

SERVICESOURCE INTERNATIONAL, INC.

Form DEF 14A

April 23, 2012

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-2

**SERVICESOURCE INTERNATIONAL, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:





**Table of Contents**

**634 Second Street**

**San Francisco, California 94107**

**(415) 901-6030**

**NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS**

TO STOCKHOLDERS OF SERVICESOURCE INTERNATIONAL, INC.:

NOTICE IS HEREBY GIVEN that the 2012 annual meeting of stockholders of ServiceSource International, Inc., a Delaware corporation, will be held on Wednesday, May 30, 2012 at 9:00 a.m., Pacific Time, at Le Méridien San Francisco, Room Consortium, 333 Battery Street, San Francisco, CA 94111, for the following purposes:

1. Elect the two nominees for Class I director named in this proxy statement to the board of directors to hold office until our 2015 annual meeting of stockholders or until their respective successors are duly elected and qualified;
2. Vote, on an advisory basis, to approve the compensation of the named executive officers for the year ended December 31, 2011, as set forth in this proxy statement;
3. Vote, on an advisory basis, on the frequency of a stockholder vote on executive compensation;
4. Ratify the selection by the audit committee of our board of directors of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012; and
5. To transact any and all other business that may properly come before the meeting or at any and all adjournments or postponements of the meeting.

The foregoing items of business are more fully described in the proxy statement accompanying this notice. We are not aware of any other business to come before the meeting at this time.

The meeting will begin promptly at 9:00 a.m., Pacific Time. Only stockholders of record at the close of business on April 2, 2012, or their valid proxies, are entitled to attend and vote at the meeting and any and all adjournments or postponements of the meeting. If you are not a stockholder of record but hold shares in street name through a broker, bank, trustee or nominee, you will need to provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to April 2, 2012, a copy of the voting instruction card provided by your broker, bank, trustee or nominee, or similar evidence of ownership.

A complete list of the stockholders entitled to vote at the meeting will be available and open to the examination of any stockholder for any purpose germane to the meeting for a period of at least 10 days prior to the meeting during normal business hours at our corporate headquarters.

Your vote is important. Whether or not you plan to attend the annual meeting, we encourage you to read the proxy statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions in the section entitled Information about the Proxy Materials and Annual Meeting beginning on page 1 of the accompanying proxy statement.

By order of the Board of Directors

Michael A. Smerklo

Chief Executive Officer and Chairman of the Board

San Francisco, California

April 23, 2012

**Table of Contents**

This notice of our annual meeting of stockholders and proxy statement and proxy card are being distributed and made available on or about April 23, 2012.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. PLEASE NOTE THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.**

**Table of Contents**

**PROXY STATEMENT  
FOR 2012 ANNUAL MEETING OF STOCKHOLDERS**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Information about the Proxy Materials and Annual Meeting</u>	1
<u>Corporate Governance and Board of Directors</u>	9
<u>Code of Business Conduct and Ethics</u>	9
<u>Role and Composition of the Board</u>	9
<u>Board Leadership Structure</u>	9
<u>Board's Role in Risk Oversight</u>	10
<u>Director Independence</u>	10
<u>Board Committees</u>	11
<u>2011 Board Meetings</u>	13
<u>Executive Sessions of Independent Directors</u>	13
<u>Compensation Committee Interlocks and Insider Participation</u>	13
<u>Considerations in Identifying and Evaluating Director Nominees</u>	13
<u>Process for Recommending Candidates to the Board of Directors</u>	14
<u>Director Attendance at Annual Meetings</u>	14
<u>Communications with the Board of Directors</u>	14
<u>Compensation of Non-Employee Directors</u>	15
<u>Compensation Program Prior to Initial Public Offering</u>	15
<u>Post-IPO Compensation Policy</u>	15
<u>2011 Director Compensation</u>	16
<u>Proposal Number 1 Election of Class I Directors</u>	17
<u>Board Structure</u>	17
<u>Information Regarding Nominees for Class I Directors</u>	17
<u>Information Regarding Directors Not Standing for Re-Election</u>	18
<u>Required Vote</u>	20
<u>Recommendation</u>	20
<u>Proposal Number 2 Advisory Vote on Executive Compensation</u>	21
<u>Compensation Philosophy and Programs</u>	21
<u>Required Vote</u>	21
<u>Recommendation</u>	21
<u>Proposal Number 3 Advisory Vote on the Frequency of an Advisory Vote on Executive Compensation</u>	22
<u>Required Vote</u>	22
<u>Recommendation</u>	22
<u>Proposal Number 4 Ratification of Selection of Independent Registered Public Accounting Firm</u>	23
<u>Required Vote</u>	23
<u>Recommendation</u>	23
<u>Principal Accounting Fees and Services</u>	24
<u>Pre-Approval of Audit and Non-Audit Services</u>	24
<u>Report of the Audit Committee</u>	24
<u>Executive Officers</u>	26
<u>Executive Compensation</u>	28
<u>Compensation Discussion and Analysis</u>	28
<u>Compensation Committee Report</u>	39
<u>Summary Compensation Table</u>	40
<u>Grants of Plan-Based Awards</u>	41
<u>Outstanding Equity Awards at Fiscal Year-End</u>	41

**Table of Contents**

<u>Option Exercises and Stock Vested at Fiscal Year-End</u>	42
<u>Equity Compensation Plan Information</u>	42
<u>Other Plans</u>	43
<u>Employment Agreements and Potential Payments upon Termination or Change-in-Control</u>	43
<u>Related Person Transactions and Section 16(a) Beneficial Ownership Reporting Compliance</u>	47
<u>Related Person Transactions</u>	47
<u>Policy Concerning Audit Committee Approval of Related Person Transactions</u>	48
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	48
<u>Security Ownership</u>	50
<u>Other Matters</u>	53

**Table of Contents**

**SERVICESOURCE INTERNATIONAL, INC.**

**634 Second Street**

**San Francisco, California 94107**

**(415) 901-6030**

**PROXY STATEMENT**

**For the Annual Meeting of Stockholders**

**To Be Held May 30, 2012**

**INFORMATION ABOUT THE PROXY MATERIALS AND ANNUAL MEETING**

**Proxies**

A proxy is your legal designation of another person to vote the stock you own. The person you designate is your proxy, and you give the proxy authority to vote your shares by submitting the enclosed proxy card or, if available, voting by telephone or over the Internet. We have designated our Chief Executive Officer and Chairman of the Board, Michael A. Smerklo, our Chief Financial Officer, David S. Oppenheimer, and our Senior Vice President and General Counsel, Paul D. Warenski, to serve as proxies for the annual meeting.

**Proxy Materials**

We are providing these proxy materials in connection with the solicitation by our board of directors of proxies to be voted at our 2012 annual meeting of stockholders, which will take place on Wednesday, May 30, 2012 at 9:00 a.m., Pacific Time, at Le Méridien San Francisco, Room Consortium, 333 Battery Street, San Francisco, CA 94111. As a stockholder, you are invited to attend the annual meeting and are requested to vote on the items of business described in this proxy statement.

The information in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, the compensation of our directors and most highly paid executive officers, our corporate governance policies, information on our board of directors and certain other required corporate information.

This proxy statement and the accompanying proxy card, notice of annual meeting and voting instructions are being mailed starting April 23, 2012 to all stockholders of record entitled to vote at the annual meeting.

**Electronic Access to the Proxy Materials**

The notice of annual meeting, proxy statement, and 2011 annual report are available on our website by visiting <http://viewproxy.com/srev/2012/>.

**Voting of Shares**

Each share of our common stock issued and outstanding as of the close of business on April 2, 2012, the record date for the 2012 annual meeting of stockholders, is entitled to vote on all items being considered at the 2012 annual meeting. You may vote all shares owned by you as of the record date, including (i) shares held directly in your name as the stockholder of record and (ii) shares held for you as the beneficial owner in street name through a broker, bank, or other nominee. On the record date, we had 74,349,505 shares of common stock issued and outstanding.

## **Table of Contents**

For all matters described in this proxy statement for which your vote is being solicited, each holder of shares of common stock is entitled to one vote for each share of common stock held by such holder as of the record date.

### **Stockholder of Record and Beneficial Owners in Street Name**

Many of our stockholders hold their shares as a beneficial owner in street name through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

#### *Stockholder of Record*

If your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services, you are considered with respect to those shares the *stockholder of record* and these proxy materials were sent directly to you by us. As the *stockholder of record*, you have the right to grant your voting proxy directly to our designated proxies or to vote in person at the annual meeting. We have enclosed a proxy card for you to use with the printed proxy materials delivered to you. You may also vote on the Internet or by telephone.

#### *Beneficial Owner*

If your shares are held in an account at a brokerage firm, bank, or other similar organization, you are considered the beneficial owner of shares held in street name, and the notice of annual meeting, proxy statement and 2011 annual report were forwarded to you by that organization. As the beneficial owner, you have the right to direct your broker, bank, or other nominee how to vote your shares, and you are also invited to attend the annual meeting.

Since a beneficial owner is not the *stockholder of record*, you may not vote your shares in person at the annual meeting unless you obtain a legal proxy from the broker, bank, trustee, or nominee that holds your shares giving you the right to vote the shares at the meeting. If you are a beneficial owner and do not wish to vote in person or you will not be attending the annual meeting, you may vote by following the instructions provided by your broker or other nominee.

### **ServiceSource's Transfer Agent**

Contact our transfer agent by writing Wells Fargo Shareowner Services, 161 N. Concord Exchange St. South St. Paul, MN 55075, or by telephoning (800) 468-9716.

### **Attending and Voting at the Annual Meeting**

You are entitled to attend the annual meeting only if you were a stockholder as of the record date or you hold a valid proxy for the annual meeting. If you are not a stockholder of record but hold shares as a beneficial owner in street name, you should provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to April 2, 2012, together with a copy of the voting instruction card provided by your broker, bank, or nominee, or other similar evidence of ownership.

If you do not comply with the procedures outlined above, you may not be admitted to the annual meeting.

Please let us know if you plan to attend the meeting by marking the appropriate box on the proxy card or, if you vote by telephone or Internet, by indicating your plans when prompted.

Note that we do not expect to webcast the annual meeting.

## **Table of Contents**

Shares held in your name as the stockholder of record may be voted by you in person at the annual meeting. Shares held beneficially in street name may be voted by you in person at the annual meeting only if you obtain a legal proxy from the broker, bank, or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the annual meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.

### **Voting without Attending the Annual Meeting**

#### *By mail*

Complete, sign and date the enclosed proxy card or voting instruction card and return it in the return envelope provided (which is postage prepaid if mailed in the United States). *If you are a stockholder of record and you return your signed proxy card but do not indicate your voting preferences, the persons named in the proxy card will vote the shares represented by your proxy card in favor of the recommendations of our board of directors.*

If you are a stockholder of record and the prepaid envelope is missing, please mail your completed proxy card to ServiceSource International, Inc., Attention: Corporate Secretary, 634 Second Street, San Francisco, California 94107.

If you are a beneficial owner of shares, you should have received a proxy card and voting instructions with these proxy materials from your broker, bank or other nominee holder of record. Simply complete and mail the proxy card provided to the address provided by your broker, bank or other nominee holder of record.

You may still attend the annual meeting in person even if you have already voted by proxy.

#### *By telephone or on the Internet*

If you are a stockholder of record, you may vote by following the telephone or Internet voting instructions on your proxy card.

If you are a beneficial owner of shares, your broker, bank or other holder of record may make telephone or Internet voting available to you. The availability of telephone and Internet voting for beneficial owners will depend on the voting processes of your broker, bank or other nominee holder of record. Therefore, we recommend that you follow the voting instructions in the materials you receive.

### **Voter Confidentiality**

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within ServiceSource or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

### **Changing Votes and Revoking Proxies**

You may change your vote at any time prior to the taking of the vote at the annual meeting. If you are the stockholder of record, you may change your vote by (i) granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method), (ii) providing a written notice of revocation to our corporate secretary at ServiceSource International, Inc., Attention: Corporate Secretary, 634 Second Street, San Francisco, California 94107, prior to your shares being voted, or (iii) attending the annual meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

**Table of Contents**

For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank, or nominee following the instructions they provided or, if you have obtained a legal proxy from your broker, bank, or nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

**List of Stockholders Entitled to Vote at the Annual Meeting**

The names of stockholders of record entitled to vote at the annual meeting will be available at the annual meeting and for ten days prior to the meeting for any purpose germane to the meeting, between the hours of 9:00 a.m. and 4:30 p.m., at our corporate headquarters at 634 Second Street, San Francisco, California 94107, by contacting our corporate secretary.

**Quorum Requirements for Conducting Business at the Annual Meeting**

The quorum requirement for holding the annual meeting and transacting business is that holders of a majority of the issued and outstanding shares of common stock be present in person or represented by proxy. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

A broker non-vote occurs when a broker, bank or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received voting instructions from the beneficial owner. If there is no quorum, a majority of the votes present at the annual meeting may adjourn the meeting to another date.

**Board of Directors Recommendations for Your Vote**

Our board of directors recommends that you vote your shares:

FOR each of the two nominees for Class I director named in this proxy statement.

FOR on an advisory basis, approval of the compensation of our named executive officers for the year ended December 31, 2011.

FOR on an advisory basis, once every year in the vote for the frequency for advisory votes on executive compensation.

FOR the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2012 fiscal year.

**Voting Requirement to Approve Each of the Proposals**

<b>Proposal</b>	<b>Vote Required</b>	<b>Discretionary Broker Voting Allowed?</b>
Election of Class I directors	Plurality of the shares	No
Advisory Vote to Approve Executive Compensation	Majority of the shares present, represented and entitled to vote at the meeting	No
Advisory Vote on the Frequency of the Stockholder Vote on Executive Compensation	Plurality of the shares	No
Ratification of PricewaterhouseCoopers LLP	Majority of the shares present, represented and entitled to vote at the meeting	Yes



## **Table of Contents**

If you are a beneficial owner, your broker, bank or other nominee holder of record is permitted to vote your shares on the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm, even if the record holder does not receive voting instructions from you. Your broker, bank or other nominee holder of record does not have discretionary authority to vote on the other three proposals without instructions from you, in which case a broker non-vote will occur and your shares will not be voted on this matter. Accordingly, if you are a beneficial owner, it is particularly important that you provide your instructions for voting your shares on the election of directors and the two advisory compensation proposals to your broker, bank or other nominee holder of record.

