PUBLIC SERVICE ENTERPRISE GROUP INC
Form 10-Q
August 01, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED June 30, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission File Number	Registrants, State of Incorporation, Address, and Telephone Number	I.R.S. Employer Identification No.
001-09120	PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED (A New Jersey Corporation) 80 Park Plaza, P.O. Box 1171 Newark, New Jersey 07101-1171 973 430-7000 http://www.pseg.com	22-2625848
001-34232	PSEG POWER LLC (A Delaware Limited Liability Company) 80 Park Plaza—T25 Newark, New Jersey 07102-4194 973 430-7000 http://www.pseg.com	22-3663480
001-00973	PUBLIC SERVICE ELECTRIC AND GAS COMPANY (A New Jersey Corporation) 80 Park Plaza, P.O. Box 570 Newark, New Jersey 07101-0570 973 430-7000 http://www.pseg.com	22-1212800

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

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes ý No ¨

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

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

Public Service Enterprise Group Incorporated	
PSEG Power LLC	Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company o
Public Service Electric and Gas Company	Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company o

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

As of July 15, 2014, Public Service Enterprise Group Incorporated had outstanding 505,886,756 shares of its sole class of Common Stock, without par value.

As of July 15, 2014, Public Service Electric and Gas Company had issued and outstanding 132,450,344 shares of Common Stock, without nominal or par value, all of which were privately held, beneficially and of record by Public Service Enterprise Group Incorporated.

PSEG Power LLC and Public Service Electric and Gas Company are wholly owned subsidiaries of Public Service Enterprise Group Incorporated and meet the conditions set forth in General Instruction H(1) (a) and (b) of Form 10-Q. Each is filing its Quarterly Report on Form 10-Q with the reduced disclosure format authorized by General Instruction H.

Table of Contents

Table of Contents

FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and

- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Table of Contents

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions, except per share data
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
OPERATING REVENUES	$2,249	$2,310	$5,472	$5,096
OPERATING EXPENSES				
Energy Costs	789	755	2,145	1,910
Operation and Maintenance	800	646	1,656	1,356
Depreciation and Amortization	295	283	601	573
Taxes Other Than Income Taxes	—	14	—	35
Total Operating Expenses	1,884	1,698	4,402	3,874
OPERATING INCOME	365	612	1,070	1,222
Income from Equity Method Investments	3	3	7	5
Other Income	62	52	110	113
Other Deductions	(10)	(13)	(22)	(42)
Other-Than-Temporary Impairments	(2)	(2)	(4)	(4)
Interest Expense	(94)	(101)	(191)	(203)
INCOME BEFORE INCOME TAXES	324	551	970	1,091
Income Tax Expense	(112)	(218)	(372)	(438)
NET INCOME	$212	$333	$598	$653
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (THOUSANDS):				
BASIC	505,875	505,900	505,976	505,921
DILUTED	508,056	507,381	507,949	507,301
NET INCOME PER SHARE:				
BASIC	$0.42	$0.66	$1.18	$1.29
` DILUTED	$0.42	$0.66	$1.18	$1.29
DIVIDENDS PAID PER SHARE OF COMMON STOCK	$0.37	$0.36	$0.74	$0.72

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
NET INCOME	$212	$333	$598	$653
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $(9), $16, $(12) and $(11) for the three and six months ended 2014 and 2013, respectively	11	(16)	13	11
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of $0, $1, $(2) and $3 for the three and six months ended 2014 and 2013, respectively	1	—	3	(4)
Pension/Other Postretirement Benefit Costs (OPEB) adjustment, net of tax (expense) benefit of $(1), $(7), $(3) and $(14) for the three and six months ended 2014 and 2013, respectively	2	9	6	19
Other Comprehensive Income (Loss), net of tax	14	(7)	22	26
COMPREHENSIVE INCOME	$226	$326	$620	$679

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$570	$493
Accounts Receivable, net of allowances of $58 and $56 in 2014 and 2013, respectively	1,294	1,203
Tax Receivable	101	109
Unbilled Revenues	238	300
Fuel	426	545
Materials and Supplies, net	476	479
Prepayments	249	89
Derivative Contracts	73	98
Deferred Income Taxes	104	24
Regulatory Assets	229	243
Other	34	31
Total Current Assets	3,794	3,614
PROPERTY, PLANT AND EQUIPMENT	30,709	29,713
Less: Accumulated Depreciation and Amortization	(8,399)	(8,068)
Net Property, Plant and Equipment	22,310	21,645
NONCURRENT ASSETS		
Regulatory Assets	2,584	2,612
Regulatory Assets of Variable Interest Entities (VIEs)	355	476
Long-Term Investments	1,315	1,313
Nuclear Decommissioning Trust (NDT) Fund	1,777	1,701
Long-Term Receivable of VIE	409	—
Other Special Funds	657	613
Goodwill	16	16
Other Intangibles	90	33
Derivative Contracts	45	163
Restricted Cash of VIEs	24	24
Other	324	312
Total Noncurrent Assets	7,596	7,263
TOTAL ASSETS	$33,700	$32,522

