our websites and online communities could decline.

We depend in part on various Internet search engines to direct a significant amount of traffic to our websites. Our ability to maintain the number of potential participants directed to our websites is not entirely within our control. Our competitors' search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in an attempt to improve search results, which could adversely affect placement of our search result page rankings. If search engine companies revise their search algorithms in ways that are detrimental to new participant growth on our websites or in ways that make it more difficult for organizers or participants to use our websites, or if competitors' SEO efforts are more successful than ours, the overall growth in the numbers of organizers and participants using our websites could slow, participant engagement could decrease, and we could lose existing participants and become less attractive to existing and prospective organizer customers. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of participants directed to our website would harm our business and operating results.

Our ability to establish, maintain and strengthen our brands in the activities and events market is critical to our growth strategy.

Promoting and maintaining our brands is critical to our efforts to attract and retain our organizer customers and to increase the number of participants who use our applications. We also believe brand recognition is critical to allow us to effectively compete against the growing number of Internet sites and relatively low initial barriers to entry in certain of our markets. If we are unable to establish and maintain our brands, including THE ACTIVE NETWORK, ACTIVE, ACTIVE.COM, ACTIVENET, ACTIVEWORKS, REGONLINE and RESERVEAMERICA, as leaders for online registration and management applications in the activities and events market, our business and prospects would be materially and adversely affected.

We may experience difficulty in developing marketing services that are attractive to advertisers and promoters.

The market for marketing services such as ours is relatively new and rapidly evolving. We cannot be certain this market will continue to grow. Our marketing services customers may determine that it is in their best interest to spend their marketing budgets through other forms of promotional or advertising activities. As a result, if we fail to develop compelling marketing services for advertisers and promoters, our ability to sustain and grow our marketing services business would be adversely affected.

If we fail to maintain and grow our user base of participants and the data we gain access to from such participants, potential advertisers may not utilize our marketing services, which may result in reduced revenue.

We use a wide range of data to expand, refine and target our marketing services on behalf of our customers. We gain access to most of this data from participants as they opt-in to receive special offers and other direct marketing opportunities from our marketing services customers and us and the registration process for activities and events using our application services. If we are unable to maintain and grow our user base of participants and the data we gain access to from such participants, potential advertisers may not utilize our marketing services and we may lose significant marketing services revenue.

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We might not be able to attract and retain employees, which could impede our ability to grow and successfully generate our business.

Any failure to attract and retain qualified, experienced employees could adversely affect our ability to grow our business. To execute our continuing growth plans, we need to increase the size and maintain the quality of our staff of direct sales and business development representatives and technology development staff. To be successful, we must attract and retain highly qualified sales and other personnel with specialized skill sets focused on the activities and events industry. Competition for qualified and experienced sales and other personnel can be intense, and we might not be successful in attracting and retaining such individuals. We have from time to time experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining a sufficient number of highly skilled employees with appropriate qualifications for our business.

Our business and prospects could be harmed if we lose members of our senior management team.

Our performance is substantially dependent on the continued services and on the performance of our senior management and other key personnel, particularly David Alberga, our Chairman of the Board and Chief Executive Officer, Matthew Landa, our President and Director, and Scott Mendel, our Chief Financial Officer. Our performance also depends on our ability to retain and motivate other officers and key employees. We do not have long-term employment agreements with the members of our senior management or other our key personnel. In addition, we do not maintain key-man insurance on these individuals. The loss of the services of any member of our senior management or other key employee for any reason would harm our business.

If we cannot maintain our corporate culture as we grow and evolve, we could lose the innovation, creativity and teamwork that this culture has fostered.

We believe that a critical contributor to our success has been our corporate culture, which we believe fosters innovation, creativity and teamwork. Maintaining this corporate culture will become increasingly difficult as we grow and implement the more complex organizational management structures necessary to support our growth and to comply with the requirements imposed on public companies. Failure to maintain and further develop our culture could negatively impact our future success. In addition, our initial public offering could create disparities in wealth among our employees, which could adversely impact relations among employees and our corporate culture in general.

If the protection of our technology platform, domain name, trademarks and other proprietary rights is inadequate, our business would be harmed.

Our commercial success is dependent in part on obtaining, maintaining and enforcing our intellectual property rights. We rely on a combination of trade secret, trademark, copyright, trade dress, domain name and patent laws in the United States and in the other jurisdictions in which we operate, together with confidentiality agreements and technical measures, to protect our intellectual property. We pursue the registration of our trademarks, service marks and domain names in the U.S. Our registered trademarks in the United States include THE ACTIVE NETWORK, ACTIVE, ACTIVE.COM, ACTIVENET, ACTIVEWORKS, REGONLINE and RESERVEAMERICA. As of December 31, 2010, we have been granted two patents by the United States Patent and Trademark Office and have two patent applications pending in the United States. Our patents expire in February 2019 and July 2021, respectively. We rely more heavily on trade secret protection than patents to protect our proprietary technology. To protect our trade secrets, we control access to our proprietary systems and technology and enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with other third parties. In addition, due to the relatively high cost associated with registering all of our copyrights, we generally rely on common-law copyright laws to protect these rights.

The steps we have taken and take in the future to protect our proprietary rights may be inadequate. For example, confidentiality agreements with our employees, licenses, independent contractors and other advisors may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in

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the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, and in such cases, we may not be able to successfully assert trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. If we are unable to obtain, maintain and enforce intellectual property protection covering our technology platform, brands and domain names, others may be able to make, use or sell products that are substantially similar to ours without incurring the sizeable development costs that we have incurred, which would adversely affect our ability to compete.