### *Election of Class I Directors*

The nominees receiving the highest number of affirmative **FOR** votes will be elected as Class I directors. You may vote **FOR** or **WITHHOLD** for each director nominee. A properly executed proxy marked **WITHHOLD** with respect to the election of a Class I director will not be voted with respect to such director although it will be counted for purposes of determining whether there is a quorum. Abstentions and broker non-votes will not affect the outcome of the election of directors.

In addition, you may not cumulate your votes for the election of directors.

### *Advisory Vote on Executive Compensation*

The affirmative **FOR** vote of a majority of the shares present, represented and entitled to vote on the proposal is required to approve, on an advisory basis, the compensation awarded to our named executive officers for the year ended December 31, 2011. You may vote **FOR**, **AGAINST**, or **ABSTAIN** on this proposal. Abstentions are deemed to be votes cast and have the same effect as a vote against the proposal. Broker non-votes are not deemed to be votes cast, are not included in the tabulation of voting results on this proposal, and will not affect the outcome of voting on this proposal.

### *Advisory Vote on the Frequency of the Stockholder Vote on Executive Compensation*

The choice of frequency that receives the highest number of affirmative **FOR** votes will be considered the advisory vote of our stockholders. You may vote **FOR** one year, **FOR** two years or **FOR** three years or **ABSTAIN**. A properly executed proxy marked **ABSTAIN** with respect to the frequency of the stockholder vote on executive compensation will not be voted with respect to such proposal although it will be counted for purposes of determining whether there is a quorum. Abstentions and broker non-votes will not affect on the outcome of this proposal.

### *Ratification of PricewaterhouseCoopers LLP*

The affirmative **FOR** vote of a majority of the shares present, represented and entitled to vote on the proposal is required to ratify the selection by our audit committee of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012. You may vote **FOR**, **AGAINST** or **ABSTAIN** on this proposal. Abstentions are deemed to be votes cast and have the same effect as a vote against the proposal. Broker non-votes are not deemed to be votes cast, are not included in the tabulation of voting results on this proposal, and will not affect the outcome of voting on this proposal.

### **Additional Matters Presented at the Annual Meeting**

Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxy holders, Michael A. Smerklo, David S. Oppenheimer and Paul D. Warenski, or any of them, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting.

## **Table of Contents**

If for any reason any of the nominees is not available as a candidate for director at the annual meeting, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the board of directors.

### **Inspector of Elections**

A representative of Wells Fargo Shareowner Services will tabulate the votes and act as inspector of elections.

### **Costs of Soliciting Votes**

We will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone, or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. We may also reimburse brokerage firms, banks and other nominee holders of record for the cost of forwarding proxy materials to beneficial owners.

### **Publication of Voting Results**

We will announce preliminary voting results at the annual meeting. We will also disclose voting results on a Current Report on Form 8-K filed with the SEC within four business days after the annual meeting. If final voting results are not available to us in time to file a Current Report on Form 8-K, we will file a Current Report on Form 8-K to publish preliminary results and, within four business days after final results are known, file an additional Current Report on Form 8-K to publish the final results.

### **Householding of Proxy Material**

The SEC has adopted rules that permit companies and intermediaries (such as banks and brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single copy of our notice of annual meeting, proxy statement and 2011 annual report, addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate notice of annual meeting, proxy statement and 2011 annual report, please direct your written request to:

ServiceSource International, Inc.

Attention: Investor Relations

634 Second Street

San Francisco, California 94107

Stockholders who hold shares in street name should contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.

### **Deadline for Stockholder Proposals and Stockholder Nominees for Director for Next Year**

#### *Stockholder Proposals*

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at the next annual meeting of stockholders by submitting their proposals in writing to our corporate secretary in a timely manner. For a stockholder proposal to be considered for inclusion in our proxy statement for our 2013 annual meeting of stockholders, our corporate secretary must receive the written proposal at our principal

**Table of Contents**

executive offices not earlier than December 21, 2012 nor later than January 20, 2013. However, if we hold our 2013 annual meeting of stockholders more than 30 days before or 60 days after the one-year anniversary date of the 2012 annual meeting, we will disclose the new deadline by which stockholders proposals must be received in our earliest possible Quarterly Report on Form 10-Q or, if impracticable, by any means reasonably calculated to inform stockholders. In addition, stockholder proposals must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934. Proposals should be addressed to:

ServiceSource International, Inc.

Attn: Corporate Secretary

634 Second Street

San Francisco, California 94107

Fax: 415-962-3230

Our bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders, but do not intend for the proposal to be included in our proxy statement. Our bylaws provide that the only business that may be conducted at an annual meeting is business that is:

specified in our proxy materials with respect to such meeting,

otherwise properly brought before the meeting by or at the direction of our board of directors or

properly brought before the meeting by a stockholder of record entitled to vote at the annual meeting who has delivered timely written notice to our corporate secretary, which notice must contain the information specified in our bylaws.

To be timely for our 2013 annual meeting of stockholders, our corporate secretary must receive the written notice at our principal executive offices:

not earlier than December 21, 2012 and

not later than the close of business on January 20, 2013.

In the event that we hold our 2013 annual meeting of stockholders more than 30 days before or more than 60 days after the one-year anniversary date of the 2012 annual meeting, then notice of a stockholder proposal that is not intended to be included in our proxy statement must be received no earlier than the close of business on the 120th day before such annual meeting and no later than the close of business on the later of the following two dates:

the 90th day prior to such annual meeting, or

the 10th day following the day on which public announcement of the date of such meeting is first made.

If a stockholder who has notified us of his or her intention to present a proposal at an annual meeting does not appear to present his or her proposal at such meeting, we are not required to present the proposal for a vote at such meeting.

*Nomination of Director Candidates*

You may propose director candidates for consideration by our Nominating and Corporate Governance Committee. Any such recommendations should include the nominee's name and qualifications for membership on our board of directors, and should be directed to the corporate secretary of ServiceSource at the address set forth above. For additional information regarding stockholder recommendations for director candidates, see Corporate Governance and Board Committees Process for Recommending Candidates to the Board of Directors on page 14.

**Table of Contents**

In addition, our bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our bylaws. In addition, the stockholder must give timely notice to our corporate secretary in accordance with our bylaws, which, in general, require that the notice be received by our corporate secretary within the time period described above under *Stockholder Proposals* for stockholder proposals that are not intended to be included in our proxy statement.

*Availability of Bylaws*

Our Bylaws have been publicly filed with the SEC and can also be found on our website at [www.servicesource.com](http://www.servicesource.com) in the Corporate Governance section of our investor relations webpage. You may also contact our corporate secretary at our principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 30, 2012:** The notice of annual meeting, proxy statement and 2011 annual report are available by visiting <http://viewproxy.com/srev/2012/>.

## **Table of Contents**

### **CORPORATE GOVERNANCE AND BOARD OF DIRECTORS**

#### **Code of Business Conduct and Ethics**

We are committed to the highest standards of integrity and ethics in the way we conduct our business. Accordingly, we adopted a Code of Business Conduct and Ethics that applies to our board of directors, officers and employees, including our chief executive officer, chief financial officer and other principal executive and senior financial officers. Our Code of Business Conduct and Ethics establishes our policies and expectations with respect to a wide range of business conduct, including preparation and maintenance of financial and accounting information, compliance with laws and conflicts of interest.

Under our Code of Business Conduct and Ethics, each of our employees, officers and directors is required to report suspected or actual violations to the extent permitted by law. In addition, we have adopted separate procedures concerning the receipt and investigation of complaints relating to accounting or audit matters. These procedures have been adopted and are administered by our audit committee.

Our Code of Business Conduct and Ethics is available on our website at [www.servicesource.com](http://www.servicesource.com) in the Corporate Governance section of our investor relations webpage. We will disclose on our website any amendments to the Code of Business Conduct and Ethics, as well as any waivers of the Code of Business Conduct and Ethics, that are required to be disclosed by the rules of the SEC or The NASDAQ Stock Market LLC ( NASDAQ ).

#### **Role and Composition of the Board**

Our board of directors is currently composed of eight members. Our bylaws permit our board of directors to establish by resolution the authorized number of directors, and nine directors are currently authorized.

Our certificate of incorporation and bylaws provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms, as follows:

the Class I directors are Bruce W. Dunlevie and Barry D. Reynolds, whose terms expire at the annual meeting of stockholders to be held in 2012, so they are up for reelection;

the Class II directors are Anthony Zingale, James C. Madden and Thomas F. Mendoza, whose terms expire at the annual meeting of stockholders to be held in 2013; and

the Class III directors are Steven M. Cakebread, Marc F. McMorris and Michael A. Smerklo, whose terms expire at the annual meeting of stockholders to be held in 2014.

Upon expiration of the term of a class of directors, directors for that class will be up for election for three-year terms at the annual meeting of stockholders in the year in which that term expires. Each director's term continues until the election and qualification of his successor, or his earlier death, resignation or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Our board of directors is responsible for, among other things, overseeing the conduct of our business, reviewing and, where appropriate, approving our long-term strategic, financial and organizational goals and plans, and reviewing the performance of our chief executive officer and other members of senior management.

#### **Board Leadership Structure**

Our board of directors currently believes that our company is best served by combining the roles of a chairman of the board and chief executive officer, coupled with a lead independent director. Mr. Smerklo, our chief executive officer, is the director most familiar with our business and industry, and most capable of



## **Table of Contents**

effectively identifying strategic priorities and leading the discussion and execution of strategy. Independent directors and management have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside the industry, while our chief executive officer brings company-specific experience and expertise. Our board of directors believes that the combined role of chairman of the board and chief executive officer is the best leadership structure for us at the current time because it promotes the efficient and effective development and execution of our strategy and facilitates information flow between management and our board of directors, which are essential to effective governance.

In February 2012, our board of directors appointed Bruce Dunlevie as lead independent director. As the lead independent director, Mr. Dunlevie is responsible for helping to set the agendas for board meetings, coordinating the activities of the independent directors and presiding over board meetings if the chairman is absent. In addition, the lead independent director presides over executive sessions without the presence of the non-independent directors or members of the Company's management from time to time as deemed necessary or appropriate. The lead independent Director also has the authority to call meetings of the independent directors and is available for consultation or direct communication. The role given to the lead independent director helps ensure a strong, independent and active board of directors.

### **Board's Role in Risk Oversight**

Our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. Our senior management is responsible for assessing and managing our risks on a day-to-day basis. Our audit committee oversees and reviews with management our policies with respect to risk assessment and risk management and our significant financial risk exposures and the actions management has taken to limit, monitor or control such exposures, and our compensation committee oversees risk related to compensation policies. Our nominating and governance committee also reviews and recommends corporate governance policies and practices to reduce the risk of wrongdoing and to promote good corporate governance. Each of our committees reports to the full board of directors with respect to these matters, among others.

In connection with its oversight of compensation-related risks, our compensation committee has reviewed an assessment by management of our compensation programs and practices for its employees, including its executive and non-executive programs and practices. In its review, the compensation committee evaluated whether our policies and programs encourage unnecessary or excessive risk-taking and controls, and how such policies and programs are structured with respect to risks and rewards, as well as controls designed to mitigate any risks. As a result of this review, the compensation committee determined any risks that may result from our compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on us.

At periodic meetings of the board and its committees and in other meetings and discussions, management reports to and seeks guidance from the board and its committees with respect to the most significant risks that could affect our business, such as legal risks and financial, tax and audit related risks. In addition, among other matters, management provides our audit committee periodic reports on our compliance programs and efforts and investment policy and practices.

### **Director Independence**

Under the rules of NASDAQ, independent directors must comprise a majority of a listed company's board of directors. In addition, the rules of NASDAQ require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended. Under the rules of NASDAQ, a director will only qualify as an independent director if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

## **Table of Contents**

In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee, accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries, or be an affiliated person of the listed company or any of its subsidiaries.

Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that none of the following non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as that term is defined under the rules of NASDAQ: Messrs. Cakebread, Dunlevie, Madden, McMorris, Mendoza, Reynolds and Zingale. Our board of directors also determined that Messrs. Cakebread, McMorris and Reynolds, who compose our audit committee, Messrs. Cakebread, Madden and McMorris, who compose our compensation committee, and Messrs. Madden, Mendoza and Zingale, who compose our nominating and corporate governance committee, satisfy the independence standards for those committees established by the applicable rules and regulations of the SEC and NASDAQ. In making these determinations, our board of directors considered the relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

## **Board Committees**

Our board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. The composition and primary responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

*Audit Committee.* Our audit committee consists of Messrs. Cakebread, McMorris and Reynolds, each of whom is a non-employee director. All members of our audit committee meet the requirements for financial literacy established by the applicable rules and regulations of the SEC and NASDAQ. Mr. Cakebread is the chairperson of our audit committee, is our audit committee financial expert, as defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002, and possesses financial sophistication as defined under the rules of NASDAQ. Our audit committee oversees our corporate accounting and financial reporting process and is responsible for, among other things:

evaluating our independent registered public accounting firm's qualifications, independence and performance and approving the audit and non-audit services performed by our independent auditors;

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

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

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

preparing the audit committee report that the SEC requires in our annual proxy statement; and

reviewing annually the audit committee charter and the committee's performance.

Our audit committee held six meetings during 2011. Our audit committee operates under a written charter approved by our board of directors. The charter is available on our website at [www.servicesource.com](http://www.servicesource.com) in the Corporate Governance section of our investor relations webpage.

The Audit Committee Report is included later in this proxy statement.