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	June 30, 2014	December 31, 2013
LIABILITIES AND CAPITALIZATION		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$844	$544
Securitization Debt of VIEs Due Within One Year	251	237
Commercial Paper and Loans	—	60
Accounts Payable	1,104	1,222
Derivative Contracts	88	76
Accrued Interest	95	95
Accrued Taxes	93	37
Clean Energy Program	200	142
Obligation to Return Cash Collateral	122	119
Regulatory Liabilities	176	43
Other	490	488
Total Current Liabilities	3,463	3,063
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	7,197	7,107
Regulatory Liabilities	169	233
Regulatory Liabilities of VIEs	11	11
Asset Retirement Obligations	697	677
Other Postretirement Benefit (OPEB) Costs	1,077	1,095
OPEB Costs of Servco	314	—
Accrued Pension Costs	122	121
Accrued Pension Costs of Servco	93	—
Clean Energy Program	27	—
Environmental Costs	381	414
Derivative Contracts	36	31
Long-Term Accrued Taxes	230	180
Other	107	119
Total Noncurrent Liabilities	10,461	9,988
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
CAPITALIZATION		
LONG-TERM DEBT		
Long-Term Debt	7,782	7,587
Securitization Debt of VIEs	134	259
Project Level, Non-Recourse Debt	16	16
Total Long-Term Debt	7,932	7,862
STOCKHOLDERS’ EQUITY		
Common Stock, no par, authorized 1,000,000,000 shares; issued, 2014 and 2013—533,556,660 shares	4,865	4,861
Treasury Stock, at cost, 2014— 27,716,798 shares; 2013— 27,699,398 shares	(630)	(615)
Retained Earnings	7,681	7,457

Accumulated Other Comprehensive Loss	(73)	(95)
Total Common Stockholders' Equity	11,843	11,608
Noncontrolling Interest	1	1
Total Stockholders' Equity	11,844	11,609
Total Capitalization	19,776	19,471
TOTAL LIABILITIES AND CAPITALIZATION	$33,700	$32,522

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Millions
(Unaudited)

	Six Months Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$598	$653
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	601	573
Amortization of Nuclear Fuel	98	95
Provision for Deferred Income Taxes (Other than Leases) and ITC	70	146
Non-Cash Employee Benefit Plan Costs	24	122
Leveraged Lease Income, Adjusted for Rents Received and Deferred Taxes	(44)	(26)
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	297	20
Change in Accrued Storm Costs	(3)	(81)
Net Change in Other Regulatory Assets and Liabilities	192	62
Cost of Removal	(50)	(46)
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(59)	(47)
Net Change in Margin Deposit	(234)	(8)
Net Change in Certain Current Assets and Liabilities	(53)	32
Employee Benefit Plan Funding and Related Payments	(50)	(194)
Other	61	42
Net Cash Provided By (Used In) Operating Activities	1,448	1,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(1,229)	(1,406)
Proceeds from Sales of Capital Leases and Investments	11	42
Proceeds from Sales of Available-for-Sale Securities	584	681
Investments in Available-for-Sale Securities	(599)	(684)
Other	(49)	(12)
Net Cash Provided By (Used In) Investing Activities	(1,282)	(1,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Commercial Paper and Loans	(60)	(106)
Issuance of Long-Term Debt	500	900
Redemption of Long-Term Debt	—	(450)
Redemption of Securitization Debt	(111)	(106)
Cash Dividends Paid on Common Stock	(374)	(364)
Other	(44)	(53)
Net Cash Provided By (Used In) Financing Activities	(89)	(179)
Net Increase (Decrease) in Cash and Cash Equivalents	77	(215)
Cash and Cash Equivalents at Beginning of Period	493	379
Cash and Cash Equivalents at End of Period	$570	$164
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$296	$138
Interest Paid, Net of Amounts Capitalized	$192	$194