In addition, the domain names for the websites that we maintain are important to our business. The regulation of domain names in the United States and in foreign countries is unclear and subject to change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we cannot assure you that we will be able to acquire or maintain relevant domain names. The relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is also unclear. As a result, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our domain names, and trademarks and other proprietary rights. Any such inability could have a material adverse effect on our business, results of operations, financial condition and prospects.

Intellectual property claims against us could be costly and could hurt our business, operating results, financial condition and prospects.

We cannot predict whether third parties will assert claims of infringement or other intellectual property claims against us. If we are forced to defend against third party claims, whether they are with or without merit or are determined in our favor, we could face expensive and time consuming litigation, which could distract our technical and management personnel. In the past, we received a notice from a third party alleging that our Internet fundraising program and related website operations infringe patents published by such third party. In the future, we may receive other notices from, or have lawsuits filed against us by, third parties alleging infringement. If an infringement claim is determined against us, we may be required, or deem it advisable, to develop non-infringing intellectual property or enter into costly royalty or licensing agreements. Such royalty or licensing agreements, if required, may be unavailable on terms that are acceptable to us, or at all. If a third party successfully asserts an infringement claim against us and we are required to pay monetary damages or royalties or we are unable to develop suitable non-infringing alternatives or license the infringed or similar intellectual property on reasonable terms and on a timely basis, it could significantly harm our business.

In addition, third parties may seek to invalidate our intellectual property. For example, in May 2010, we filed a lawsuit against Electronic Arts Inc. d/b/a EA Sports, in the U.S. District Court, Southern District of California, alleging that the EA SPORTS Active and EA SPORTS Active More Workouts fitness games and associated website violated our trademark rights. EA Sports filed a counter-claim seeking to invalidate our U.S. trademark registrations for ACTIVE, ACTIVE.COM and THE ACTIVE NETWORK. We filed a preliminary injunction, which was denied in August 2010. The lawsuit is currently in the pre-discovery stage. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of this matter will not have a material adverse effect on our business.

As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal controls over financial reporting. We may not complete our analysis of our internal controls over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We will be 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 for the first

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fiscal year beginning after the effective date of this offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our auditors have issued an attestation report on our management's assessment of our internal controls. We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. We have undertaken significant remediation measures to improve the effectiveness of our internal controls in response to material weaknesses in our internal controls over financial reporting identified by our independent auditors. These measures include strengthening our internal staffing and technical expertise in financial accounting and SEC reporting and developing robust review processes and procedures. We plan to continue to assess our internal controls and procedures and intend to take further action as necessary or appropriate to address any other matters we or our independent auditors identify. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal controls in the future. 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, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline.

Our reserves for state sales taxes may not be sufficient.

Certain states in which we operate impose sales, purchase and use taxes on transactions completed through our applications. At this time, many of our systems do not automatically capture the sales, purchase and use taxes we are required to remit to these states. As a result, we are required to analyze our transactions, and reserve an appropriate amount for the payment of state sales, purchase and use taxes. We regularly review the procedures we use to calculate our sales tax obligations as well as our sales tax reserves, and make adjustments when appropriate. Although we believe that our sales tax reserves are adequate, we may not be fully reserved and it is possible that we may be obligated to pay amounts in excess of our reserves.

We may not be able to realize the tax benefits associated with the net operating losses we have recorded to date.

As of September 30, 2010, we had federal tax net operating loss carry forwards of approximately \$92.5 million which will begin to expire in 2019 and California tax net operating loss carry forwards of approximately \$47.8 million which began to expire in 2010. If we do not maintain sufficient profitability prior to the expiration of these net operating loss carry forwards, then we will not be able to fully use such tax attributes to our benefit. Additional limitations on the annual use of these net operating loss carry forwards may also apply due to subsequent issuances of our stock.

Covenants in our debt agreements may restrict our operations, and if we do not effectively manage our business to comply with these covenants, our financial condition could be adversely affected.

Our debt agreements contain various covenants that limit our ability to, among other things:

incur or assume liens or additional debt or provide guarantees in respect of obligations of other persons;

pay cash dividends or distributions or redeem or repurchase capital stock;

prepay, redeem or repurchase debt;

make loans and investments;

enter into agreements that restrict distributions from our subsidiaries;

sell assets and capital stock of our subsidiaries;

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enter into certain transactions with affiliates; and

consolidate or merge with or into, or sell substantially all of our assets to, another person.

In addition, our loan and security agreement with Square 1 Bank requires us to maintain a specified financial ratio. Our ability to meet this financial covenant can be affected by events beyond our control, and we may be unable to meet this test. In addition, our failure to maintain effective internal controls to measure compliance with this financial covenant could affect our ability to take corrective actions on a timely basis, and could result in our being in breach of this covenant. Our debt agreements provide that our breach or failure to satisfy certain covenants constitute an event of default. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding under one or more of our debt agreements to be immediately due and payable. If we are unable to repay those amounts, our financial condition could be adversely affected.

Our cash, cash equivalents and short-term investments are subject to a risk of loss based upon the solvency of the financial institutions in which they are maintained.

We maintain the majority of our cash and cash equivalents in accounts with major financial institutions within the United States, in the form of demand deposits and money market accounts. Our deposits in these institutions may generally exceed the amounts of insurance provided, or deposits may not at all be covered by insurance. If any of these institutions become insolvent, it could substantially harm our financial condition and we may lose some, or all, of such deposits.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly change our reported or expected financial results.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to, revenue recognition, allowances for doubtful accounts, software development costs, stock-based compensation, business combinations, impairment of goodwill, intangible assets and long-lived assets, and accounting for income taxes are highly complex and involve many subjective assumptions, estimates and judgments by our management. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance.

We are currently in the process of transitioning certain of our customers who are using the legacy systems we inherited in our acquisitions to ActiveWorks. Until we complete this transition, we may not be able to compare our key business metrics on a period-to-period basis in a manner consistent with the rest of our business, and as a result, our ability to manage our business could be adversely affected.