**Table of Contents**

*Compensation Committee.* Our compensation committee consists of Messrs. Cakebread, Madden and McMorris, each of whom is a non-employee director. Mr. McMorris is the chairperson of our compensation committee. All of the members of our compensation committee meet the definition of outside directors under Section 162(m) of the Internal Revenue Code of 1986, as amended. Our compensation committee reviews and recommends policies relating to the compensation and benefits of our officers and employees and is responsible for, among other things:

overseeing our compensation policies, plans and benefit programs;

reviewing and approving for our executive officers: the annual base salary, the annual incentive bonus, including the specific goals and amount, equity compensation, employment agreements, severance arrangements and change in control arrangements and any other benefits, compensation or arrangements;

preparing the compensation committee report that the SEC requires to be included in our annual proxy statement;

administering, reviewing and making recommendations with respect to our equity compensation plans; and

reviewing annually the compensation committee charter and the committee's performance.

See *Compensation of Non-Employee Directors* and *Executive Compensation* for a description of our processes and procedures for the consideration and determination of executive and director compensation.

Our compensation committee held six meetings during 2011. Our compensation committee operates under a written charter approved by the board of directors. The charter is available on our website at [www.servicesource.com](http://www.servicesource.com) in the Corporate Governance section of our investor relations webpage.

The Compensation Committee Report is included later in this proxy statement.

*Nominating and Corporate Governance Committee.* Our nominating and corporate governance committee consists of Messrs. Madden, Mendoza and Zingale. Mr. Madden is the chairperson of our nominating and corporate governance committee. Our nominating and corporate governance committee oversees and assists our board of directors in reviewing and recommending nominees for election as directors and is responsible for, among other things:

evaluating and making recommendations regarding the organization and governance of our board of directors and its committees;

establishing procedures for the submission of candidates for election to our board (including recommendations by stockholders of the Company);

establishing procedures for identifying and evaluating nominees for director;

creating a succession plan in the event of key executive departures;

Edgar Filing: SERVICESOURCE INTERNATIONAL, INC. - Form DEF 14A

assessing the performance of members of our board of directors and making recommendations regarding committee and chair assignments;

recommending desired qualifications for board membership and conducting searches for potential board members; and

reviewing and making recommendations with regard to our corporate governance guidelines.

Our nominating and corporate governance committee will consider recommendations of candidates for the board of directors submitted by our stockholders as described under *Process for Recommending Candidates to the Board of Directors* below.

## **Table of Contents**

Our nominating and corporate governance committee did not hold any meetings during 2011. Our nominating and corporate governance committee operates under a written charter approved by the board of directors. The charter is available on our website at [www.servicesource.com](http://www.servicesource.com) in the Corporate Governance section of our investor relations webpage.

### **2011 Board Meetings**

During 2011, our board of directors held six meetings. Each of our directors attended or participated in 75% or more of the meetings of the board of directors and 75% or more of the meetings held by all committees of the board of directors on which he served during the past year, except for Mr. Zingale, who attended approximately 67% of the aggregate of all meetings of the board of directors and the meetings of the committees on which he served.

### **Executive Sessions of Independent Directors**

Independent members of our board of directors convene executive sessions without the presence of our non-independent director or members of the Company's management from time to time as deemed necessary or appropriate. Michael A. Smerklo does not participate in such sessions.

### **Compensation Committee Interlocks and Insider Participation**

Messrs. McMorris and Madden served as members of our compensation committee during 2011. None of the members of our compensation committee is, or was during 2011, an officer or employee of ours. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

### **Considerations in Identifying and Evaluating Director Nominees**

In its evaluation of director candidates, including the members of the board of directors eligible for re-election, our committee will consider the following:

the current size and composition of our board of directors and the needs of the board and its respective committees;

factors such as character, integrity, judgment, diversity, age, independence, skills, education, expertise, business acumen, business experience, length of service, understanding of our business and other commitments and the like, without assigning any particular weighting or priority to any of these factors; and

other factors that our committee may consider appropriate.

Our committee requires the following minimum qualifications to be satisfied by any nominee for a position on the board:

the highest personal and professional ethics and integrity;

proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;

skills that are complementary to those of the existing board;

the ability to assist and support management and make significant contributions to our success; and

an understanding of the fiduciary responsibilities that are required of a member of the board and the commitment of time and energy necessary to diligently carry out those responsibilities.

## **Table of Contents**

If our committee determines that an additional or replacement director is required, the committee may take such measures as it considers appropriate in connection with its evaluation of a director candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the committee, board or management.

### **Process for Recommending Candidates to the Board of Directors**

Our nominating and corporate governance committee is responsible for, among other things, determining the criteria for membership to our board of directors and recommending candidates for election to the board of directors.

Our nominating and corporate governance committee has established policies and procedures relating to the consideration of any individual recommended as a prospective director nominee from stockholders holding no less than 4% of the outstanding shares of common stock continuously for at least 12 months prior to the date of the submission of the recommendation or nomination. The committee will consider candidates recommended by stockholders in the same manner as candidates recommended to the committee from other sources.

Stockholder recommendations for candidates to the board of directors must be directed in writing to ServiceSource International, Inc. , Attention: Corporate Secretary, 634 Second Street, San Francisco, California 94107, and must include the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, a signed letter from the candidate confirming willingness to serve, information regarding any relationships between the candidate and us, and evidence of the recommending stockholder's ownership of our stock. Such recommendations must also include a statement from the recommending stockholder in support of the candidate, particularly within the context of the criteria for board membership, including issues of character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest, other commitments and personal references.

### **Director Attendance at Annual Meetings**

Although we do not have a formal policy regarding attendance by members of our board of directors at annual meetings of stockholders, we encourage, but do not require, directors to attend.

### **Communications with the Board of Directors**

Stockholders who wish to communicate with our board are welcome to do so either in writing, at the following address: ServiceSource International, Inc. , Attention: Corporate Secretary, 634 Second Street, San Francisco, California 94107, or online at [www.servicesource.com](http://www.servicesource.com) and clicking through Company, Investor Relations, Corporate Governance and Contact the Board. Communications are distributed to our board or to any individual directors as appropriate, depending on the facts and circumstances outlined in the communication.

**Table of Contents**

**COMPENSATION OF NON-EMPLOYEE DIRECTORS**

**Compensation Program Prior to Initial Public Offering**

Prior to our initial public offering in March 2011, we paid to each of Messrs. Dunlevie, Madden and Reynolds \$5,000 per meeting of the board of directors for regularly scheduled quarterly meetings in 2011. This compensation program was superseded in connection with our initial public offering, as described below.

**Post-IPO Compensation Policy**

In February 2011, our board of directors approved an outside director compensation policy that applies to all of our non-employee directors, which became effective upon the completion of our initial public offering. This policy provides that each such non-employee director will receive the following compensation for board services:

an annual cash retainer of \$20,000 for board service;

an annual cash retainer for serving as the chairman of the audit committee of \$25,000, for serving as chairman of the compensation committee of \$25,000 and for serving as chairman of the nominating and corporate governance committee of \$10,000;

an annual cash retainer for serving as a member of the audit committee of \$17,500, for serving as a member of the compensation committee of \$17,500 and for serving as a member of the nominating and corporate governance committee of \$7,500; and

upon first joining the board of directors, an automatic initial stock option grant for the purchase of 75,000 shares of common stock. An initial stock option grant will vest as to one-quarter of the shares on the one-year anniversary of the grant date and monthly thereafter so that the option is fully vested year years after the grant date, subject to continued service as a director through each such date.

In addition, we reimburse non-employee directors for travel, lodging and other reasonable expenses incurred in connection with their attendance at board or committee meetings.

In March 2011, we granted 80,000 restricted stock units under our 2011 Equity Incentive Plan to Mr. Mendoza in connection with his appointment to the board of directors. These restricted stock units vest as to twenty-five percent of the shares as of one year from the date of grant and then in equal monthly installments over the subsequent three years.

The 2011 Equity Incentive Plan provides that in the event we merge with or into another corporation or undergo a change in control, as defined in the 2011 Equity Incentive Plan, the successor corporation or its parent or subsidiary will assume or substitute an equivalent award for each outstanding award under the 2011 Equity Incentive Plan. If there is no assumption or substitution of outstanding options, then such options will become fully vested and exercisable. In addition, the administrator will notify participants in writing or electronically that options under the 2011 Equity Incentive Plan will be exercisable for a period of time determined by the administrator, and will terminate upon expiration of such period to the extent unexercised.

**Table of Contents****2011 Director Compensation**

The following table sets forth information regarding compensation paid or accrued for services rendered to us by our non-employee directors during the year ended December 31, 2011.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards (2)	Total
Steven M. Cakebread	\$ 33,750			\$ 33,750
Bruce W. Dunlevie	\$ 27,500			\$ 27,500
James C. Madden, V	\$ 33,125			\$ 33,125
Marc F. McMorris	\$ 46,875			\$ 46,875
Thomas F. Mendoza(3)	\$ 15,000	\$ 800,000		\$ 815,000
Barry D. Reynolds	\$ 33,125			\$ 33,125
Anthony Zingale	\$ 20,625			\$ 20,625

- (1) Amounts in this column reflect the grant date fair value of each award computed in accordance with FASB ASC Topic 718. These amounts do not necessarily correspond to the actual value recognized by the non-employee directors. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statement included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
- (2) The aggregate number of shares subject to stock options outstanding at December 31, 2011 for each non-employee director was as follows:

Name	Aggregate Number of Stock Options Outstanding as of December 31, 2011
Steven M. Cakebread	284,147
Bruce W. Dunlevie	
James C. Madden, V	284,000
Marc F. McMorris	
Thomas F. Mendoza	
Barry D. Reynolds	
Anthony Zingale	284,481

- (3) Mr. Mendoza joined our board of directors in March 2011.

**Table of Contents****PROPOSAL NUMBER 1****ELECTION OF CLASS I DIRECTORS****Board Structure**

Our board of directors is currently composed of eight members. Our certificate of incorporation and bylaws provide that the number of our directors shall be one or more members, as determined from time to time by resolution of our board of directors.

Our board of directors is divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the class of directors whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meetings of stockholders to be held during the years 2013 for the Class II directors, 2014 for the Class III directors and 2015 for the Class I directors.

**Information Regarding Nominees for Class I Directors**

At the 2012 annual meeting, two Class I directors will be elected to the board of directors by the holders of common stock. Our nominating and corporate governance committee recommended, and our board of directors nominated, Bruce W. Dunlevie and Barry D. Reynolds as nominees for election as Class I directors at the 2012 annual meeting. Biographical information about each nominee is provided below. A discussion of the qualifications attributes and skills of each nominee that led our board of directors and our nominating and corporate governance committee to the conclusion that he should continue to serve as a director has been added following each nominee's biography.

Messrs. Dunlevie and Reynolds have agreed to serve if elected, and management has no reason to believe that either nominee will be unavailable to serve. In the event one of the nominees is unable or declines to serve as a director at the time of the 2012 annual meeting, proxies will be voted for any nominee who may be proposed by the nominating and corporate governance committee and designated by the present board of directors to fill the vacancy.

The following table sets forth the names, ages and positions of our director nominees as of April 2, 2012:

<b>Name of Class I Nominees</b>	<b>Age</b>	<b>Position</b>
Bruce W. Dunlevie	55	Director
Barry D. Reynolds(1)	50	Director

(1) Member of the audit committee

*Bruce W. Dunlevie* has served as a member of our board of directors since December 2004. Since May 1995, Mr. Dunlevie has been a General Partner of Benchmark Capital, a venture capital firm. He has also served as a member of the board of directors of Rambus Inc., a technology licensing company, from March 1990 to June 2011. From October 2003 to October 2007, Mr. Dunlevie was a member of the board of directors of Palm, Inc., a provider of mobile products. We believe that Mr. Dunlevie possesses specific attributes that qualify him to serve as a member of our board of directors. In particular, Mr. Dunlevie is a longstanding member of our board of directors with a deep understanding of our business and our customer base, and he has extensive experience as an investor in technology companies on behalf of Benchmark Capital. Mr. Dunlevie brings the experience of having served on the board of several other technology companies. In addition, his professional network has given us access to numerous prospective customers.

*Barry D. Reynolds* has served as a member of our board of directors since January 2003. Since January 1998, Mr. Reynolds has been a General Partner of Housatonic Partners, a private equity firm. We believe that Mr. Reynolds possesses specific attributes that qualify him to serve as a member of our board of directors. Mr. Reynolds has served as a member of our board of directors longer than any other non-management director and has a thorough understanding of our business as it has evolved over time. Mr. Reynolds also brings valuable insight as an experienced investor on behalf of his private equity firm, Housatonic Partners, and as a respected business leader.

**Table of Contents****Information Regarding Directors Not Standing for Re-Election**

The following table sets forth the names, ages and positions of our directors not standing for re-election as of April 2, 2012:

<b>Name</b>	<b>Age</b>	<b>Position</b>
<b><i>Class II Directors (term expires 2013)</i></b>		
James C. Madden, V(1)(2).	50	Director
Thomas F. Mendoza(2)	61	Director
Anthony Zingale(2)	56	Director
<b><i>Class III Directors (term expires 2014)</i></b>		
Steven M. Cakebread(1)(3)	60	Director
Marc F. McMorris(1)(3)	43	Director
Michael A. Smerklo	42	Chief Executive Officer and Chairman of the Board

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

*James C. Madden, V* has served as a member of our board of directors since January 2007. Since January 2005, Mr. Madden has served as the Chief Executive Officer of Madden Capital Partners, LLC, a specialty investment and advisory services firm. Mr. Madden has served as Senior Advisor with Accretive LLC, a private equity firm since March 2011 and as a General Partner of Accretive, LLC from January 2007 to February 2011. He has also served as a member of the board of directors of several companies, including Genpact Limited, a business process and technology management provider, since January 2005, Accolade, Inc, an integrated health care services provider, since January 2007, Axiom Law, a provider of managed services for legal processes, since March 2011 and Mavenlink, Inc., a project management solutions provider, since October 2011. From January 2005 to January 2007, Mr. Madden was a Special Advisor to General Atlantic LLC, a private equity firm. Mr. Madden also served as Chief Executive Officer of Exult, Inc., a provider of outsourced human resource services, from November 1998 to October 2004, and as Exult, Inc.'s Chairman of the Board, from February 2000 to October 2004 and as its President, from November 1998 to May 2003. We believe that Mr. Madden possesses specific attributes that qualify him to serve as a member of our board of directors. Specifically, as the founder, Chief Executive Officer and Chairman of Exult, Inc., Mr. Madden possesses valuable operational and director experience leading a publicly traded company, and also brings the important perspective of running a company that was an external service provider of key business processes. We believe that perspective complements the technology-oriented background of most of our other board members. Mr. Madden also provides a formidable professional network, which has served us well. We also value Mr. Madden's perspective as a director of a business process and technology management company.