Accrued Property, Plant and Equipment Expenditures	$240	$222

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
OPERATING REVENUES	$986	$1,193	$2,686	$2,644
OPERATING EXPENSES				
Energy Costs	520	495	1,564	1,355
Operation and Maintenance	327	280	629	563
Depreciation and Amortization	72	67	144	133
Total Operating Expenses	919	842	2,337	2,051
OPERATING INCOME	67	351	349	593
Income from Equity Method Investments	3	5	7	8
Other Income	46	35	79	82
Other Deductions	(9)	(10)	(19)	(38)
Other-Than-Temporary Impairments	(2)	(2)	(4)	(4)
Interest Expense	(29)	(29)	(61)	(59)
INCOME BEFORE INCOME TAXES	76	350	351	582
Income Tax Expense	(22)	(140)	(133)	(231)
EARNINGS AVAILABLE TO PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED	$54	$210	$218	$351

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Millions
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
NET INCOME	$54	$210	$218	$351
Other Comprehensive Income (Loss), net of tax				
Unrealized Gains (Losses) on Available-for-Sale Securities, net of tax (expense) benefit of $(9), $16, $(11) and $(11) for the three and six months ended 2014 and 2013, respectively	9	(14)	11	13
Unrealized Gains (Losses) on Cash Flow Hedges, net of tax (expense) benefit of $(1), $1, $(2) and $3 for the three and six months ended 2014 and 2013, respectively	2	(1)	3	(5)
Pension/OPEB adjustment, net of tax (expense) benefit of $(1), $(6), $(3) and $(11) for the three and six months ended 2014 and 2013, respectively	2	8	5	17
Other Comprehensive Income (Loss), net of tax	13	(7)	19	25
COMPREHENSIVE INCOME	$67	$203	$237	$376

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$6	$6
Accounts Receivable	408	338
Accounts Receivable—Affiliated Companies, net	102	333
Short-Term Loan to Affiliate	740	790
Fuel	426	545
Materials and Supplies, net	349	362
Derivative Contracts	55	57
Prepayments	13	13
Deferred Income Taxes	78	30
Other	2	2
Total Current Assets	2,179	2,476
PROPERTY, PLANT AND EQUIPMENT	10,458	10,278
Less: Accumulated Depreciation and Amortization	(3,153)	(2,911)
Net Property, Plant and Equipment	7,305	7,367
NONCURRENT ASSETS		
Nuclear Decommissioning Trust (NDT) Fund	1,777	1,701
Long-Term Investments	121	123
Goodwill	16	16
Other Intangibles	90	33
Other Special Funds	154	139
Derivative Contracts	9	72
Other	80	75
Total Noncurrent Assets	2,247	2,159
TOTAL ASSETS	$11,731	$12,002

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents

PSEG POWER LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
Millions
(Unaudited)

	June 30, 2014	December 31, 2013
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	$44	$44
Accounts Payable	461	516
Derivative Contracts	88	76
Accrued Interest	27	28
Other	193	136
Total Current Liabilities	813	800
NONCURRENT LIABILITIES		
Deferred Income Taxes and Investment Tax Credits (ITC)	2,046	2,031
Asset Retirement Obligations	411	400
Other Postretirement Benefit (OPEB) Costs	212	206
Derivative Contracts	36	31
Accrued Pension Costs	35	35
Long-Term Accrued Taxes	88	53
Other	72	91
Total Noncurrent Liabilities	2,900	2,847
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 8)		
LONG-TERM DEBT		
Total Long-Term Debt	2,498	2,497
MEMBER'S EQUITY		
Contributed Capital	2,214	2,214
Basis Adjustment	(986)	(986)
Retained Earnings	4,336	4,693
Accumulated Other Comprehensive Loss	(44)	(63)
Total Member's Equity	5,520	5,858
TOTAL LIABILITIES AND MEMBER'S EQUITY	$11,731	$12,002

See disclosures regarding PSEG Power LLC included in the Notes to Condensed Consolidated Financial Statements.

Table of Contents

PSEG POWER LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Millions
(Unaudited)

	Six Months Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$218	$351
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	144	133
Amortization of Nuclear Fuel	98	95
Provision for Deferred Income Taxes and ITC	(22)	74
Net Realized and Unrealized (Gains) Losses on Energy Contracts and Other Derivatives	297	20
Non-Cash Employee Benefit Plan Costs	7	33
Net Realized (Gains) Losses and (Income) Expense from NDT Fund	(59)	(47)
Net Change in Certain Current Assets and Liabilities:		
Fuel, Materials and Supplies	132	97
Margin Deposit	(234)	(8)
Accounts Receivable	16	24
Accounts Payable	(72)	(91)
Accounts Receivable/Payable—Affiliated Companies, net	229	213
Other Current Assets and Liabilities	13	(8)
Employee Benefit Plan Funding and Related Payments	(3)	(44)
Other	50	24
Net Cash Provided By (Used In) Operating Activities	814	866
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(226)	(248)
Proceeds from Sales of Available-for-Sale Securities	563	625
Investments in Available-for-Sale Securities	(577)	(637)
Short-Term Loan—Affiliated Company, net	50	179
Other	(46)	—
Net Cash Provided By (Used In) Investing Activities	(236)	(81)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of Long-Term Debt	—	(300)
Cash Dividend Paid	(575)	(510)
Contributed Capital	—	24
Other	(3)	(2)
Net Cash Provided By (Used In) Financing Activities	(578)	(788)
Net Increase (Decrease) in Cash and Cash Equivalents	—	(3)
Cash and Cash Equivalents at Beginning of Period	6	7
Cash and Cash Equivalents at End of Period	$6	$4
Supplemental Disclosure of Cash Flow Information:		
Income Taxes Paid (Received)	$47	$60
Interest Paid, Net of Amounts Capitalized	$62	$55