We manage our business based in part on key business metrics regarding the total number of customer organizations we serve and the total number of registrations we process during a specific financial period. We are currently in the process of transitioning our customers who are currently using the legacy systems we inherited in our acquisitions to ActiveWorks. Until we complete this transition, participants for certain activities and events will continue registering through these legacy systems. Certain of these legacy systems do not track customers and registrations in a manner consistent with the rest of our business. As a result, we need to use manual processes to accumulate these metrics, which could lead to errors. If we are unable to accurately compare our key business metrics on a period-to-period basis, our ability to manage our business could be adversely affected.

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If the estimates and assumptions we use to determine the size of our target market, customer groups or the verticals within customer groups are inaccurate, our future growth rate may be limited and our business would be harmed.

We calculate the size of our target market, customers groups and verticals within customer groups, based on data published by third parties and on assumptions that we have made based on that data. We have not independently verified any third-party information and cannot assure you of its accuracy or completeness. While we believe our market size information is generally reliable, such information is inherently imprecise. In addition, our projections, assumptions and estimates of future opportunities within our target market are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in this risk factors section. If third-party data proves to be inaccurate or we make errors in our assumptions based on that data, our future growth rate may be limited. In addition, these inaccuracies or errors may cause us to misallocate capital and other business resources, which would harm our business.

Risks Relating To This Offering

Our stock price may be volatile and you may lose all or a part of your investment.

The market price of our common stock may be subject to significant fluctuations after our initial public offering. Factors that could affect our stock price include the following:

fluctuations in our operating results or the operating results of our competitors;

changes in estimates of our financial results or recommendations by securities analysts;

changes in the estimates of the future size and growth rate of our markets;

changes in accounting principles or changes in interpretations of existing principles, which could affect our financial results;

conditions and trends in the markets we serve;

changes in general economic, industry and market conditions;

success of competitive applications and services;

changes in market valuations or earnings of our competitors;

changes in our pricing policies or the pricing policies of our competitors;

announcements of significant new applications, contracts, acquisitions or strategic alliances by us or our competitors;

changes in legislation or regulatory policies, practices or actions;

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the commencement or outcome of litigation involving our company, our general industry or both;

recruitment or departure of key personnel;

changes in our capital structure, such as future issuances of securities or the incurrence of debt;

actual or expected sales of our common stock by the holders of our common stock; and

the trading volume of our common stock.

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In addition, the U.S. and worldwide stock markets in general have experienced significant price and trading volume fluctuations, and the market prices of technology and Internet companies have generally been extremely volatile and have experienced sharp share price and trading volume changes. These broad market fluctuations may adversely affect the trading price of our common stock. You may not receive a positive return on your investment when you sell your shares and may lose the entire amount of your investment.

There has been no prior public market for our common stock, and an active trading market may not develop.

Prior to this offering, there has been no public market for our common stock. The initial public offering price for the shares of our common stock sold in this offering will be determined by negotiation between the representatives of the underwriters and us. This price may not reflect the market price of our common stock following this offering. An active trading market may not develop following completion of this offering or, if it is developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. We cannot assure you that the market price will equal or exceed the initial public offering price. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses, applications or technologies using our shares as consideration.

Our management has broad discretion as to the use of the net proceeds from this offering.

Our management has broad discretion as to the use of the net proceeds that we will receive from this offering. We cannot assure you that our management will apply these funds effectively, nor can we assure you that the net proceeds from this offering will be invested in a manner yielding a favorable return.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the securities exchange on which we will trade and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

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We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors, particularly to serve on our audit committee and compensation committee.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We currently intend to invest our future earnings, if any, to fund the development and growth of our business. The payment of dividends will be at the discretion of our Board of Directors and will depend on our results of operations, capital requirements, financial condition, future prospects, restrictions imposed by applicable law, any limitations on payments of dividends present in any debt agreements we may enter into and other factors our Board of Directors may deem relevant. If we do not pay dividends, your ability to achieve a return on your investment in our company will depend on any future appreciation in the market price of our common stock. There is no guarantee that our common stock will appreciate in value or even maintain the price at which our holders have purchased their common stock.

New investors in our common stock will experience immediate and substantial dilution of approximately \$ per share.

The initial public offering price will be substantially higher than the book value per share of our common stock. Investors purchasing common stock in this offering will, therefore, incur immediate dilution of \$ in net tangible book value per share of common stock, based on an assumed initial offering price of \$ per share. This dilution figure deducts the estimated \$ million in underwriting discounts and estimated offering expenses payable by us from our public offering proceeds. Investors will incur additional dilution upon the exercise of outstanding stock options and warrants.

Our directors, executive officers and significant stockholders will continue to hold a substantial portion of our stock after this offering, which may lead to conflicts of interest with other stockholders over corporate transactions and other corporate matters.

Following the completion of this offering, our directors, executive officers and current beneficial holders of 10% or more of our outstanding common stock will beneficially own approximately % of our outstanding common stock, including warrants and stock options exercisable within 60 days after September 30, 2010. These stockholders, acting together, will be able to influence significantly all matters requiring stockholder approval, including the election of directors and significant corporate transactions such as mergers or other business combinations. This control may delay, deter or prevent a third party from acquiring or merging with us, which could adversely affect the market price of our common stock.

There may be sales of substantial amounts of our common stock after this offering, which could cause our stock price to fall.