*Thomas F. Mendoza* has served as a member of our board of directors since March 2011. Since March 2008, Mr. Mendoza has served as vice chairman of NetApp, Inc., a storage and data management solutions provider. From October 2000 to March 2008, Mr. Mendoza served as president of NetApp, Inc. Prior to March 2000, he served in various capacities at NetApp, Inc., including senior vice president, worldwide sales and marketing, senior vice president, worldwide sales and vice president, North American sales. Mr. Mendoza also served as a member of the board of directors of NetScreen Technologies Inc., an internet security systems and appliances provider, from June 1999 until it was acquired by Juniper Networks, Inc. in April 2004. We believe that Mr. Mendoza has specific attributes that qualify him to serve as a member of our board of directors. In particular, he brings to our board over thirty years of operational experience he gained from holding various executive positions at technology companies, including a publicly traded company. Mr. Mendoza has also served as a director of many other technology companies. We believe that Mr. Mendoza's strong mix of operational experience and deep understanding of the technology industry adds to our board's collective level of expertise, skill and qualifications. Mr. Mendoza also brings an important customer perspective to our board of directors as the Vice Chairman of one of our largest customers.

**Table of Contents**

*Anthony Zingale* has served as a member of our board of directors since July 2009. Since April 2010, Mr. Zingale has served as Chief Executive Officer of Jive Software, Inc., an independent social business software company. He has also served as Jive Software, Inc.'s Chairman since August 2011 and as a member of its board of directors since October 2007. From February 2010 to April 2010 he served as Jive Software, Inc.'s Interim Chief Executive Officer. Mr. Zingale also served as a member of the board of directors of McAfee, Inc., a supplier of computer security solutions, from May 2008 to February 2011, before it was acquired by Intel Corporation. From November 2005 to November 2006, he served as President and Chief Executive Officer of Mercury Interactive Corporation, a provider of business technology optimization solutions that included the quality, performance, availability and governance of enterprise software applications, and as Mercury Interactive Corporation's President and Chief Operating Officer from December 2004 to November 2005. From July 2002 to November 2006, Mr. Zingale served as a member of the board of directors of Mercury Interactive Corporation. We believe Mr. Zingale possesses specific attributes that qualify him to serve as a member of our board of directors. Of particular value is Mr. Zingale's operational experience, which he has obtained by leading and managing multiple technology firms, including publicly traded companies. Mr. Zingale has also served as a director of other private and publicly traded technology companies. We believe he is a highly regarded leader in the technology industry and that his operational experience greatly enhances the overall skill set of our board.

*Steven M. Cakebread* has served as a member of our board of directors since January 2010. Since March 2010, Mr. Cakebread has served as Chief Financial Officer of Pandora Media, Inc., a provider of personalized internet radio and music discovery services. He has also served as a member of the board of directors of Solar Winds, Inc., a provider of information technology management software, since January 2008, and as a member of the board of directors of eHealth, Inc., an online provider of health insurance for individuals, families and small businesses, since June 2006. From August 2009 to March 2010, Mr. Cakebread was a Principal with J. Stevens & Co. LLC, a consulting company. From February 2009 to December 2009, Mr. Cakebread served as Senior Vice President, Chief Accounting Officer and Chief Financial Officer of Xactly Corporation, a provider of on-demand sales performance management software. Mr. Cakebread also served as President and Chief Strategy Officer of salesforce.com, inc., a CRM service provider, from March 2008 to February 2009, and as salesforce.com, inc.'s Chief Financial Officer from May 2002 to March 2008. From April 1997 to April 2002, Mr. Cakebread served as Senior Vice President and Chief Financial Officer at Autodesk, a software company. We believe that Mr. Cakebread possesses specific attributes that qualify him to serve as a member of our board of directors. In particular, Mr. Cakebread has deep experience in the software industry, including software-as-a-service, which gives him a strong expertise on our business model and a valuable understanding of a large segment of our customer base. Mr. Cakebread also possesses financial expertise due to his experience as Chief Financial Officer at several technology companies and his past service as director of other technology firms.

*Marc F. McMorris* has served as a member of our board of directors since January 2007. Since January 2012, Mr. McMorris has served as Managing Director of Carrick Capital Partners, LLC, a private equity firm. From August 1999 to December 2011, he served in various leadership positions at General Atlantic LLC, a private equity firm, including Managing Director from 2003 to 2011 and Principal from 1999 to 2003. Mr. McMorris has also served as a member of the board of directors of SSA Global Technologies, Inc., an enterprise software company, from 2003 to 2006. From May 1998 to August 1999, he served as a Vice President in the High Technology Group at Goldman Sachs & Co, an investment banking and securities firm, and as an Associate in the same group from June 1996 to May 1998. We believe Mr. McMorris possesses specific attributes that qualify him to serve as a member of our board of directors, including his overall knowledge of public markets and the technology industry, and his experience as an investor in numerous other private and public companies on behalf of General Atlantic, including technology firms. Mr. McMorris also has many professional relationships in the technology industry, both individually and through his firm, General Atlantic LLC, and those relationships have proven highly valuable in providing us access to prospective customers.

*Michael A. Smerklo* has served as our Chief Executive Officer since January 2003 and as Chairman of our board of directors since November 2008. Prior to joining us, Mr. Smerklo served as Director of Business Development at Opsware, Inc., a software company, from 2000 to 2001. From 1998 to 2000, he served as an

**Table of Contents**

Associate at Morgan Stanley & Co. LLC, a financial services firm. We believe that Mr. Smerklo possesses specific attributes that qualify him to serve as a member of our board of directors. Specifically, as our founder and the longest serving member of our board of directors, Mr. Smerklo possesses a deep understanding of our business as it has evolved over time. Of particular value is the operational experience and perspective he brings as our Chief Executive Officer. We believe Mr. Smerklo is a highly regarded leader in the service revenue management industry and that his operational experience greatly enhances the overall skill set of our board.

**Required Vote**

Our Class I directors elected to the board of directors will be elected by a plurality of the votes present in person or represented by proxy and entitled to vote on the election of directors. In other words, the two nominees receiving the highest number of FOR votes will be elected as directors. Shares represented by executed proxies will be voted, if authority to do so is not expressly withheld (as indicated on the proxy card), for the election of Messrs. Dunlevie and Reynolds.

**Recommendation**

**Our board of directors recommends a vote FOR the election to the board of directors of each of Bruce W. Dunlevie and Barry D. Reynolds as a Class I director.**

**Table of Contents**

**PROPOSAL NUMBER 2**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act, was enacted on July 21, 2010. As required by the Dodd-Frank Act, we are asking our stockholders to approve, on an advisory basis, the compensation of our named executive officers as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on the compensation of our named executive officers.

The say-on-pay vote is advisory, and therefore not binding on us or our compensation committee or board of directors. The say-on-pay vote will, however, provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which our compensation committee will be able to consider when determining executive compensation for the remainder of the current fiscal year and beyond. Our board of directors and compensation committee value the opinions of our stockholders. To the extent there is any significant vote against the named executive officer compensation disclosed in this proxy statement, we will consider our stockholders' concerns and our compensation committee will evaluate whether any actions are necessary to address those concerns.

**Compensation Philosophy and Programs**

Our executive compensation programs are designed to attract, retain and motivate top-level executive talent and to provide compensation levels and structures that are both fiscally responsible and competitive within our industry and geography. Through our compensation programs, we strive to create a culture in which executive compensation aligns with our pay-for performance business model by rewarding our executives for results that benefit us, our customers and our stockholders. In line with our overall pay-for-performance philosophy, our practice has been to make a significant portion of an executive's total compensation performance-based, so that the executive will be rewarded through bonuses and equity if we perform well in the near term and over time. Please refer to the Executive Compensation Compensation Discussion and Analysis section beginning on page 28 for a detailed discussion of our executive compensation practices and philosophy.

Our board of directors believes that our current executive compensation program has been effective at linking executive compensation to our performance and aligning the interests of our named executive officers with those of our stockholders. We are asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by voting in favor of the following resolution:

RESOLVED, that ServiceSource stockholders approve, on an advisory basis in a non-binding vote, the compensation of the named executive officers as disclosed in ServiceSource's proxy statement for the 2012 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2011 Summary Compensation Table and the other related tables and disclosure.

**Required Vote**

The affirmative FOR vote of a majority of the shares present, represented and entitled to vote on the proposal is required to approve, on an advisory basis, the compensation awarded to named executive officers for the year ended December 31, 2011. You may vote FOR, AGAINST or ABSTAIN on this proposal. Abstentions are deemed to be votes cast and have the same effect as a vote against the proposal. Broker non-votes are not deemed to be votes cast, are not included in the tabulation of voting results on this proposal, and will not affect the outcome of voting on this proposal.

**Recommendation**

**Our board of directors recommends a vote FOR the approval of the compensation of each named executive officer, as disclosed in this proxy statement.**

**Table of Contents**

**PROPOSAL NUMBER 3**

**ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY**

**VOTE ON EXECUTIVE COMPENSATION**

As required by the Dodd-Frank Act, we also are asking our stockholders to provide their input with regard to the frequency of future stockholder advisory votes on our executive compensation programs, such as Proposal Number 2 of this proxy statement. In particular, we are asking whether the advisory vote on executive compensation should occur once every year, every two years or every three years.

Our board of directors has determined that an annual advisory vote on executive compensation is the most appropriate alternative for us, particularly in light of the fact that we evaluate, adjust and approve the compensation of our named executive officers on an annual basis. As part of the annual review process, the board of directors believes that stockholder sentiment should be a factor that is taken into consideration by the board of directors and the compensation committee in making decisions with respect to executive compensation. By providing an advisory vote on executive compensation on an annual basis, our stockholders will be able to provide us with direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year. We understand that our stockholders may have different views as to what is the best approach for us, and we look forward to hearing from our stockholders on this agenda item every year. Accordingly, our board of directors recommends that the advisory vote on executive compensation be held every year.

You may cast your vote by choosing the option of one year, two years, three years, or abstain from voting in response to the resolution set forth below:

RESOLVED, that the option of once every year, two years, or three years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which ServiceSource is to hold an advisory vote by stockholders to approve the compensation of ServiceSource's named executive officers as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables other related disclosure.

**Required Vote**

The choice of frequency that receives the highest number of affirmative **FOR** votes will be considered the advisory vote of our stockholders. You may vote **FOR** one year, **FOR** two years, or **FOR** three years or **ABSTAIN**. A properly executed proxy marked **ABSTAIN** with respect to the frequency of the stockholder vote on executive compensation will not be voted with respect to such proposal although it will be counted for purposes of determining whether there is a quorum. Abstentions and broker non-votes will not affect on the outcome of this proposal.

Even though your vote is advisory and, therefore, will not be binding on us, the board of directors and our compensation committee value the opinions of our stockholders and will consider our stockholders' vote. If our stockholders approve the annual frequency consistent with the recommendation of the board of directors, the board of directors intends to implement annual frequency for the say-on-pay vote.

In the future, our board of directors may decide that it is in the best interests of our stockholders and ServiceSource to hold an advisory vote on executive compensation more or less frequently than the option voted by our stockholders.

**Recommendation**

**Our board of directors recommends a vote **FOR** the option of ONCE EVERY YEAR as the frequency with which stockholders are provided an advisory vote on executive compensation.**

**Table of Contents****PROPOSAL NUMBER 4****RATIFICATION OF SELECTION OF INDEPENDENT****REGISTERED PUBLIC ACCOUNTING FIRM**

Our audit committee has selected PricewaterhouseCoopers LLP, as the independent registered public accounting firm to audit our consolidated financial statements for the year ending December 31, 2012. During 2011, PricewaterhouseCoopers LLP served as our independent registered public accounting firm and also provided certain audit-related services.

Notwithstanding its selection of PricewaterhouseCoopers LLP and even if our stockholders ratify the selection our audit committee, in its discretion, may appoint another independent registered public accounting firm at any time during the year if the audit committee believes that such a change would be in our best interests and in the best interests of our stockholders. Our audit committee is submitting the selection of PricewaterhouseCoopers LLP to our stockholders because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate governance. If the appointment is not ratified by our stockholders, our audit committee may reconsider whether it should appoint another independent registered public accounting firm.

Representatives of PricewaterhouseCoopers LLP are expected to attend the annual meeting, where they will be available to respond to appropriate questions and, if they desire, to make a statement.

**Required Vote**

Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2012 requires the affirmative FOR vote of a majority of the shares present, represented, and entitled to vote on the proposal. Unless marked to the contrary, executed proxies received will be voted FOR ratification of the appointment of PricewaterhouseCoopers LLP.

**Recommendation**

**Our board of directors recommends a vote FOR the ratification of the selection of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2012.**

\* \* \* \* \*

**Principal Accounting Fees and Services**

The following table sets forth the aggregate fees for audit services provided by PricewaterhouseCoopers LLP for the years ended December 31, 2011 and December 31, 2010:

	<b>2011</b>	<b>2010</b>
Audit fees(1)	\$ 973,374	\$ 1,841,965
Audit-related fees(2)		109,853
Tax fees(3)	665,186	397,719
All other fees(4)		
<b>Total fees</b>	<b>\$ 1,638,560</b>	<b>\$ 2,349,537</b>

- (1) Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements, review of our quarterly consolidated financial statements and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory audit and regulatory filings or



---

## **Table of Contents**

engagements. Fees for 2011 and 2010 also include fees associated with our filings on Form S-1 and Form S-8 related to our initial public offering and follow-on public offering including comfort letters, consents and review of other items related to SEC matters.