Accrued Property, Plant and Equipment Expenditures	$48	$46

See disclosures regarding PSEG Power LLC included in the Notes to the Condensed Consolidated Financial Statements.

Table of Contents

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Millions
(Unaudited)

	Three Months Ended June 30, 2014		2013		Six Months Ended June 30, 2014		2013	
OPERATING REVENUES	$ 1,435		$ 1,423		$3,580		$3,418	
OPERATING EXPENSES								
Energy Costs	565		580		1,610		1,547	
Operation and Maintenance	362		369		824		796	
Depreciation and Amortization	217		207		444		422	
Taxes Other Than Income Taxes	—		14		—		35	
Total Operating Expenses	1,144		1,170		2,878		2,800	
OPERATING INCOME	291		253		702		618	
Other Income	14		15		28		28	
Other Deductions	(1	)	(1	)	(1	)	(2	)
Interest Expense	(67	0						

Income before income taxes	10	16	11	18
Provision for income taxes	4	6	5	7
Net income	6%	10%	6%	11%

26

Table of Contents

Comparison of the Three Months Ended September 30, 2014 and 2013

The following table presents our results of operations for the periods indicated:

	Three Months Ended September 30, 2014	2013 (in thousands)	$ Change	% Change
Consolidated Statements of Operations Data:				
Revenue	$ 83,730	$ 59,558	$ 24,172	41%
Operating expenses:				
Cost of revenue	33,260	22,936	10,324	45
Sales and marketing	21,122	14,947	6,175	41
Product development	9,870	5,685	4,185	74
General and administrative	10,588	6,076	4,512	74
Total operating expenses	74,840	49,644	25,196	51
Income from operations	8,890	9,914	(1,024)	(10)
Other (expense) income, net	(50)	20	(70)	(350)
Income before income taxes	8,840	9,934	(1,094)	(11)
Provision for income taxes	3,562	3,740	(178)	(5)
Net income	$ 5,278	$ 6,194	$ (916)	(15)%

Revenue

Revenue increased by $24.2 million, or 41%, to $83.7 million in the three months ended September 30, 2014 compared to the same period in 2013. This increase in revenue was primarily attributable to growth in the number of paid downloads and an increase in revenue per download. In the three months ended September 30, 2014 and 2013, respectively, we delivered 31.2 million and 25.4 million paid downloads, and our average revenue per download during these periods increased to $2.65 from $2.35. Paid downloads increased primarily due to the acquisition of new customers. Revenue per download increased primarily due to growth in our On Demand offerings, which capture a higher effective price per image. In the three months ended September 30, 2014 compared to the same period in 2013, revenue from North America increased to 38% from 36% while revenue from Europe decreased to 34% from 35% and revenue from the rest of the world decreased to 28% from 29%.

Cost and Expenses

Cost of Revenue. Cost of revenue increased by $10.3 million, or 45%, to $33.3 million in the three months ended September 30, 2014 compared to the same period in 2013. Royalties increased $6.7 million, or 40%, driven by an increase in the number of downloads from customers. We anticipate royalties growing in line with revenues for the remainder of 2014 and beyond, although royalties as a percentage of revenue may vary somewhat from period to period primarily due to the contributor s achievement level of royalty target thresholds. Credit card charges increased by $0.6 million, or 31%, to $2.7 million as a result of an increased card volume in the three months ended September 30, 2014. We anticipate credit card charges increasing for the remainder of 2014 and beyond as credit card transaction volume increases. Employee-related expenses increased $1.2 million, or 66%, driven by an increase in headcount in customer service, content and website operations to support increased customer volume and a more robust hosting infrastructure. Other costs associated with website hosting, content consulting and allocated depreciation and amortization expense increased by $1.4 million, or 89%, to $3.0 million in the three months ended September 30, 2014 compared to the same period in 2013.