Our current stockholders hold a substantial number of shares, which they will be able to sell in the public market in the near future. Upon the closing of this offering, shares of common stock will be outstanding, assuming conversion of our preferred stock into shares of common stock, exercise on a cash basis of

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outstanding warrants that otherwise expire upon the effectiveness of this offering, no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants after September 30, 2010. All of the shares sold in this offering will be freely tradable, except for shares purchased by any of our existing affiliates, as that term is defined in Rule 144 promulgated under the Securities Act, which generally includes officers, directors and 10% or greater stockholders. A significant portion of the shares of our common stock outstanding after this offering will continue to be restricted as a result of securities laws, market stand-off agreements with us or lock-up agreements with our underwriters. The market stand-off and lock-up agreements restrict holders' ability to transfer their stock for 180 days after the effective date of the registration statement of which this prospectus forms a part. Of the outstanding shares, _____ will be available for sale in the public market on the date of this offering, an additional _____ shares will be available for sale in the public market 90 days after the date that the registration statement of which this prospectus forms a part is declared effective and the remaining _____ shares will be available for sale in the public market at various times beginning 180 days after the date of this prospectus, in each case subject to the requirements of Rule 144. Our underwriters may, however, waive the lock-up period at any time for any stockholder. In considering any request to release shares subject to a lock-up agreement, our underwriters will consider the possible impact of the release of the shares on the trading price of the stock sold in the offering. Our underwriters do not have any present intention or any understandings, implicit or explicit, to release any of the shares subject to the lock-up agreements prior to the expiration of these lock-up periods. Sales of a substantial number of shares of our common stock within a short period of time after this offering, or after the expiration of applicable lock-up periods, could cause our stock price to fall. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional stock.

Our future capital needs are uncertain, and we may need to raise additional funds in the future, which may not be available on acceptable terms or at all.

Our capital requirements will depend on many factors, including:

acceptance of, and demand for, our applications;

the costs of developing new applications or technology;

the timing of transitioning our customers to ActiveWorks;

the number and timing of acquisitions and other strategic transactions; and

the costs associated with the growth of our business.

The proceeds from this offering together with our existing sources of cash and cash flows may not be sufficient to fund all of our activities. As a result, we may need to raise additional funds, and such funds may not be available on reasonable terms, or at all. Furthermore, if we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization. If we cannot raise funds on acceptable terms, we may not be able to develop or enhance our applications, execute our business plan, take advantage of future opportunities or respond to competitive pressures or unanticipated customer requirements.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current directors and management team and limit the market price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. These provisions include:

dividing our board into three classes, with each class serving a staggered three-year term;

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prohibiting our stockholders from calling a special meeting of stockholders or acting by written consent;

permitting our board to issue additional shares of our preferred stock, with such rights, preferences and privileges as they may designate, including the right to approve an acquisition or other changes in control;

establishing an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;

providing that our directors may be removed only for cause;

providing that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and

requiring the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation.

Although we believe these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board, they would apply even if the offer may be considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management team by making it more difficult for stockholders to replace members of our board, which is responsible for appointing the members of our management.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements concerning our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as aim, anticipate, assume, believe, could, due, estimate, expect, goal, intend, may, objective, plan, predict, potential, positioned, s, other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this prospectus may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described under Risk Factors, including:

our history of significant operating losses;

our limited operating history, and new and unproven business model;

our ability to accurately forecast revenue and appropriately plan our expenses;

our ability to maintain an adequate rate of growth;

our ability to effectively manage our growth;

our ability to successfully manage our acquisitions and investments in businesses, applications and technologies;

our ability to compete successfully against current or future competitors;

our ability to successfully transition certain of our existing customers to ActiveWorks;

our ability to process, store and use personal data in a safe and secure manner;

our ability to comply with data privacy and use laws;

our ability to maintain our relationships with credit card payment processors and associations;

our ability to limit interruptions in service and damage to our technology systems;

our ability to attract and retain qualified employees and key personnel;

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our ability to successfully enter new markets and manage our international expansion;

our ability to continue to enhance and improve the functionality and features of our ActiveWorks technology platform;

our ability to react to the impact of worldwide economic conditions, including the resulting effect on organizers and participants;

our ability to protect our intellectual property, including our proprietary ActiveWorks technology platform;

our ability to comply with changes in government regulation affecting our business; and

other risk factors included under **Risk Factors** in this prospectus.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as of the date of this prospectus. Unless required by law, we do not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission, or SEC, after the date of this prospectus. See **Where You Can Find More Information**.

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MARKET, INDUSTRY AND OTHER DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our applications and solutions. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified any third-party information and cannot assure you of its accuracy or completeness. While we believe the market position, market opportunity and market size information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, information relating to the number of our customers and event registrations and projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors and elsewhere in this prospectus. These and other factors could cause our results to differ materially from those expressed in the estimates made by third parties and by us.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale by us of _____ shares of common stock in this offering will be approximately \$ _____ million, based on an assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and estimated offering expenses payable by us, or \$ _____ million if the underwriters over-allotment option is exercised in full. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share would increase (decrease) the net proceeds to us from this offering by approximately \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We plan to use our net proceeds from this offering to repay outstanding debt under our term loan facilities with various lenders and under our revolving credit facility. As of September 30, 2010, we had \$43.3 million outstanding under our various debt facilities. We intend to use the remaining net proceeds for funding potential acquisitions and for general corporate purposes, including financing our growth, developing additional application services functionality and features, acquiring new customers and funding capital expenditures. We have no commitments with respect to any future acquisitions. Other than the repayment of our debt facilities, we have not yet identified the amounts we plan to spend on each of these areas or the timing of the expenditures. Accordingly, our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management regarding the application of the proceeds in this offering. The amounts that we actually spend for the purposes described above may vary significantly and will depend, in part, on the timing and amount of our future revenue, our future expenses and any future acquisitions that we may propose. Pending these uses, we plan to invest the net proceeds of this offering in short-term, interest bearing, investment-grade securities. We cannot predict whether the proceeds will yield a favorable return.