- (2) Consists of fees billed for professional services rendered for consultations concerning financial accounting and reporting standards.
- (3) Consists of fees billed for professional services for tax compliance and tax advice.
- (4) There were no other fees incurred for the years ended December 31, 2011 and 2010.

### **Pre-Approval of Audit and Non-Audit Services**

Our audit committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The audit committee pre-approves services provided by the independent registered public accounting firm pursuant to its audit committee charter.

### **Report of the Audit Committee**

The audit committee assists the board of directors in fulfilling its oversight responsibility over our financial reporting process. It is not the duty of the committee to plan or conduct audits or to prepare our financial statements. Management has the primary responsibility for preparing the financial statements and assuring their accuracy, effectiveness and completeness. Management is also responsible for the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for auditing our financial statements and internal control over financial reporting and expressing its opinion as to whether the statements present fairly, in accordance with accounting principles generally accepted in the United States, our financial condition, results of operations and cash flows. However, the audit committee does review and discuss the financial statements with management and the independent registered public accounting firm prior to the presentation of financial statements to our stockholders and, as appropriate, initiates inquiries into various aspects of our financial affairs.

Unless the committee has reason to question its reliance on management or the independent registered public accounting firm, the members of the committee necessarily rely on information provided to them by and on the representations made by management and the independent registered public accounting firm. Accordingly, the audit committee's oversight does not provide an independent basis to determine that management has applied appropriate accounting and financial reporting principles. Furthermore, the audit committee's authority and oversight responsibilities do not independently assure that the audits of our financial statements have been carried out in accordance with the standards of the Public Company Accounting Oversight Board or that the financial statements are presented in accordance with accounting principles generally accepted in the United States.

In this context, the committee has met and held discussions with management and the independent registered public accounting firm to review our audited 2011 consolidated financial statements (including the quality of our accounting principles). Management represented to the committee that our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the committee consulted with management and the independent registered public accounting firm prior to approving the presentation of the audited 2011 consolidated financial statements to stockholders. The committee discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, (AICPA, Professional Standards, Vol. 1, AU Section 380), as amended, and as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The audit committee has discussed with the independent accountant the independent accountant's independence from us and our management. As part of that review, the committee received the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight

**Table of Contents**

Board regarding the independent accountant's communications with the audit committee concerning independence. Based on the reviews and discussions referred to above, the audit committee recommended to the board, and the board approved, our audited consolidated financial statements for the year ended December 31, 2011 for filing with the Securities and Exchange Commission as part of the Company's Annual Report on Form 10-K. The committee has selected PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012.

*Members of the Audit Committee*

Steven M. Cakebread (Chair)

Marc. F. McMorris

Barry D. Reynolds

*The Report of the Audit Committee does not constitute soliciting material and shall not be deemed to be filed or incorporated by reference into any other filing by ServiceSource under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent ServiceSource specifically incorporates the Report of the Audit Committee by reference therein.*

**Table of Contents****EXECUTIVE OFFICERS**

The names of our executive officers, their ages, their positions with us, and other biographical information as of April 2, 2012, are set forth below. There are no family relationships among any of our directors or executive officers.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael A. Smerklo	42	Chief Executive Officer and Chairman of the Board
Jeffrey M. Bizzack	51	President
David S. Oppenheimer	55	Chief Financial Officer
Robert J. Sturgeon	50	Chief Delivery Officer
Ganesh Bell	40	Executive Vice President, Products
Raymond M. Martinelli	53	Chief People Officer
Natalie A. McCullough	39	Chief Marketing Officer
John J. Boucher	48	Executive Vice President of Worldwide Sales
Jay R. Ackerman	44	Chief Services Officer
Paul D. Warenski	47	Senior Vice President and General Counsel

*Michael A. Smerklo. For a brief biography of Mr. Smerklo, please see Proposal One Election of Class I Directors Information Regarding Directors Not Standing for Re-Election.*

*Jeffrey M. Bizzack* has served as our President since February 2009. Prior to joining us, Mr. Bizzack served as Managing Director and Chief Executive Officer for Finance, Accounting and Human Resources Outsourcing at Accenture BPO Services LLC, a management consulting, technology services and outsourcing company, from May 2006 to May 2008. From April 2004 to April 2006, he served as Chief Executive Officer of Savista LLC, an outsourcing firm that provides business process outsourcing services for the finance and accounting sectors. From October 1988, Mr. Bizzack served in various positions with ProBusiness Services Inc., a human resources business process outsourcing company, with his last position being its Executive Vice President, Sales and Services when it was acquired by Automatic Data Processing Inc. in early 2003.

*David S. Oppenheimer* has served as our Chief Financial Officer since July 2010. Prior to joining us, Mr. Oppenheimer served as Chief Financial Officer of Mindjet Corporation, a desktop software company, from July 2007 to July 2010. From July 2005 to January 2007, he served as Chief Financial Officer of Hands-On Mobile, Inc., a mobile content company. From July 1999 to May 2005, he served as Chief Financial Officer of Digital Impact, Inc., an internet marketing company prior to its acquisition by Acxiom Corporation. Mr. Oppenheimer also served as Vice President, Finance, at Autodesk, Inc., a design innovation technology company, from November 1997 to July 1999.

*Robert J. Sturgeon* has served as our Chief Delivery Officer since November 2010. Prior to that, he served as our Executive Vice President, Client Delivery from January 2009. He has also served as our Worldwide Executive Vice President, Client Operations from October 2007 to December 2008. Prior to joining us, Mr. Sturgeon served as Executive Vice President and General Manager of the Security Products Group for Juniper Networks, Inc., an information technology and computer networking products company, from August 2005 to May 2007, and as Juniper Networks, Inc.'s Vice President, Worldwide Customer Service from December 2001 to August 2005. Mr. Sturgeon also served as Vice President of Customer Service for Lucent Technologies, Inc., a provider of solutions to deliver voice, data and video communication services, from May 2000 to December 2001.

*Ganesh Bell* has served as our Executive Vice President, Products since May 2010. Prior to joining us, Mr. Bell served in various management positions at SAP AG, an enterprise software company, from January 2006 to April 2010, including Vice President of Product Strategy & Management for the Business Intelligence & Technology Platform Group and Vice President of Portfolio Strategy. Prior to that, Mr. Bell served as Chief

**Table of Contents**

Technologist for PeopleSoft, Inc., a software company that was acquired by Oracle Corporation, and as Chief Software Architect for J.D. Edwards & Company, an enterprise resource planning software company that was acquired by PeopleSoft, Inc.

*Raymond M. Martinelli* has served as our Chief People Officer since November 2010. Prior to that, Mr. Martinelli was our Executive Vice President of Human Resources since April 2006. Prior to joining us, Mr. Martinelli served as the Senior Vice President of Human Resources for Macromedia, Inc., a provider of web publishing products and solutions, from 2005 to 2006, before it was acquired by Adobe Systems Incorporated. From 2000 to 2005, Mr. Martinelli served as the Vice President of Human Resources for Juniper Networks, Inc., an information technology and computer networking products company.

*Natalie A. McCullough* has served as our Chief Marketing Officer since November 2010. Prior to that, Ms. McCullough was our Executive Vice President of Marketing from June 2010. She has also served as our Senior Vice President, Go To Market, from June 2009 to June 2010, our Senior Vice President of Sales Effectiveness, from March 2008 to June 2009, our Vice President of Sales Effectiveness, from December 2007 to March 2008, and our Vice President of Strategy Operations from August 2006 to December 2007. Prior to joining us, Ms. McCullough served as an Associate Principal at McKinsey & Company, a management consulting firm, where she worked from August 2000 to December 2005.

*John J. Boucher* has served as our Executive Vice President of Worldwide Sales since August 2011. Prior to joining us, Mr. Boucher served in various management positions at Oracle Corporation, an enterprise software company, including Senior Vice President, North America Applications from 2005 to 2011, Group Vice President, North America East Commercial Applications from 2002 to 2005 and Area Vice President, Northeast General Business Applications from 1997 to 2002.

*Jay R. Ackerman* has served as our Chief Services Officer since December 2009. He has also served as our Executive Vice President of Client Care from December 2005 to November 2009. Prior to joining us, Mr. Ackerman served as Chief Executive Officer and President of WNS North America Inc., a business processing outsourcing company, from 2003 to 2005. From 1999 to 2003, Mr. Ackerman served as Vice President Client Accounts and Sales for Exult, Inc., a provider of business services related to human resource and business process outsourcing.

*Paul D. Warenski* has served as our Senior Vice President and General Counsel since May 2008. Prior to joining us, Mr. Warenski served as Senior Vice President and General Counsel of BenefitStreet, Inc., a provider of solutions for corporate benefit plans, from June 2007 to November 2007. From March 2006 to May 2007, Mr. Warenski served as Senior Vice President and General Counsel of Intraware, Inc., a software-as-a-service company. Prior to that, Mr. Warenski served as Senior Vice President, General Counsel, and Secretary of Commerce One, Inc., an e-commerce software company, which filed a voluntary petition for bankruptcy under Chapter 11 of the United States Bankruptcy Code in October 2004, serving as the Responsible Person for Commerce One in its bankruptcy proceeding. Prior to becoming General Counsel of Commerce One in September 2004, Mr. Warenski served at Commerce One as Associate General Counsel and Senior Counsel, beginning in February 2001. Mr. Warenski also was an associate, and later a partner, at the law firm of Schachter, Kristoff, Orenstein and Berkowitz in San Francisco, from 1996 to 2000.

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

The following discussion and analysis of compensation arrangements of our named executive officers for 2011 should be read together with the compensation tables and related disclosures presented below. This discussion contains forward looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs.

For 2011, our named executive officers were:

Michael A. Smerklo, our Chief Executive Officer and Chairman of the Board;

Jeffrey M. Bizzack, our President;

David S. Oppenheimer, our Chief Financial Officer;

John J. Boucher, who joined us in August 2011 as our Executive Vice President of World Wide Sales; and

Paul D. Warenski, our Senior Vice President and General Counsel.

*Objectives and Principles of Our Executive Compensation*

Our compensation philosophy is based on the following objectives and principles:

attract, retain and motivate top-level executive talent;

provide compensation levels and structures that are both fiscally responsible and competitive within our industry and geography;

create a culture in which executive compensation aligns with our overall philosophy and pay-for-performance business model;

maintain simplicity, transparency and ease of administration; and

align the interests of our management team and shareholders by providing equity incentives, while avoiding unreasonable levels of shareholder dilution.

*Compensation Decision Process*

*Role of the Board of Directors and Compensation Committee.* We established our compensation committee several years ago to take on the responsibility of compensation matters for all of our employees, including our executives. Our board of directors formally approved a charter for our compensation committee in November 2008, and we adopted a new charter in connection with our initial public offering to comply with the applicable rules and regulations of a public company listed on The NASDAQ Global Market. In the past several years, including 2011 and 2012, our compensation committee has begun discussions with our independent compensation consultant in early December for the upcoming fiscal

year, and has met and formally approved compensation decisions with respect to our executive officers after several weeks of consideration, typically in early February, including approval of cash incentive bonus payments based on the results of the previously completed year. For a description of the composition of our compensation committee, see Corporate Governance and Board of Directors Board Committees Compensation Committee.

*Role of Executive Officers.* Our compensation committee generally seeks input from our Chief Executive Officer and our Chief People Officer when discussing the performance of and compensation levels for named executive officers (other than their own compensation). Our Chief People Officer has the responsibility to advise the compensation committee and coordinate with third-party compensation advisors. The compensation committee also works with our Chief Financial Officer to evaluate the financial, accounting and tax implications, and with our General Counsel to evaluate legal matters, regarding our various compensation programs. None of

**Table of Contents**

our named executive officers participates in deliberations regarding his or her own compensation. Our compensation committee charter also specifies that our compensation committee deliberates and determines compensation decisions related to our Chief Executive Officer in executive session, outside of the presence of our Chief Executive Officer.

*Role of Compensation Advisors.* For 2011, our compensation committee retained Compensia, an independent compensation consulting firm, to provide advice with respect to executive compensation decisions and comparison benchmarking. Working with management, Compensia met with our compensation committee and provided various data and recommendations. Our compensation committee retained Compensia to provide advice for the compensation decisions with respect to 2012. Our compensation committee retains the authority to retain and dismiss any compensation consultants pursuant to its charter.

*Benchmarking.* Given that we compete for executive officer talent with companies in the technology sector and companies that provide other professional services, we rely on certain compensation benchmarking in making our compensation decisions. To determine what constitutes competitive compensation, we engaged Compensia to benchmark our cash and equity compensation levels for each executive. Among other activities, Compensia:

assisted us in identifying a group of peer companies for purposes of benchmarking our levels of compensation;

gathered and analyzed compensation data from those peer companies as well as from other available compensation surveys; and

assisted us in structuring awards as part of the equity incentive element of our compensation program, including assisting us in establishing appropriate amounts for equity incentive awards.

Compensia commenced its analysis by conducting a survey of compensation data and practices at public technology companies comparable to us with respect to size, complexity, financial performance and stage of development. Based on this analysis, Compensia recommended a group of peer companies for purposes of benchmarking our levels of executive compensation. For 2011, based upon Compensia's recommendations, our compensation committee considered the following as our peer companies:

Actuate	DemandTec
Art Technology Group	Fortinet
Aruba Networks	Kenexa
DealerTrack Holdings	NetSuite
PFSweb	Taleo
RightNow Technologies	TechTeam Global
ShoreTel	Ultimate Software Group
Shartek	Unica
SuccessFactors	Websense
Synchronoss Technologies	

Compensia gathered and evaluated our compensation levels relative to compensation data from the public filings of the peer companies listed above. In addition, Compensia compared our compensation practices to compensation data from (i) a proprietary database of pre-initial public offering, high-technology companies with median annual revenues of \$150 million and greater than \$100 million in private capital raised since formation and (ii) the Radford July High-Technology Executive Survey for public and private companies with annual revenues between \$50 million and \$500 million (with a median of \$219 million).