Sales and Marketing. Sales and marketing expenses increased by $6.2 million, or 41%, to $21.1 million in the three months ended September 30, 2014 compared to the same period in 2013. Advertising expenses, the largest component of our sales and marketing expenses, increased by $2.4 million, or 28%, as compared to the same period in 2013 as a result of increased spending on both affiliate and search advertising and new channels in the current period. We anticipate that our global advertising spend will continue to increase in absolute dollars for the remainder of 2014 and beyond, as we further our international expansion. Employee-related expenses, including travel and entertainment, increased by $2.9 million, or 58%, driven by an increase in sales and marketing headcount to support our expansion into new markets and increased sales commissions as a result of growing revenue from our direct sales force.

Product Development. Product development expenses increased by $4.2 million, or 74%, to $9.9 million in the three months ended September 30, 2014 compared to the same period in 2013. Employee-related expenses increased by $3.4 million, or 79%, driven by an increase in headcount in product, engineering and quality assurance to support our increasing number of product development initiatives for our websites, as well as ongoing efforts to improve our search capabilities. Consulting costs and hosting costs increased by $0.4 million, or 85%, primarily due to costs associated with outsourced and internal product development and quality assurance services.

General and Administrative. General and administrative expenses increased by $4.5 million, or 74%, to $10.6 million in the three months ended September 30, 2014 compared to the same period in 2013. Employee-related expenses, excluding non-cash equity based compensation, increased by $0.8 million, or 39%, driven by as increase in headcount in finance, legal, human resources, internal information technology and business intelligence personnel to support the growth in our business and the infrastructure necessary to operate as a public company. Non-cash equity based compensation increased by $2.4 million to $3.4 million primarily due to the equity awards granted to our CEO, as well as increases in equity awards granted as a result of the WebDAM acquisition and equity awards to both new and existing employees.

Income Taxes. Income tax expense decreased by $0.2 million, or 5% to $3.6 million in the three months ended September 30, 2014 compared to the same period in 2013. Our effective tax rates for the three months ended September 30, 2014 and 2013 are 40.3% and 37.7%, respectively. During the three months ended September 30, 2014, we incurred a net discrete tax expense related primarily due to the filing of our 2013 fiscal period tax return offset by a discrete tax benefit due to a change in state tax rates and our state apportionment percentage increasing our effective tax rate by 0.1%. During the three months ended September 30, 2013, we recognized a discrete tax benefit upon filing our final LLC tax return for the 2012 fiscal period and a change in state tax rates and our state apportionment percentage which decreased our effective tax rate by 2.5%. Excluding these discrete items, the effective rate would have been 40.2% and 40.2% during the three months ended September 30, 2014 and 2013, respectively.

Table of Contents

Comparison of the Nine Months Ended September 30, 2014 and 2013

The following table presents our results of operations for the periods indicated:

	Nine Months Ended September 30, 2014	2013 (in thousands)	$ Change	% Change
Consolidated Statements of Operations Data:				
Revenue	$ 236,745	$ 167,484	$ 69,261	41%
Operating expenses:				
Cost of revenue	94,419	64,525	29,894	46
Sales and marketing	60,890	40,240	20,650	51
Product development	26,922	15,300	11,622	76
General and administrative	28,095	16,590	11,505	69
Total operating expenses	210,326	136,655	73,671	54
Income from operations	26,419	30,829	(4,410)	(14)
Other (expense) income, net	(48)	29	(77)	(266)
Income before income taxes	26,371	30,858	(4,487)	(15)
Provision for income taxes	11,315	12,238	(923)	(8)
Net income	$ 15,056	$ 18,620	$ (3,564)	(19)%

Revenue

Revenue increased by $69.3 million, or 41%, to $236.7 million in the nine months ended September 30, 2014 compared to the same period in 2013. This increase in revenue is primarily attributable to growth in the number of paid downloads and an increase in revenue per download. In the nine months ended September 30, 2014 and 2013, respectively, we delivered 92.4 million and 72.1 million paid downloads, and our average revenue per download during these periods increased to $2.54 from $2.32. Paid downloads increased primarily due to the acquisition of new customers. Revenue per download increased primarily due to growth in our On Demand offerings, which capture a higher effective price per image. In the nine months ended September 30, 2014 compared to the same period in 2013, revenue from North America increased to 37% from 36% while revenue from Europe decreased to 35% from 36% while revenue from the rest of the world remained flat at 28%.