The principal purposes of this offering are to create a public market for our common stock, to facilitate our future access to the public equity markets and to obtain additional capital.

DIVIDEND POLICY

We have never declared or paid any cash dividends on shares of our common stock. We currently intend to retain our earnings, if any, and cash to fund working capital and for general corporate purposes and, therefore, do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our financial condition, results of operations and capital requirements.

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The following table sets forth our capitalization at September 30, 2010 on:

an actual basis;

a pro forma basis after giving effect to (i) the automatic conversion of all shares of our outstanding preferred stock into 34,635,878 shares of common stock as if such conversion were completed on September 30, 2010 and (ii) the exercise on a cash basis of outstanding warrants to purchase an aggregate of 513,901 shares of common stock at a weighted average exercise price of \$4.32, which will automatically be exercised or cancelled pursuant to their terms upon completion of the offering; and

a pro forma as adjusted basis to reflect (i) the automatic conversion of all shares of our outstanding preferred stock into 34,635,878 shares of common stock as if such conversion were completed on September 30, 2010, (ii) the exercise on a cash basis of outstanding warrants to purchase an aggregate of 513,901 shares of common stock at a weighted average exercise price of \$4.32, which will automatically be exercised or cancelled pursuant to their terms upon completion of the offering and (iii) the receipt of the estimated net proceeds from the sale by us of shares of common stock in this offering at the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting \$ million in underwriting discounts and \$ million in estimated offering expenses payable by us.

This table should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of September 30, 2010		Pro Forma As Adjusted ⁽¹⁾
	Actual	Pro Forma	
	(In thousands, except share data)		
Debt, including current portion	\$ 43,334	\$ 43,334	
Capital lease obligations, including current portion	3,799	3,799	
Convertible preferred stock, \$0.001 par value: 146,856,382 shares authorized, 131,372,448 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	21,187		
Redeemable convertible preferred stock, \$0.001 par value: 73,248,872 shares authorized and 71,754,607 issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	363,850		
Stockholders' equity (deficit):			
Preferred stock, \$0.001 par value: no shares authorized, issued and outstanding, actual and pro forma; 100,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted			
Common stock, \$0.001 par value: 65,000,000 shares authorized, actual and pro forma; 7,704,748 shares issued and outstanding actual and 42,854,527 shares issued and outstanding pro forma; 1,000,000,000 shares authorized, pro forma adjusted, shares issued and outstanding, pro forma as adjusted	9	43	
Treasury stock	(11,959)	(11,959)	
Additional paid-in capital	63,099	450,321	
Accumulated other comprehensive (loss) income	7,443	7,443	
Accumulated deficit	(231,700)	(231,700)	
Total stockholders' equity (deficit)	(173,108)	214,148	
Total capitalization	\$ 259,062	\$ 261,281	\$

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- (1) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share would increase (decrease) the net proceeds to us from this offering by approximately \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Outstanding shares of our common stock reflected in the discussion and table above is based on 42,854,527 shares outstanding (assuming conversion of our preferred stock and exercise of 513,901 warrants outstanding) as of September 30, 2010, and excludes, as of September 30, 2010:

1,775,640 shares of common stock included in treasury stock;

11,386,162 shares of our common stock subject to outstanding options at a weighted average exercise price of \$2.13, of which 3,390,844 represent shares of our common stock subject to vesting requirements;

322,827 shares of our common stock available for future grants or issuance under our 2002 Plan;

_____ shares of our common stock available for future grant or issuance under our 2011 ESPP, which will become effective upon the completion of this offering, and the annual increases in the number of shares authorized under this plan beginning January 1, 2012;

_____ shares of common stock which will be available for future grant or issuance under our 2011 Plan, which will become effective upon the completion of this offering, and the annual increases in the number of shares authorized under this plan beginning January 1, 2012;

275,136 shares of our common stock issuable upon the conversion of outstanding principal and interest under our convertible promissory notes as of September 30, 2010, with a weighted average conversion price of \$16.00 per share; and

8,050 shares of our common stock issuable upon exercise of outstanding warrants with a weighted average exercise price of \$60.55, which will terminate 90 days following the completion of this offering.

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DILUTION

If you invest in our common stock in this offering, your ownership interest in us will be diluted to the extent of the difference between the initial public offering price per share and the net tangible book value per share after this offering. Our net tangible book value (deficit) at September 30, 2010, was approximately \$39,350 million. Net tangible book value represents the amount of our total assets, less our goodwill and other intangible assets, less our total liabilities. Our pro forma net tangible book value per share at September 30, 2010 was approximately \$35,319 million, or \$0.82 per share of our common stock after giving effect to (i) the automatic conversion of all shares of our outstanding preferred stock into 34,635,878 shares of common stock upon completion of this offering and (ii) the exercise of outstanding warrants to purchase an aggregate of 513,901 shares of common stock at a weighted average exercise price of \$4.32, which will automatically be exercised or cancelled pursuant to their terms upon completion of the offering.

After giving effect to the sale by us of _____ shares of our common stock in this offering at the assumed initial public offering price of \$ _____ per share, the mid-point of the estimated price range set forth on the cover of this prospectus, after deducting underwriting discounts and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at September 30, 2010, would have been approximately \$ _____ per share. This represents an immediate increase in net tangible book value of \$ _____ per share to existing stockholders and an immediate dilution of approximately \$ _____ per share to new investors purchasing shares of our common stock in this offering.