## **Table of Contents**

Using the data provided by Compensia, we then determined individual compensation for each executive. Although our practice has been to benchmark to the fiftieth percentile of our peer companies, we did not automatically tie compensation to that benchmark level for each member of our executive management team. Rather, we considered a number of individualized factors that are unique to our business, including individual performance, skill set, industry knowledge and experience, prior employment history, compensation at previous companies, recruiting efforts and negotiations, retention risk and an executive's overall compensation level relative to his or her peers.

### *Our Compensation Programs*

The four elements of our executive compensation package are base salary, variable incentive pay, equity-based rewards and employee-benefits programs. We view these components of compensation as related in reviewing the total compensation packages of our executive officers. We determine the appropriate level for each compensation component based in part, but not exclusively, on information from analysis of third-party compensation surveys consistent with our recruiting and retention goals, our view of internal equity and consistency and overall company and individual performance. We compete with many other companies in seeking to attract and retain a skilled workforce, particularly companies in the technology sector. We have not adopted any formal or informal policies or guidelines for allocating compensation between long-term and currently paid-out compensation, between cash and non-cash compensation or among different forms of non-cash compensation. However, in line with our overall pay-for-performance philosophy of rewarding our employees for results that benefit us and our customers, the compensation committee's practice has been to make a significant portion of an employee's total compensation performance-based, so that the employee will be rewarded through bonuses and equity if we perform well in the near term and over time. We also believe that, for technology companies, stock-based compensation continues to be a primary motivator in attracting employees.

*On Target Earnings - Base Salary and Variable Incentive Compensation.* When analyzing the cash compensation of our executive leadership team, we have viewed the total cash compensation of base salary plus the variable incentive plan compensation as the on target earnings for each of such executive officers. In analyzing this figure, we assume that we will meet the targets necessary for our executives to earn their on target bonuses. For 2011, we analyzed these on target cash earnings as the benchmark by which to measure our named executive officers' compensation compared to the comparable positions of our peer companies. Overall, for 2011, Messrs. Smerklo, Bizzack, Oppenheimer and Warenski as a group have ranged from approximately the fortieth to the sixtieth percentiles when their on target cash earnings are compared to our peer companies. Given our age as a company, our size and our results of operations, we believe that the on target earnings for our named executive officers were reasonable and appropriate for 2011.

*Base Salary.* We establish base pay that is both reasonable and competitive in relation to the market, including the benchmarking data described above. We regularly monitor competitive base pay levels and make adjustments to base pay as appropriate. In general, a named executive officer's base pay level should reflect the executive's overall performance and contribution to us over time. We also seek to structure competitive base pay for our named executive officers based upon applicable market data analysis. As described below, we design base pay to provide the ongoing reward for each named executive officer's work and contribution and to be competitive in attracting or retaining the executive. We do not provide automatic salary increases for our executive team. Once base pay levels are initially determined, however, we conduct salary reviews each year based upon current market data and the executive's specific performance achievements. We also take into account salary levels for their retention effect. Salaries are also determined based on negotiations with our executive officers, in particular when we are trying to hire a new executive officer and we must be competitive. We believe this pay-for-performance approach reflects our cultural values and our business model.

**Table of Contents**

The following are the effective annual base salaries for each of our named executive officers for 2010 and 2011:

Executive Officer	Annual Base Salary(1)	
	2010	2011
Michael A. Smerklo	\$ 410,000	\$ 450,000
Jeffrey M. Bizzack	\$ 375,000	\$ 400,000
David S. Oppenheimer	\$ 300,000	\$ 307,500
John J. Boucher		\$ 350,000
Paul D. Warenski		\$ 240,000

(1) Reflects effective annual base salary. Actual amounts earned vary for those named executive officers that either joined or departed during the years specified as described above. Data not provided for any period in which an individual was not a named executive officer.

For the 2011 base salary compensation decisions, Messrs. Smerklo, Bizzack, Oppenheimer and Warenski received increases in their base salaries as a result of the compensation committee's acknowledgement of a mix of continued effective performance and the benchmarking analysis reflected above. Also, as Mr. Boucher started with us in 2011, his initial base salary reflects market benchmarking and negotiations prior to his agreement to join us.

*Variable Pay.* Consistent with our pay-for-performance philosophy, we link a significant portion of our named executive officers' cash compensation to individual and company performance. We design our variable pay programs to provide reasonable and competitive earnings potential relative to our industry and geography. For most of our named executive officers, we have implemented our corporate incentive bonus program as a motivational tool to achieve and exceed individual and company goals by paying for outstanding results. For those named executive officers who are sales executives, we have sales commission plans that serve as the primary motivational tool for achieving our company goals. In addition, in connection with joining us in 2011, we implemented a separate bonus program for Mr. Boucher to serve as a long-term retention incentive and as a motivational tool to achieve established performance goals. Our variable pay programs are typically based on a formulaic assessment of our financial performance, giving consideration to an assessment of each individual's performance. Our programs are designed to avoid entitlements, and to align actual payouts with actual results based on clearly understood metrics.

Our compensation committee reviews the structure and design of our variable pay plans on an annual basis, typically at the beginning of each year. The overall business plan and related goals of our variable pay plans will be determined at the start of the year, typically in February. Our 2011 Corporate Incentive Plan (described in more detail below) includes a mid-year payment if certain metrics are achieved for the first six months of 2011. The compensation committee and the board of directors have the discretion to increase or decrease a payout under the variable pay plans in the event that they determine that circumstances warrant adjustment. As described below, the compensation committee modified the design of our 2011 Incremental Incentive Bonus Plan in connection with analyzing the results of 2011, and exercised discretion in approving payments thereunder.

*2011 Corporate Incentive Bonus Plan.* In February 2011, our compensation committee approved the 2011 Corporate Incentive Plan, to which we refer as the 2011 CIP. The 2011 CIP is designed for non-commissioned employees, generally at the manager level and above. Of our named executive officers, Messrs. Smerklo, Bizzack, Oppenheimer and Warenski were eligible to participate in the 2011 CIP. Employees paid by commission are not eligible to participate in the 2011 CIP. For Messrs. Smerklo, Bizzack, Oppenheimer and Warenski, the 2011 CIP bonus targets are set forth as a percentage of base salary, which range from approximately 45% to approximately 67% for most executives. In addition, in view of the overall design of the 2011 CIP together with the 2011 Incremental Bonus Plan described below, the compensation committee and the board decided to increase the bonus opportunity for each of Messrs. Oppenheimer and Warenski in the 2011 CIP in the amount of \$25,000, and to deem them not eligible to

**Table of Contents**

participate in the 2011 Incremental Bonus Plan. This decision was made as a matter of corporate governance in that Messrs. Oppenheimer and Warenski and the other affected senior executives are responsible for approving new customer contracts and/or forecasting the metrics on which the 2011 Incremental Bonus Plan is measured.

The 2011 CIP was designed with semi-annual payments with up to 35% of the annual bonus payable for the first half of the year and the rest, including any overachievement payments, payable after completion of the full year. Funding for the 2011 CIP was based upon our achieving certain revenue targets, subject to a minimum level of Adjusted EBITDA. Those targets were set by our compensation committee in February 2011 for both the six months ended June 30, 2011, and for the full year. For the six months ended June 30, 2011, the minimum revenue threshold for funding the plan was \$80.7 million representing 95% of the 2011 first half target of \$85.0 million and the Adjusted EBITDA minimum was \$2.6 million representing 91% of the 2011 first half target of \$2.8 million. At the minimum funding thresholds, the plan would fund at fifty percent. The following table reconciles our targeted net income to the Adjusted EBITDA target for the 2011 CIP of \$2.8 million for the six months ended June 30, 2011:

Targeted net loss	\$(5.2) million
Adjusted for:	
Stock-based compensation	4.4
Depreciation and amortization	3.2
Interest and other, net	1.0
Income tax benefit	(0.6)
Adjusted EBITDA Target	\$2.8 million

For the year ending December 31, 2011, the revenue threshold was \$175.8 million representing 95% of the annual target of \$185.0 million and the Adjusted EBITDA minimum was \$11.0 million, representing 80% of the annual target of \$13.8 million. The following table reconciles our targeted net income to the Adjusted EBITDA target for the 2011 CIP of \$13.8 million for the year ending December 31, 2011:

Targeted net loss	\$(5.7) million
Adjusted for:	
Stock-based compensation	9.1
Depreciation and amortization	7.3
Interest and other, net	1.0
Income tax provision	2.1
Adjusted EBITDA Target	\$13.8 million

To fund the 2011 CIP, we were required to meet at least 80% of the Adjusted EBITDA target for the applicable period. Assuming we reached 80% of the Adjusted EBITDA target, we would fund the bonus pool based upon the level of revenue achieved, as shown in the table below.

Revenue Target Achievement	2011 CIP Funding Percentage
Below 95%	No Payout
95%	50%
96%	60%
97%	70%
98%	80%
99%	90%
100%	100%

The 2011 CIP also allowed for additional upside payments in the event that we exceed our targets for full year 2011, subject to the following conditions:

we must have achieved 100% of our Adjusted EBITDA target for the full year in order to make any upside payments;



**Table of Contents**

upside payments were capped at 150% of 2011 CIP;

no more than 50% of Adjusted EBITDA overachievement could be spent on bonuses under the 2011 CIP; and

upside payments would be determined based on the full year 2011 results after the year was completed.

Subject to those conditions, the potential upside payments under the 2011 CIP were as follows:

Annual Revenue Target Overachievement	Annual 2011 CIP Funding Percentage
102%	110%
104%	120%
106%	130%
108%	140%
110% and above	150%

Up to thirty-five percent of the annual bonus target is payable after the first six months of the fiscal year, subject to our achieving the necessary Adjusted EBITDA and revenue targets to fund the 2011 CIP. Under the 2011 CIP, individual bonus payments are calculated as follows for each bonus period, with any payment for the first half of the year taken into account with respect to the payment for the full year:

**(% Company Bonus Pool Funded) × (% Individual Performance Goals Achieved During the Plan Measurement Period) ×**

**(Individual Salary × % Individual Semi-Annual Bonus) = Employee Payment**

We made semi-annual bonus payments to the participating named executive officers, and to other 2011 CIP participants, in July 2011. For the first semi-annual bonus period, we achieved 111% against the 2011 CIP targets, and 217% of the minimum Adjusted EBITDA funding requirement. We therefore funded the bonus pool at a 100% level. We also carried the upside into the full year bonus period.

For the full year 2011 results, we achieved approximately 160% of the 2011 CIP Adjusted EBITDA target, and 111% of the 2011 CIP revenue target. We therefore funded the bonus pool at a 150% level in accordance with the plan.

For the targets related to the specific named executive officers under the 2011 CIP, see [Executive Compensation Grants of Plan-Based Awards](#), and for the payments made under the 2011 CIP for each named executive officer, see [Executive Compensation Summary Compensation Table](#).

*2011 Incremental Incentive Bonus Plan.* In addition to our 2011 CIP, our compensation committee approved a special variable cash incentive plan for 2011 for certain of our named executive officers and a few other senior executives. This plan, to which we refer as the 2011 Incremental Bonus Plan, was designed to reward exceptional corporate performance based on a certain target that measures the collective annual value of our customer contracts, to which we refer as annual contract value, or ACV. The ACV target we used to measure 2011 Incremental Bonus Plan funding levels is an internal financial metric that we use for measuring certain customer contractual commitments based on a net recurring revenue amount in which we measure customer revenue gains offset by losses in the given measurement period. The actual ACV target for 2011 is confidential financial information to us, such that its disclosure would cause us competitive harm. We believe this target was challenging because it required achieving exceptional sales and revenue results for 2011. Of our 2011 named executive officers, only Jeffrey Bizzack was eligible for the 2011 Incremental Bonus Plan.

We implemented the 2011 Incremental Bonus Plan in order to incentivize certain senior executives to drive customer acquisition, growth and retention. Payment under the 2011 Incremental Bonus Plan was designed to be in a lump sum if we achieved the ACV target. In February 2012, our compensation committee and board evaluated the results and our ACV target under the 2011 Incremental Bonus Plan and determined that we had obtained approximately 100.1% of the target metric required to fund the plan. As a result of this strong performance and the general accomplishments of the management team throughout the year, we

**Table of Contents**

funded the 2011 Incremental Bonus Plan at 100% of the funding level, although our compensation committee determined to use its discretion to reallocate a portion of the bonus funds to allow for discretionary payments in recognition of certain individual achievements by eligible members of our management team. Because the compensation committee exercised this discretion to modify the original plan structure, Mr. Bizzack will be treated as having received a discretionary bonus for the payments relating to the 2011 Incremental Bonus Plan.

For the target bonus amounts of Mr. Bizzack under the 2011 Incremental Bonus Plan, see Executive Compensation Grants of Plan-Based Awards, and for the payments made to Mr. Bizzack under the 2011 Incremental Bonus Plan, see Executive Compensation Summary Compensation Table.

*2012 Corporate Incentive Bonus Plan.* In February 2012, our compensation committee approved the 2012 Corporate Incentive Plan, to which we refer as the 2012 CIP. Messrs. Smerklo, Bizzack, Oppenheimer and Warenski are the named executive officers eligible to participate in the 2012 CIP. Employees paid by commission are not eligible to participate in the 2012 CIP. For Messrs. Smerklo, Bizzack, Oppenheimer and Warenski, the 2012 CIP bonus targets are set forth as a percentage of base salary, which range from approximately 45% to approximately 67% for most executives. The following are the target bonuses at 100% funding for each named executive officer under the 2012 CIP: Mr. Smerklo: \$315,000; Mr. Bizzack: \$250,000; Mr. Oppenheimer: \$177,513; and Mr. Warenski: \$114,750.