Cost and Expenses

Cost of Revenue. Cost of revenue increased by $29.9 million, or 46%, to $94.4 million in the nine months ended September 30, 2014 compared to the same period in 2013. Royalties increased $18.9 million, or 40%, driven by an increase in the number of downloads from customers. We anticipate royalties growing in line with revenues for the remainder of 2014 and beyond, although royalties as a percentage of revenue may vary somewhat from period to period primarily due to the contributor s achievement level of royalty target thresholds. Credit card charges increased by $2.2 million, or 37%, to $8.0 million as a result of an increased card volume in the nine months ended September 30, 2014. We anticipate credit card charges increasing for the remainder of 2014 and beyond as credit card transaction volume increases. Employee-related expenses increased by $3.4 million, or 75%, driven by an increase in headcount in customer service, content and website operations to support increased customer volume and a more robust hosting infrastructure. Other costs associated with website hosting, content consulting and allocation of depreciation and amortization expense increased by $4.0 million, or 89%, to $8.4 million in the nine months ended September 30, 2014 as compared to the same period in 2013.

Sales and Marketing. Sales and marketing expenses increased by $20.7 million, or 51%, to $60.9 million in the nine months ended September 30, 2014 compared to the same period in 2013. Advertising expenses, the largest component of our sales and marketing expenses, increased by $8.8 million, or 36%, as compared to the same period in 2013 as a result of increased spending on affiliate and search advertising and new channels in the current period. We anticipate that our global advertising spend will continue to increase in absolute dollars for the remainder of 2014 and beyond, as we further our international expansion. Employee-related expenses, including travel and entertainment, increased by $9.4 million, or 74%, driven by an increase in sales and marketing headcount to support our expansion into new markets and increased sales commissions as a result of an increase revenue from our direct sales force.

Table of Contents

Product Development. Product development expenses increased by $11.6 million, or 76%, to $26.9 million in the nine months ended September 30, 2014 compared to the same period in 2013. Employee-related expenses increased by $9.2 million, or 81%, driven by an increase in headcount in product, engineering and quality assurance to support our increasing number of product development initiatives for our websites, as well as ongoing efforts to improve our search capabilities. Consulting costs and hosting costs increased by $1.3 million, or 92%, primarily due to costs associated with outsourced and internal product development and quality assurance services.

General and Administrative. General and administrative expenses increased by $11.5 million, or 69%, to $28.1 million in the nine months ended September 30, 2014 compared to the same period in 2013. Employee-related expenses, excluding non-cash equity based compensation, increased by $2.0 million, or 35%, driven by an increase in headcount in finance, legal, human resources, internal information technology and business intelligence personnel to support the growth of our business and the infrastructure necessary to operate as a public company. Non-cash equity based compensation increased by $5.3 million to $7.6 million primarily due to the equity awards granted to our CEO as well as increases in equity awards granted as a result of the WebDAM acquisition and equity awards to both new and existing employees. Professional fees and depreciation expense increased by $2.4 million, or 78%, primarily due to tax and legal fees incurred as the result of our international expansion and increased property and equipment as a result of our new office facilities. Transaction costs increased $0.4 million as a result of the WebDAM acquisition. Costs related to our re-location to our new office facility, including exit, disposal, and moving costs, increased $0.4 million.

Income Taxes. Income tax expense decreased by $0.9 million, or 8%, to $11.3 million in the nine months ended September 30, 2014 compared to the same period in 2013. Our effective tax rates for the nine months ended September 30, 2014 and 2013 are 42.9% and 39.7%, respectively. During the nine months ended September 30, 2014, we incurred a discrete tax expense related primarily to a change in state tax rates and our state apportionment percentage increasing our effective tax rate by 2.3%. During the nine months ended September 30, 2013, we incurred a discrete tax expense primarily to a change in state tax rates and our state apportionment percentage offset by a discrete tax benefit recognized upon filing our final LLC tax return for the 2012 fiscal period. These discrete items decreased our effective tax rate by 0.1% during the nine months ended September 30, 2013. Excluding these discrete items, the effective rate would have been 40.6% and 39.6% during the nine months ended September 30, 2014 and 2013, respectively.

Quarterly Trends

Our operating results may fluctuate from quarter to quarter as a result of a variety of factors, including, but not limited to, the effects of some seasonal trends in customer behavior. For example, we expect usage to decrease during the fourth quarter of each calendar year due to the year-end holiday vacation season, and to increase in the first quarter of each calendar year as many customers return to work. While we believe these seasonal trends have affected and will continue to affect our quarterly results, our trajectory of rapid growth may have overshadowed these effects to date. Additionally, because a significant portion of our revenue is derived from repeat customers who have purchased subscription plans, our revenues tend to be smoother and less volatile than if we had no subscription-based customers.