The following table illustrates the per share dilution to the new investors:

Assumed initial public offering price per share	\$
Pro forma increase in net tangible book value (deficit) per share attributable to pro forma transaction described in the first preceding paragraph	
Pro forma net tangible book value per share as of September 30, 2010 before giving effect to this offer	\$ (0.82)
Increase in pro forma net tangible book value per share attributable to new investors purchasing shares in this offering.	
Pro forma as adjusted net tangible book value per share after offering	
Dilution per share to new investors in this offering	\$

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share would increase (decrease) the amount of cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Dilution is determined by subtracting the pro forma as adjusted net tangible book value per share of common stock after this offering from the assumed initial public offering price per share. If the underwriters exercise their over-allotment option in full, there will be an increase in pro forma as adjusted net tangible book value to \$ _____ per share to existing stockholders and an immediate dilution in as adjusted net tangible book value of \$ _____ to new investors.

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The following table compares the assumed initial public offering price of the shares of common stock to the cost to our existing stockholders of shares of common stock that they acquired within the past five years, or which they have the right to acquire upon conversion of preferred stock or exercise of warrants or outstanding stock options. As the table shows, new investors purchasing shares in this offering (based on an assumed initial public offering price of \$ _____ per share, which is the midpoint of the range reflected on the cover page of this prospectus) will pay an average price per share that is substantially higher than our existing stockholders paid.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
(In thousands, except share and per share data)					
Existing stockholders		%	\$		%
New investors					\$
Total		%	\$		%

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share would increase (decrease) the amount of cash and cash equivalents, working capital, total assets and total stockholders' equity by approximately \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Outstanding shares of our common stock reflected in the discussion and table above is based on 42,854,527 shares outstanding (assuming conversion of our preferred stock and exercise of 513,901 warrants outstanding) as of September 30, 2010, and excludes, as of September 30, 2010:

1,775,640 shares of common stock included in treasury stock;

11,386,162 shares of our common stock subject to outstanding options at a weighted average exercise price of \$2.13, of which 3,390,844 represent shares of our common stock subject to vesting requirements;

322,827 shares of our common stock available for future grants or issuance under our 2002 Plan;

_____ shares of our common stock available for future grant or issuance under our 2011 ESPP, which will become effective upon the completion of this offering, and the annual increases in the number of shares authorized under this plan beginning January 1, 2012;

_____ shares of common stock which will be available for future grant or issuance under our 2011 Plan, which will become effective upon the completion of this offering, and the annual increases in the number of shares authorized under this plan beginning January 1, 2012;

275,136 shares of our common stock issuable upon the conversion of outstanding principal and interest under our convertible promissory notes as of September 30, 2010, with a weighted average conversion price of \$16.00 per share; and

8,050 shares of our common stock issuable upon exercise of outstanding warrants with a weighted average exercise price of \$60.55, which will terminate 90 days following the completion of this offering.

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Sales by the selling stockholders in this offering will cause the number of shares held by existing stockholders to be reduced to _____ shares, or _____ % of the total number of shares of our common stock outstanding after this offering, and will increase the number of shares held by new investors to _____ shares, or _____ % of the total number of shares of our common stock outstanding after this offering. In addition, if the

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underwriters' over-allotment option is exercised in full, the number of shares held by the existing stockholders after this offering would be reduced to % of the total number of shares of our common stock outstanding after this offering, and the number of shares held by new investors would increase to shares, or % of the total number of shares of our common stock outstanding after this offering.

To the extent that any outstanding options are exercised, new options are issued under our stock-based compensation plans or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering. If all outstanding options under our 2002 Plan as of September 30, 2010 were exercised, then our existing stockholders, including the holders of these options, would own % and our new investors would own % of the total number of shares of our common stock outstanding upon the completion of this offering. In such event, the total consideration paid by our existing stockholders, including the holders of these options, would be approximately \$ million, or %, the total consideration paid by our new investors would be \$ million, or %, the average price per share paid by our existing stockholders would be \$ and the average price per share paid by our new investors would be \$.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA**

You should read the following selected consolidated financial data in conjunction with our consolidated financial statements, the notes to the consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The selected consolidated financial data included in this section are not intended to replace the consolidated financial statements and the related notes included elsewhere in this prospectus.

The table below shows selected consolidated financial data. The consolidated statements of operations data for the years ended December 31, 2007, 2008 and 2009 and the consolidated balance sheet data at December 31, 2008 and 2009 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the years ended December 31, 2005 and 2006 and the consolidated balance sheet data at December 31, 2005, 2006 and 2007 are derived from our audited consolidated financial statements not included in this prospectus. The consolidated statements of operations data for the nine months ended September 30, 2008 and 2009, and the consolidated balance sheet data as of September 30, 2009, are derived from our unaudited financial statements included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of financial results to be achieved in future periods, and the results for the first nine months of the year ended December 31, 2010 are not necessarily indicative of results to be expected for the full year or for any other period.

	Years Ended December 31,					Nine Months Ended September 30, (Unaudited)	
	2005	2006	2007	2008	2009	2009	2010
	(In thousands, except per share amounts)						
Net revenue:							
Technology revenue	\$ 33,985	\$ 44,545	\$ 78,542	\$ 145,789	\$ 210,483	\$ 166,787	\$ 188,504
Marketing services revenue	10,168	18,151	23,335	27,407	32,401	21,725	29,473
Total net revenue	44,153	62,696	101,877	173,196	242,884	188,512	217,977
Cost of net revenue	15,304	19,936	41,081	79,681	107,188	82,362	93,244
Gross profit	28,849	42,760	60,796	93,515	135,696	106,150	124,733
Total operating expenses	32,374	51,996	83,822	137,421	167,269	125,298	136,306
Loss from operations	(3,525)	(9,236)	(23,026)	(43,906)	(31,573)	(19,148)	(11,573)
Interest income (expense), net	455	1,187	630	(3,296)	(5,043)	(3,731)	(3,976)
Other (expense) income, net	27	70	234	(268)	1,196	822	141
Loss before taxes	(3,043)	(7,979)	(22,162)	(47,470)	(35,420)	(22,057)	(15,408)
Income tax provision	(470)	329	2,606	1,506	2,439	1,725	2,772
Net loss	(2,573)	(8,308)	(24,768)	(48,976)	(37,859)	(23,782)	(18,180)
Accretion of redeemable convertible preferred stock	(1,668)	(3,050)	(8,532)	(15,639)	(25,774)	(18,967)	(20,828)
Net loss attributable to common stockholders	\$ (4,241)	\$ (11,352)	\$ (33,300)	\$ (64,615)	\$ (63,633)	\$ (42,749)	\$ (39,008)
Net loss per share attributable to common stockholders:							
Basic and diluted	\$ (1.89)	\$ (4.86)	\$ (8.12)	\$ (11.68)	\$ (10.86)	\$ (7.37)	\$ (5.53)
Pro forma ⁽¹⁾					\$ (0.93)		\$ (0.44)
Weighted-average shares used to compute net loss per share:							
Basic and diluted	2,245	2,336	4,103	5,530	5,862	5,797	7,050