The 2012 CIP was designed with semi-annual payments, with up to 35% of the annual bonus payable for the first half of the year and the rest, including any overachievement payments, payable after completion of the full year. Similar to the 2011 CIP, funding for the 2012 CIP is based upon our achieving certain revenue targets, subject to a minimum level of EBITDA. While the revenue and EBITDA targets were set in February 2012, the disclosure of these targets at this time so early in the year would cause competitive harm to us. We believe these targets are challenging because they require meaningful growth in our business for 2012.

To fund the 2012 CIP, we are required to meet at least 80% of the EBITDA target for the applicable period. Assuming we reach 80% of the EBITDA target, we would fund the bonus pool based upon the level of revenue achieved, as shown in the table below.

Revenue Target Achievement	2012 CIP Funding Percentage
Below 96%	No Payout
<sup>3</sup> 96%	50%
<sup>3</sup> 97%	70%
<sup>3</sup> 98%	85%
<sup>3</sup> 99%	95%
100%	100%

In addition, funding levels for the 2012 CIP may be adjusted in the event that we exceed or do not meet a specified ACV target. The 2012 ACV target is confidential financial information to us, such that the disclosure of this metric would cause us competitive harm. We believe the ACV target is challenging because it requires achieving exceptional sales results for 2012. We added this component to the 2012 CIP in order to incentivize our management to drive customer acquisition, retention and growth, and, in part, as a replacement of the 2011 Incremental Incentive Bonus Plan described above. In the event we fall short of or exceed the ACV target, funding of the 2012 CIP will be modified as shown in the table below.

ACV Target Achievement	ACV Modifier
Below 92%	.75x
<96% but <sup>3</sup> 92%	.94x-.75x (linear)
<100% but <sup>3</sup> 96%	.99x-.95x (linear)
100%	No Modifier
>100% but £103%	.01x-1.1x (linear)
>103% but £105%	1.11-1.15x (linear)
>105% but £107%	1.16x-1.25x (linear)
>107%	1.25x

**Table of Contents**

The 2012 CIP allows for additional upside payments in the event that we exceed certain annual revenue targets for full year 2012, subject to the following conditions:

we must have achieved 100% of our EBITDA target for the full year in order to make any upside payments;

upside payments are capped at 150% of 2012 CIP;

no more than half of EBITDA overachievement may be spent on bonuses under the 2012 CIP; and

upside payments will be determined based on the full year 2012 results after the year is completed.

Subject to those conditions, these potential upside payments under the 2012 CIP are as follows:

Annual Revenue Target Overachievement	Annual 2012 CIP Funding Percentage
102%	110%
104%	120%
105%	125%
106%	130%
108%	140%
110% and above	150%

For purposes of the 2012 CIP, bonuses are paid semi-annually, subject to our achieving the necessary revenue targets and minimum EBITDA thresholds. Under the 2012 CIP, individual bonus payments are calculated as follows for each bonus period, with any payment for the first half of the year taken into account with respect to the payment for the full year:

$$(\% \text{ Company Bonus Pool Funded}) \times (\% \text{ Individual Performance Goal Achieved During the Plan Measurement Period}) \times$$

$$(\text{Individual Salary} \times \% \text{ Individual Semi-Annual Bonus}) = \text{Employee Payment}$$

*Bonus Arrangements for John J. Boucher.* In connection with joining us in 2011, we implemented a special variable cash incentive plan for Mr. Boucher, which we refer to as the Draw Against Commissions. The Draw Against Commissions was designed to award Mr. Boucher for achievement of specific performance goals during the period from September through December 2011, relating to building out our sales team and infrastructure, and refining and prioritizing the Company's total addressable market. Payment under the Draw Against Commissions was designed to be made in four equal monthly installments over the period from September through December 2011. Each month, we evaluated Mr. Boucher's performance and we determined that he met or exceeded each goal. As a result of his strong performance, we funded the Draw Against Commissions at 100% of the funding level. For the target bonus amounts of Mr. Boucher under the Draw Against Commissions, see Executive Compensation Grants of Plan-Based Awards, and for the payments made to Mr. Boucher under the Draw Against Commissions, see Executive Compensation Summary Compensation Table.

In addition to the Draw Against Commission, Mr. Boucher is eligible to receive a hiring bonus in the total amount of \$150,000, payable in three equal annual installments beginning on August 30, 2012. Mr. Boucher must be employed by us on each payment date (August 30, 2012, August 30, 2013 and August 30, 2014) to receive an installment payment. The amount and timing of the hiring bonus payments serves as a long-term retention incentive and reflects negotiations with Mr. Boucher prior to his agreement to join us.

Mr. Boucher is also entitled to receive ongoing cash compensation under his 2012 Executive Vice President Sales Commission Plan (2012 Executive Commission Plan) with a target commission amount of \$500,000. Under the 2012 Executive Commission Plan, Mr. Boucher receives a percentage of all new ACV that results from sales by our outside sales team during the 2012 fiscal year up. The commission percentage Mr. Boucher receives from each sale will depend upon his achievement to date relative to his sales quota



## **Table of Contents**

when the sale is made. Below a specified percentage of his quota, he receives a base commission rate. As the outside sales organization nears or exceeds Mr. Boucher's annual quota, his commission rate increases based upon the level of achievement by the outside sales team. Mr. Boucher's 2012 Executive Commission Plan includes seven potential tiers of commission rate acceleration based on meeting specified sales targets. Upon exceeding the seventh and highest rate tier, Mr. Boucher's rate then drops back to a lower rate for all subsequent sales during the 2012 plan year.

*Equity-Based Rewards.* We design our equity programs to be both responsible and competitive in relation to the market. We monitor the market and applicable laws and regulations and adjust our equity programs as appropriate. Stock options and restricted stock units are designed to reflect and reward a high level of sustained individual performance over time, as reflected in improved overall company value. As described in more detail below, we design equity-based compensation to help retain talent over a period of time and to provide named executive officers with a long-term reward that aligns their interests with those of our stockholders.

We historically have used stock option grants as the primary vehicle for equity compensation to our named executive officers and other employees. In order to promote the long-term incentive and retention features of equity compensation, we have typically issued our stock option grants subject to our standard one-year cliff vesting and four year vesting schedule. Under the vesting schedule, 25% of the stock option becomes exercisable one year after a specified vesting commencement date, and then vesting occurs monthly thereafter over the remaining three year period, which we believe is a common default vesting term in the technology industry. On occasion, we have also granted stock options with non-standard vesting or early exercise features, mostly in case-by-case situations for senior and other employees or candidates in high demand.

After becoming a publicly traded company, we began using restricted stock units in addition to stock options for equity compensation, primarily to reduce the dilution associated with our equity compensation programs. We are able to grant fewer shares of stock but still incent our executive officers based on the fact that restricted stock units have value to the recipients in the absence of stock price appreciation. We have typically issued our restricted stock units subject to a four year vesting schedule. Under the vesting schedule, the restricted stock units vest in four equal annual installments beginning on a specified vesting commencement date.

We consider a number of factors to determine the size of all equity grants, including competitive market factors, named executive officer performance, retention value and a review of the named executive officer's overall compensation package. Traditionally, equity awards to our named executive officers have been recommended by the compensation committee to our board of directors, which then makes the final determination as to whether to grant any equity award to a named executive officer. After our initial public offering, our compensation committee has made all equity grants.

Initial grants of stock options and restricted stock units upon hire are generally designed to attract experienced executives with established records of success and help retain them over the long term. The size of new hire grants has been evaluated by our compensation committee in light of the Compensia-provided benchmarking data, and as a result of the negotiations with potential executive officers. In 2011, Mr. Boucher received new hire grants of stock options and restricted stock units as part of his compensation package upon joining us, the terms of which are reflected in the "Grants of Plan-Based Awards" table below.

Subsequent grants to named executive officers are intended to ensure that equity compensation remains competitive within our industry group and geography. Named executive officers whose skills and results we deem essential to our long-term success are eligible to receive higher equity grants. The decision to make such refresh grants has traditionally been based on rewarding performance, consistent with our pay-for-performance philosophy, and the benchmarking position of equity ownership of our named executive officers against the market surveys, taking into account the number of vested stock options and restricted stock units that our named executive officers hold and the situation of our company. In connection with our annual compensation review for

---

**Table of Contents**

our named executive officers and other employees, in February 2011 our compensation committee and board of directors conducted an annual refresh review for all employees, with emphasis on our senior employees, in order to award future performance and potential for future contributions to our company. We also took into account the Compensia-provided benchmarking data in evaluating the size of potential refresh grants for our executive officers, especially given our plans to pursue our initial public offering. At that time in 2011, our compensation committee determined not to make any additional refresh grants to our named executive officers.

In September 2011, our compensation committee granted restricted stock units to Mr. Warenski in recognition of his contributions to our performance to date and to provide a long-term retention incentive. The terms of Mr. Warenski's September 2011 grant are reflected on the Grants of Plan-Based Awards table below.

Currently, we do not have any policy in place that requires us to grant equity compensation on specified dates. As noted above, we have traditionally made our equity grants to our newly-hired named executive officers at the next board meeting after they commence employment. Our compensation committee reviews equity compensation for incumbent executives annually, typically in early February of each year.

We traditionally have not had any equity security ownership guidelines or requirements for our executive officers or directors. In February 2012, however, our board of directors adopted share ownership guidelines under which all named executive officers, along with other members of executive management, are expected to own and retain our shares with a value at least equal to their annual base salary or, in the case of our chief executive officer, at least three times the value of his annual base salary. For purposes of these ownership guidelines, vested but unexercised stock options are credited at a fifty-percent level, so that each unexercised vested stock option is treated as one half of a share of our stock. Executives who do not currently meet these guidelines are expected to meet them by February 2, 2015. Until they meet the ownership guidelines, those executives are expected to hold twenty-five percent of all stock options they exercise, and twenty-five percent of all restricted stock units in which they become vested, net of tax payments.

Our board of directors also adopted share ownership guidelines for directors in February 2012. Under those guidelines, our directors are expected to retain, so long as they remain active board members, at least fifty percent of the equity awards they have been granted over the course of their board service. As with the ownership guidelines for executives, vested but unexercised stock options are credited at a fifty-percent level, so that each unexercised vested stock option is treated as one half of a share of our stock.

*Benefits Programs.* We provide our employees with retirement, health and welfare benefits, such as our group health insurance plans, 401(k) retirement plan, life, disability and accidental death insurance plans and our 2011 Employee Stock Purchase Plan. Those plans, which are available to all employees including our named executive officers, are designed to provide a stable array of support to our employees and their families and are not performance based. Our benefits programs are generally established and adjusted by our human resources department with approval, as necessary, from senior management, the compensation committee or the board of directors, as appropriate.

*Employment Agreements and Post-Employment Compensation*

We enter into employment agreements with certain of our named executive officers, sometimes as part of the hiring process, that provide for at-will employment, base salary, eligibility to participate in the executive incentive bonus plan, standard employee benefit plan participation and recommendations for initial stock option grants. These agreements are subject to our standard proprietary information and invention assignment terms. Certain of the employment agreements contain certain severance and change of control benefits in favor of certain named executive officers, including our most senior executives. These arrangements provide for payments and benefits upon termination of their employment in specified circumstances, including following a change of control. These arrangements (including potential payments and terms) are discussed in more detail in the Executive Compensation Employment Agreements and Potential Payments upon Termination or Change-in-Control section below. We believe that these agreements are an important retention tool, and will

## **Table of Contents**

incent the named executive officers to maintain continued focus and dedication to their assigned duties to maximize stockholder value. The terms of these agreements were determined after review by the compensation committee of our retention goals for each named executive officer, as well as analysis of market data, similar agreements established in our industry and as a result of negotiations with certain of the executives.

### *Other Compensation Matters and Policies*

*Tax and Accounting Considerations.* Internal Revenue Code Section 162(m) limits the amount that we may deduct for compensation paid to our Chief Executive Officer and to each of our four most highly compensated officers to \$1,000,000 per person, unless certain exemption requirements are met. Exemptions to this deductibility limit may be made for various forms of performance-based compensation. In addition to salary and bonus compensation, upon the exercise of stock options that are not treated as incentive stock options, the excess of the current market price over the option price, or option spread, is treated as compensation and accordingly, in any year, such exercise may cause an officer's total compensation to exceed \$1,000,000. Under certain regulations, option spread compensation from options that meet certain requirements will not be subject to the \$1,000,000 cap on deductibility, and in the past, we have granted options that we believe satisfy those requirements. While the compensation committee cannot predict how the deductibility limit may impact our compensation program in future years, the compensation committee intends to maintain an approach to executive compensation that follows our pay-for-performance philosophy. While the compensation committee has not adopted a formal policy regarding tax deductibility of compensation paid to our Chief Executive Officer and our four most highly compensated officers, the compensation committee intends to consider tax deductibility under Section 162(m) as a factor in compensation decisions.

Section 409A of the Internal Revenue Code imposes additional significant taxes in the event that an executive officer, director or other service provider receives deferred compensation that does not satisfy the requirements of Section 409A. Although we do not maintain traditional nonqualified deferred compensation plans, Section 409A may apply to certain arrangements we enter into with our executive officers, including our change of control severance arrangements. Consequently, to assist in avoiding additional tax under Section 409A, our intent is to design any such arrangements in a manner to avoid the application of Section 409A.

*Adjustment or Recovery of Compensation.* We do not have a formal policy regarding adjustment or recovery of awards or payments if the relevant performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of the award or payment.

### *Compensation Risk Assessment*

The compensation committee believes that although a portion of compensation provided to our executive officers is performance-based, our compensation programs do not encourage excessive or unnecessary risk taking. In fact, the design of our compensation programs encourage our executives to remain focused on both short-term and long-term strategic goals, in particular in connection with our pay-for-performance business model.