In addition, expenditures on digital imagery by customers tend to be discretionary in nature, reflecting overall economic conditions, the economic prospects of specific industries, budgeting constraints and buying patterns and a variety of other factors, many of which are outside our control. As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Liquidity and Capital Resources

As of September 30, 2014, we had cash and cash equivalents of $210.8 million, which consists primarily of money market mutual funds and checking accounts. Additionally, we held short-term investments in the amount of $49.7 million all of which mature in 90 days or less. Since inception, we have financed our operations primarily through cash flow generated from operations. Historically, our principal uses of cash have been funding our operations, capital expenditures, business acquisitions, and distributions to members.

Our initial public offering in 2012 and subsequent follow-on offering in 2013 raised approximately $147.7 million. We plan to finance our operations and capital expenses largely through our operations. Since our results of operations are sensitive to the level of competition we face, increased competition could adversely affect our liquidity and capital resources, by reducing both our revenues and our net income, as a result of reduced sales, reduced prices and increased promotional activities, among other factors, as well as by requiring us to spend more money on advertising and marketing in an effort to maintain or increase market share in the face of such competition. In addition, the advertising and marketing expenses used to maintain market share and support future revenues will be funded from current capital resources or from borrowings or equity financings. As a result, our ability to grow our business relying largely on funds from our operations is sensitive to competitive pressures and other risks relating to our liquidity or capital resources.

We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any future determination relating to our dividend policy will be made at the discretion of our board of directors, based on our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Table of Contents

Sources and Uses of Funds

We believe, based on our current operating plan, that our cash and cash equivalents, and cash from operations, will be sufficient to meet our anticipated cash needs for at least the next 12 months. Consistent with previous periods, we expect that future capital expenditures will primarily relate to acquiring additional servers and network connectivity hardware and software, leasehold improvements and furniture and fixtures related to office expansion and relocation and general corporate infrastructure. We anticipate capital expenditures of approximately $4 million for the remainder of 2014. See Note 9 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding capital expenditures for the nine months ended September 30, 2014 and 2013.

Cash Flows

Operating Activities

Our primary source of cash from operating activities is cash collections from our customers. The majority of our revenues are generated from credit card transactions and are typically settled within one to five business days. Our primary uses of cash for operating activities are for settlement of accounts payable to contributors, vendors and employee-related expenditures.

In the nine months ended September 30, 2014, net cash provided by operating activities was $59.5 million including net income of $15.1 million and non-cash equity-based compensation of $15.7 million. Cash inflows from changes in operating assets and liabilities included an increase in deferred revenue of $18.7 million, primarily related to an increase in purchases for both subscription and On Demand products. Accounts payable and other operating liabilities increased by $8.0 million as trade payables grew in volume and payroll costs increased due to headcount expansion. Contributor royalties payable increased by $3.1 million due to increasing royalty expenses as the result of increased customer download activity.

Investing Activities

Cash used in investing activities in the nine months ended September 30, 2014 was $21.8 million consisting of capital expenditures to purchase software and equipment related to our data centers, as well as capitalization of leasehold improvements and software and website development costs in the amount of $16.3 million. We also paid $10.1 million to acquire certain assets and certain liabilities of WebDAM and paid $0.3 million to acquire the non-exclusive licensing rights to distribute digital content in perpetuity. Additionally, we sold short-term investments, net of purchases, in the amount of $4.7 million.

Financing Activities

Cash provided by financing activities in the nine months ended September 30, 2014 was $17.8 million consisting of proceeds in the amount of $7.6 million from the issuance of common stock in connection with the exercise of stock options and purchase of common stock pursuant to our 2012 ESPP and the corresponding excess tax benefit of $10.2 million as result of the subsequent disposition of the common stock issued.

Table of Contents

Contractual Obligations and Commitments

We lease office facilities under operating lease agreements that expire on various dates between 2014 and 2024. We also have several co-location agreements with third-party hosting facilities that expire between 2014 and 2017. We do not have any material capital lease obligations, and our property, equipment and software have been purchased primarily with cash. We anticipate expanding our office and co-location facilities as our revenue and customer base continue to grow and diversify.

On March 21, 2013, we entered into an operating lease agreement to lease our office facility in New York City. The lease commenced in August 2013 and has a lease term of 11 years. The aggregate future minimum lease payments are approximately $38.2 million. The Company also entered into a letter of credit in the amount of $1.8 million as a security deposit for the leased facility. The letter of credit is collateralized by $1.8 million of cash as of September 30, 2014, and as such, is reported as restricted cash on the consolidated balance sheet as of September 30, 2014.

As of September 30, 2014, our unconditional purchase obligations for the remainder of 2014 and for the years ending December 31, 2015, 2016 and 2017 are $1,790, $5,021, $1,578 and $64, respectively.

Off-Balance Sheet Arrangements

As of September 30, 2014, we did not have any off-balance sheet arrangements.