Pro forma weighted-average shares used to compute pro forma net loss per share:		
Basic and diluted	40,498	41,686

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	2005	Years Ended December 31, 2006 2007 2008 (Unaudited)			2009	Nine Months Ended September 30, 2009 2010	
Other Financial and Operational Data:							
Adjusted EBITDA ⁽²⁾	\$ 1,126	\$ (3,967)	(1,965)	\$ (2,672)	\$ 15,746	\$ 16,318	\$ 22,256
Organizations	21.6	26.5	35.1	41.5	44.9	38.2	40.5
Registrations	3,774	5,396	12,920	25,074	65,461	51,586	54,859

- (1) Pro forma net loss per share has been calculated assuming the conversion of all outstanding shares of our preferred stock into shares of our common stock prior to the completion of this offering.
- (2) We define Adjusted EBITDA as net loss, plus: provision for income taxes, other income (expense), net, depreciation and amortization, and stock-based compensation. Please see Adjusted EBITDA below for more information and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

	2005	2006	December 31, 2007 2008 (In thousands)		2009	September 30, 2010 (Unaudited)
Consolidated Balance Sheet Data:						
Cash and cash equivalents	\$ 8,424	\$ 35,948	\$ 28,166	\$ 33,395	\$ 26,381	\$ 36,859
Restricted cash		1,062		5,000	5,000	5,000
Property and equipment, net	2,548	3,645	8,208	20,093	26,742	27,965
Software development costs, net			5,092	14,890	27,003	35,726
Working capital	(3,568)	21,272	(2,683)	(17,376)	(38,676)	(55,394)
Total assets	58,722	101,215	241,041	325,936	381,871	402,780
Debt			40,857	54,045	48,727	43,334
Convertible preferred stock	21,187	21,187	21,187	21,187	21,187	21,187
Redeemable convertible preferred stock	22,341	79,440	161,603	269,534	343,021	363,850
Total stockholders' equity (deficit)	12,841	(10,150)	(16,427)	(96,622)	(141,343)	(173,108)
Adjusted EBITDA						

To provide investors with additional information regarding our financial results, we have disclosed in the table above and within this prospectus Adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation below of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this prospectus because we seek to manage our business to an improving level of Adjusted EBITDA as a percentage of revenue, and it is a key basis upon which we assess the performance of our operations and management. We also use Adjusted EBITDA for business planning, evaluation of acquisition opportunities and as a measurement to incentivize and compensate our management. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are:

Adjusted EBITDA does not reflect our cash expenditures for capital equipment or certain other contractual commitments;

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although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may need to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements;

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

Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation to our management team or employees;

Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and

other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP financial results.

The following table presents a reconciliation of Adjusted EBITDA for each of the periods indicated:

	2005	2006	Years Ended December 31, 2007	2008 (Unaudited)	2009	Nine Months Ended September 30, 2009	2010
Reconciliation of Adjusted EBITDA to Net Loss:							
Net loss	\$ (2,573)	\$ (8,308)	\$ (24,768)	\$ (48,976)	\$ (37,859)	\$ (23,782)	\$ (18,180)
Interest expense (income), net	(455)	(1,187)	(630)	3,296	5,043	3,731	3,976
Income tax provision	(470)	329	2,606	1,506	2,439	1,725	2,772
Depreciation and amortization	4,344	4,237	13,088	26,697	36,079	25,668	29,287
Stock-based compensation	307	1,032	7,973	14,537	11,240	9,798	4,542
Other expense (income), net	(27)	(70)	(234)	268	(1,196)	(822)	(141)
Adjusted EBITDA	\$ 1,126	\$ (3,967)	\$ (1,965)	\$ (2,672)	\$ 15,746	\$ 16,318	\$ 22,256

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions, as set forth under Special Note Regarding Forward-Looking Statements. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth in the following discussion and under Risk Factors, Business and elsewhere in this prospectus.

Overview

We are the leading provider of organization-based cloud computing applications. We provide applications that form an online network connecting a fragmented and diverse group of activity and event organizers with a large base of potential participants. Our proprietary technology platform transforms the way organizers manage their activities and events by automating online registrations and streamlining other critical management functions. As more organizers use our platform, more participants engage in our online communities. This allows us to drive increased registrations and our customers' revenue and thus, increase our own revenue. This revenue growth enables us to offer enhanced functionality and services through our platform and our websites, further increasing participant engagement and attracting new organizers.

We power a broad range of activities, such as reserving a campsite or tee time, signing up for a marathon or sports league, purchasing a fishing or hunting license, or participating in a community event or corporate conference. From the introduction of our platform in 1999, we have experienced significant growth. During the 12 months ended December 31, 2010, we had over 47,000 customer organizations, which drove over 70 million annual consumer registrations.