Table of Contents

Item 3: Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business, including risks related to interest rate fluctuation, foreign currency exchange rate fluctuation and inflation.

Interest Rate Fluctuation Risk

Our investments include cash, cash equivalents and short-term investments which consist of commercial paper. Our cash and cash equivalents consist of cash and money market accounts. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash, cash equivalents and short-term investments have a maximum term of ninety days, our portfolio s fair value is not particularly sensitive to interest rate changes. We do not enter into investments for speculative purposes. We determined that the nominal difference in basis points for investing our cash, cash equivalents and short-term investments in longer-term investments did not warrant a change in our investment strategy. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

We do not have any borrowings as of September 30, 2014.

Foreign Currency Exchange Risk

Revenues derived from customers residing outside North America as a percentage of total revenue was 62% and 64% for the three months ended September 30, 2014 and 2013, respectively, and 63% and 64% for the nine months ended September 30, 2014 and 2013, respectively. Our sales to international customers are denominated in multiple currencies, including but not limited to the U.S. Dollar, the Euro, the British Pound and the Yen. Revenue denominated in foreign currencies as a percentage of total revenue was 32% and 33% for the three and nine months ended September 30, 2014, respectively, and 33% for both the three and nine months ended September 30, 2013, respectively. We have foreign currency exchange risks related to non-U.S Dollar denominated revenues. All amounts earned by and paid to our foreign contributors are denominated in the U.S. Dollar and therefore do not create foreign currency exchange risk. However, changes in exchange rates will affect our revenue and certain operating expenses, primarily employee-related expenses for our non-U.S employees. Based on our foreign currency denominated revenue for the three and nine months ended September 30, 2014, a 10% change in the exchange rate of the U.S. Dollar against all foreign currency denominated revenues would result in an approximately 3% impact on our revenue.

Because the majority of our revenue and expenses are incurred in the U.S. Dollar, we have not experienced material fluctuations in our net income as a result of foreign currency transaction gains or losses. During the three and nine months ended September 30, 2014 and 2013, our foreign currency transaction gains and losses were immaterial. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in order to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

The Company has established foreign subsidiaries in various countries around the world, and as a result the financial statements of these recently created foreign subsidiaries are recorded in the applicable foreign currency (functional currencies). Financial information is translated from the applicable functional currency to the U.S. Dollar (the reporting currency) for inclusion in the Company s consolidated financial statements. Income, expenses and cash flows are translated at average exchange rates prevailing during the fiscal period, and assets and liabilities are translated at fiscal period-end exchange rates. Resulting translation adjustments are included as a component of accumulated other comprehensive income (loss) in stockholders equity. During the three and nine months ended September 30, 2013, our foreign subsidiaries did not have any material activity and therefore we did not have any foreign currency translation adjustment during these periods. During the three and nine months ended September 30, 2014, the Company s foreign currency transaction activity was immaterial to its financial statements.

Inflation Risk

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

Table of Contents

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2014. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2014, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Although we are not currently a party to any material active litigation, from time to time, third parties assert claims against us regarding intellectual property rights, privacy issues and other matters arising out of the ordinary course of business. Although we cannot be certain of the outcome of any litigation or the disposition of any claims, nor the amount of damages and exposure, if any, that we could incur, we currently believe that the final disposition of all existing matters will not have a material adverse effect on our business, results of operations, financial condition or cash flows. In addition, in the ordinary course of our business, we are also subject to periodic threats of lawsuits, investigations and claims. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with SEC on February 28, 2014, which could materially affect our business, financial condition or future results. There are no material changes to the risk factors described in our Annual Report.

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

There has been no material change in the planned use of proceeds from the Company s IPO and follow-on offering from that described in the final prospectuses filed with the SEC pursuant to Rule 424(b) on October 11, 2012 and September 20, 2013, respectively. On March 25, 2013, we used a portion of our IPO proceeds, together with a portion of our cash from operations, to pay off the remaining outstanding balance of $6.0 million on our term loan facility. See Part II, Item 7 of the Annual Report on Form 10-K under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. **Other Information**

Not applicable.

Item 6. **Exhibits**

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Table of Contents

SIGNATURES

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

	SHUTTERSTOCK, INC.	
Dated: November 7, 2014	By:	/s/ Jonathan Oringer Jonathan Oringer *Chief Executive Officer* *(Principal Executive Officer)*
Dated: November 7, 2014	By:	/s/ Timothy E. Bixby Timothy E. Bixby *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

Table of Contents

Exhibit Number	**Exhibit Description**
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*#	Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*#	Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith.

\# These certifications are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference in any filing we make under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

XBRL information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.