We serve a wide range of customers, including community and sports organizations, large corporations, small and medium-sized businesses, educational institutions, government agencies, non-profit organizations and other similar entities. We primarily generate revenue by providing our customers with activity and event management applications through our cloud computing applications. We receive a technology fee for participants who register for our customers' activities via our technology platform. During the nine months ended on September 30, 2010, we generated net revenue of \$218.0 million, as compared to \$188.5 million in the nine months ended on September 30, 2009, an increase of approximately 16%.

Business Model

Technology Revenue. Our technology revenue was 87% of our total revenue for the year ended December 31, 2009 and 86% for the nine months ended September 30, 2010. Our technology fee is a percentage of the total registration amount that is paid by a participant at the time of sign up. We refer to the sum of these technology fees during a given period as net registration revenue, since they are the direct result of participant registrations. Net registration revenue was 83% of our technology revenue for the year ended December 31, 2009 and 84% for the nine months ended September 30, 2010.

We establish contracts with organizations to provide them with event and group management solutions that enable participants to register for their activity. During the nine months ended September 30, 2010, we processed more than 54 million consumer registrations for over 40,000 organizations. Participants typically use a credit card to register for an activity either online or offline, and in the case of some of our large contracts, by using a call center. Upon registration, the consumer is charged for the total event registration fee, including the technology fee, and the funds are remitted to bank accounts that we control. We record revenue for our

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technology fee and the remaining funds are remitted to the organizer. The organizer has the option of absorbing our technology fee and presenting a total event registration fee to the participant, or adding the technology fee as a separate line item in the event registration fee. Pricing for our cloud offerings is based on a portion of the total dollars processed for a registration and typically has a fixed and variable component. A number of our offerings also include a fee for setup, support or hosting. Our technology platform serves the entire spectrum of organizations, from large to small. Our standard contract for our registration customers is three years.

Licensed software, maintenance, hosting and implementation revenue was 17% of our technology revenue for the year ended December 31, 2009, and 16% for the nine months ended September 30, 2010. In previous acquisitions, we acquired licensed software products which includes licensed software, maintenance and services. As the market has become more receptive, we have begun transitioning these customers to our solutions. We anticipate that our licensed software, maintenance and services revenue will continue to decline as a percentage of our overall business. In the future, we anticipate sales in our technology segment will be primarily driven by technology fees from our cloud offerings.

Marketing Services Revenue. Our marketing services revenue was 13% of our total revenue for the year ended December 31, 2009, and 14% for the nine months ended September 30, 2010. The marketing services segment works to provide the organizations within our technology segment and their participants with marketing solutions, online communities, membership programs and hosted websites. We group these sales as online services, field marketing and commerce. Online services include online advertising, email marketing and targeted newsletter promotions. We provide field marketing services including event promotions and sponsorships. Our commerce revenue consists of membership programs, training programs and websites. Contracts within our marketing services segment vary in length but are generally less than one year. We obtain customers through direct sales, inside sales and self-setup.

Research and Development Expense. Our research and development expenses are primarily the costs for employees engaged in the development and ongoing maintenance of our offerings and services. Primarily as a result of our acquisitions, we currently maintain numerous solutions that allow us to service customers of various types and sizes. In 2007, we began to develop ActiveWorks while continuing to maintain our existing products. As a result, we have incurred an increase in our research and development expense as well as capitalized software. We review spending on our research and development projects monthly and group the expenses in categories attributable to surviving products, end-of-life products and capitalized software. We expect that as development work is completed on our surviving products we will see a reduction in the research and development expenses attributable to our end-of-life products as well as the related spending associated with capitalized software for new products. For the nine months ended September 30, 2010, approximately 65% of our research and development expenses were related to surviving products and 35% of research and development expenses were related to end-of-life products. For the nine months ended September 30, 2010, we capitalized \$12.2 million of software development.

Key Factors that Affect Our Business

Macroeconomic Environment. We experienced a slowdown in our business starting in the second half of 2008 due to the global economic downturn. We believe the decline in business and consumer spending coupled with government budget cuts drove a reduction in our organic growth rate. We reacted to this slowdown in early 2009 by reducing our sales headcount which affected our customer acquisition growth rate.

Acquisitions. As a part of our ongoing growth strategy, we have completed a number of acquisitions since 2007. Our growth in 2007 and 2008 was significantly affected by these acquisitions. Between February 2009 and September 2010, there were no acquisitions completed with a purchase price in excess of one million dollars. In general, we pursue acquisitions for several reasons, such as acquiring a key technology or feature set, gaining access to a new customer group or acquiring domain expertise.

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Seasonality. Our total revenue experiences seasonality with the three months ended June 30 and the three months ended September 30 having the highest revenue. This seasonality is mainly due to trends in net registration revenue, as many of our larger customers experience peak business activity during the warmer months of the year.

Key Business Metrics

Organizations. We define an organization as a customer who signs a contract with us to provide registration services for an event or a series of events. We calculate this number by including all organizations that generated at least one technology fee in a given time period. If a reporting period crosses multiple time periods within an annual reporting period, an organization is only counted once regardless of the number of quarters during which technology fees were received.

Net Registration Revenue. We calculate our net registration revenue by summing the technology fees generated by our registrations in a given period.

Registrations. We define a registration as when a participant registers one or more people for an event being held by an organization who is using our technology to register that participant. We determine that a registration has taken place when a participant registers one or more people for an activity or an event being held by one of our customers.

	2007	Years Ended December 31, 2008	2009 (Unaudited) (In thousands)	Nine Months Ended September 30, 2009	2010
Organizations ⁽¹⁾	35.1	41.5	44.9	38.2	40.5
Net registration revenue	\$ 52,117	\$ 102,358	\$ 174,015	\$ 140,270	\$ 158,315
Registrations ⁽¹⁾	12,920	25,074	65,461		