**Table of Contents**

**Compensation Committee Report**

The compensation committee oversees our compensation policies, plans, and benefit programs. The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the compensation committee has recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

*The Compensation Committee*

Marc F. McMorris (Chair)

Steven M. Cakebread

James C. Madden, V

*The Report of the Compensation Committee does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing by ServiceSource under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent ServiceSource specifically incorporates the Report of the Compensation Committee by reference therein.*

**Table of Contents****Summary Compensation Table**

The following tables provide information regarding the compensation of our named executive officers during the year ended December 31, 2011

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Option Awards(3)	Non-Equity	All Other Compensation(4)	Total
						Incentive Plan Compensation		
Michael A. Smerklo Chief Executive Officer	2011	\$ 450,000	\$			\$ 450,000(5)	\$ 2,000	\$ 902,000
	2010	\$ 410,000	\$ 100,000		\$ 2,484,170	\$ 100,000(6)	\$ 2,000	\$ 3,096,170
	2009	\$ 393,300				\$ 146,400(7)	\$ 2,000	\$ 541,700
Jeffrey M. Bizzack President	2011	\$ 400,000	\$ 50,000			\$ 375,000(5)		\$ 825,000
	2010	\$ 375,000	\$ 177,500		\$ 808,720	\$ 87,500(6)		\$ 1,448,720
	2009	\$ 313,942(8)			\$ 3,527,334	\$ 110,833(7)		\$ 3,952,109
David S. Oppenheimer Chief Financial Officer	2011	\$ 307,500	\$			\$ 268,126(5)	\$ 2,000	\$ 577,626
	2010	\$ 128,409(9)	\$ 70,000		\$ 1,735,001			\$ 1,933,410
John J. Boucher Executive Vice President of Worldwide Sales	2011	\$ 118,013(10)		\$ 1,798,000	\$ 2,558,115	\$ 150,000(11)	\$ 2,000	\$ 4,626,128
Paul D. Warenski(12) Chief Delivery Officer	2011	\$ 240,000	\$	\$ 269,700		\$ 199,500(5)	\$ 2,000	\$ 711,200

- (1) For 2011, the amounts in this column represent payments earned under the 2011 Incremental Bonus Plan which were granted on a discretionary basis as discussed under Executive Compensation Compensation Discussion and Analysis Our Compensation Programs Variable Pay 2011 Corporate Incentive Bonus Plan and 2011 Incremental Incentive Bonus Plan. All such amounts were paid in February 2012. For 2010, the amounts in this column represent payments earned under the 2010 Corporate Incentive Bonus Plan for the full year 2010 results plus all amounts earned under the 2010 Incremental Incentive Bonus Plan which were granted on a discretionary basis. All such amounts were paid in March 2011.
- (2) Amounts in this column reflect the aggregate grant date fair value of the stock awards computed in accordance with FASB ASC Topic 718. These amounts do not necessarily correspond to the actual value recognized by named executive officers. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
- (3) Amounts in this column reflect the aggregate grant date fair value of the option awards computed in accordance with FASB ASC Topic 718. These amounts do not necessarily correspond to the actual value recognized by named executive officers. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
- (4) Represents matching contributions made by us with respect to the named executive officer's 401(k) contributions. We match a maximum of \$2,000 per year.
- (5) Represent payments under the 2011 CIP earned with respect to 2011, and paid in August 2011 and February 2012. See the Grants of Plan-Based Awards table for additional information.
- (6) Represent payments under the 2010 Corporate Incentive Bonus Plan earned with respect to the six months ended June 30, 2010, and paid in August 2010.
- (7) Represent payments under the 2009 Corporate Incentive Bonus Plan earned with respect to 2009, and paid in July 2009 and February 2010.
- (8) Mr. Bizzack joined us as our President in February 2009 and received a prorated base salary based on an annual base salary of \$375,000.
- (9) Mr. Oppenheimer joined us as our Chief Financial Officer in July 2010 and received a prorated base salary based on an annual base salary of \$300,000.
- (10) Mr. Boucher joined us as our Executive Vice President of World Wide Sale in August 2011 and received a prorated base salary based on an annual base salary of \$350,000.
- (11) Represent payments earned under the Draw Against Commissions. See the Grants of Plan-Based Awards table for additional information.
- (12) Mr. Warenski was not a named executive officer for 2009 and 2010 and became a named executive officer in 2011. Therefore, information has been omitted for 2009 and 2010.

**Table of Contents****Grants of Plan-Based Awards**

The following table presents information concerning grants of plan-based awards to each of our named executive officers during the year ended December 31, 2011.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Stock Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock & Option Awards(1)
		Threshold	Target	Maximum				
Michael A. Smerklo	2/9/2011(2)	\$ 150,000	\$ 300,000	\$ 450,000				
Jeffrey M. Bizzack	2/9/2011(2) 2/9/2011	\$ 125,000	\$ 250,000 \$ 100,000(3)	\$ 375,000				
David S. Oppenheimer	2/9/2011(2)	\$ 89,375	\$ 178,750	\$ 268,125				
John J. Boucher	8/30/2011 9/1/2011		\$ 150,000(4)		100,000		\$ 1,798,000	
	9/1/2011					350,000	\$ 17.98	
Paul D. Warenski	2/9/2011(2) 9/1/2011	\$ 66,500	\$ 133,000	\$ 199,500	15,000		\$ 2,558,115	
							\$ 269,700	

- (1) Amounts in this column reflect the grant date fair value of each award computed in accordance with FASB ASC Topic 718. These amounts do not necessarily correspond to the actual value recognized by named executive officers. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
- (2) Represent awards granted under our 2011 CIP which were or are based on achievement of certain levels of performance for 2011. Amounts reflect the awards that were possible at the threshold, target and maximum levels of performance to the extent applicable.
- (3) Reflects amount payable under the 2011 Incremental Bonus Plan. The target amount is a lump sum amount payable if certain financial goals are achieved as measured at the end of 2011. For a further discussion, see Executive Compensation Compensation Discussion and Analysis Our Compensation Programs Variable Pay 2011 Incremental Incentive Bonus Plan.
- (4) Reflects amount payable under the Draw Against Commission. The target amount is an amount payable in four equal monthly installments from September through December 2011 if certain performance goals are achieved as measured each month. For a further discussion, see Executive Compensation Compensation Discussion and Analysis Our Compensation Programs Variable Pay Bonus Arrangements for John J. Boucher.

**Outstanding Equity Awards at Fiscal Year-End**

The following table presents certain information concerning equity awards held by our named executive officers at the end of 2011. Unvested stock awards reported in the Grants of Plan-Based Awards table above are also included in the table below.

Name	Vesting Commencement Date	Option Awards			Stock Awards		
		Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares, or Units of Stock That Have Not Vested(1)
Michael A. Smerklo	1/1/2007	1,800,000(2)		\$ 4.26	1/31/2017		
	1/27/2010	239,583(3)	260,417	\$ 4.65	2/9/2020		
	12/16/2010	81,250(3)	243,750	\$ 5.80	12/16/2020		
Jeffrey M. Bizzack	2/27/2009	832,162(4)	635,765	\$ 4.26	2/27/2019		
	12/16/2010	50,000(3)	150,000	\$ 5.80	12/16/2020		
David S. Oppenheimer	7/28/2010	148,008(3)	419,792	\$ 4.95	7/28/2020		
	12/16/2010	8,750(3)	26,250	\$ 5.80	12/16/2020		
John J. Boucher	8/31/2011		350,000(3)	\$ 17.98	9/01/2021		
	8/31/2011					100,000(5)	\$ 1,569,000

Edgar Filing: SERVICESOURCE INTERNATIONAL, INC. - Form DEF 14A

Paul D. Warenski	5/12/2008	129,770(3)	18,230	\$ 4.26	6/1/2014		
	12/16/2010	12,500(3)	37,500	\$ 5.80	12/16/2020		
	9/1/2011					15,000(6)	\$ 235,350

- (1) The market value is calculated using the closing price of our common stock of \$15.69 on December 30, 2011 (the last trading day of 2011), as reported on The NASDAQ Global Market, multiplied by the unvested stock amount.

**Table of Contents**

- (2) The option is subject to an early exercise provision and is immediately exercisable. Twenty-five percent of the shares subject to the option vested on January 1, 2008 and 2.083% of the shares vest monthly thereafter. As of December 31, 2011, 1,800,000 shares were fully vested.
- (3) One-fourth of the shares subject to the option shall vest on the one year anniversary of the vesting commencement date and one forty-eighth of the shares vest monthly thereafter, subject to continued service to us.
- (4) Of the shares awarded, 1,130,248 shares subject to the option vest over four years, with 25% of the shares subject to the option vesting on February 27, 2010 and the remainder vest ratably over the following 36 months, and 565,124 shares subject to the option vest over five years with 25% of the shares subject to the option vesting on February 27, 2011 and the remainder vest ratably over the following 36 months, in each case subject to continued service with us.
- (5) The restricted stock units vest in four equal annual installments beginning on August 31, 2012.
- (6) The restricted stock units vest in four equal annual installments beginning on September 1, 2012.

**Option Exercises and Stock Vested at Fiscal Year-End**

The following table presents certain information regarding options exercised and stock awards vested by our named executive officers during the year ended December 31, 2011.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting
Michael A. Smerklo				
Jeffrey M. Bizzack	227,445	\$ 3,011,372		
David S. Oppenheimer	82,800	\$ 1,031,610		
John J. Boucher				
Paul D. Warenski	27,000	\$ 357,480		

- (1) Reflects the difference between the market price of our common stock at the time of exercise and the exercise price of the option.

**Equity Compensation Plan Information**

The following table summarizes the number of outstanding options, warrants and rights granted to employees and directors, as well as the number of securities remaining available for future issuance, under our equity compensation plans as of December 31, 2011.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	16,136,282	\$ 5.70	7,220,502
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>16,136,282</b>		<b>7,220,502</b>

- (1)

## Edgar Filing: SERVICESOURCE INTERNATIONAL, INC. - Form DEF 14A

Includes the following plans: 2011 Equity Incentive Plan, 2008 Share Option Plan, 2004 Omnibus Share Plan and 2011 Employee Stock Purchase Plan. Our 2011 Equity Incentive Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year, beginning with the 2012 fiscal year, equal to the least of (i) 3,840,000 shares of our common stock, (ii) four percent (4%) of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year or (iii) such other amount as our board of directors may determine. Our 2011 Employee Stock Purchase Plan provides for annual increases in the number of shares available for issuance thereunder on the

-42-

---

## **Table of Contents**

first day of each fiscal year, beginning with the 2012 fiscal year, equal to the least of (i) 1,500,000 shares of our common stock, (ii) one percent (1%) of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year or (iii) such other amount as our board of directors may determine.

### **Other Plans**

We do not have any qualified or non-qualified defined benefit plans, any traditional non-qualified deferred compensation plans or other deferred compensation plans.

### **Employment Agreements and Potential Payments upon Termination or Change-in-Control**

#### *Employment Agreements*

We have entered into employment agreements with Messrs. Smerklo, Bizzack, Oppenheimer, Boucher and Warenski that provide for certain severance payments and equity vesting upon termination of their employment in specified circumstances. We believe that these agreements are an important retention tool, and will incent the named executive officers to maintain continued focus and dedication to their assigned duties to maximize stockholder value. The terms of these agreements were determined after review by the compensation committee of our retention goals for each named executive officer, as well as analysis of market data, similar agreements established within our industry, and applicable law. The employment agreements for Messrs. Smerklo, Bizzack, Oppenheimer and Warenski were effective in 2010. The employment agreement for Mr. Boucher became effective in 2011 upon his joining the company.

*Michael A. Smerklo.* We have entered into an employment agreement, dated July 6, 2007, amended and restated June 8, 2010, with Michael A. Smerklo, our Chairman and Chief Executive Officer. The agreement sets forth Mr. Smerklo's annual base salary of \$410,000 and a target bonus of \$200,000, both amounts to be reviewed annually and subject to adjustment by the board of directors. The agreement also sets forth a grant of options to purchase 1,800,000 shares of our common stock vesting over four years. Mr. Smerklo's agreement provides further that if we terminate his employment without Cause, or if he terminates his employment with us for Good Reason, either prior to a Change of Control or within twelve months following a Change of Control, he will be entitled to a severance payment in the amount of his earned, but not-yet-paid, annual target bonus for the year in which his separation occurs. In addition, if Mr. Smerklo is terminated without Cause, or if he terminates his employment with us for Good Reason, within one year following a Change of Control, in addition to receiving his earned but not-yet-paid annual target bonus, Mr. Smerklo's outstanding equity compensation awards will immediately become vested in full. The foregoing separation payments and benefits are conditioned on Mr. Smerklo executing a general release of claims in our favor. In the event any payment to Mr. Smerklo provided in the agreement would constitute a parachute payment as defined in 280G(b)(2) of the Internal Revenue Code, then Mr. Smerklo will be entitled to receive the amount of such payment that would provide him the greatest after-tax benefit of either the full payment or a lesser payment which would result in no portion of such severance benefits being subject to excise tax.

*Jeffrey M. Bizzack.* We have entered into an employment agreement, dated February 27, 2009, amended and restated December 8, 2010, with Jeffrey Bizzack, our President. The agreement sets forth Mr. Bizzack's annual base salary of \$375,000, target bonus of \$175,000 and grant of options to purchase 1,695,372 shares of our common stock vesting as to 1,130,248 shares over four years and 565,124 shares over five years. If, during the first year of employment, we were to terminate Mr. Bizzack's employment without Cause or he terminated his employment with us for Good Reason, then 282,562 shares subject to the foregoing option grant would become vested on the termination date; this provision was not triggered, however, as Mr. Bizzack has been employed with us for over a year. Mr. Bizzack's agreement provides further that if we terminate his employment without Cause, or if he terminates his employment with us for Good Reason, either prior to a Change of Control or within twelve months following a Change of Control, he will be entitled to a lump-sum severance payment equal to six months of his then current base salary, as well as six months target bonus, if any (subject to applicable tax withholdings), and the payment of premiums for up to 12 months of group health plan coverage, assuming that

---

**Table of Contents**

Mr. Bizzack has timely elected COBRA continuation coverage. In addition, if we terminate Mr. Bizzack's employment without Cause, or if he terminates his employment with us for Good Reason, within one year following a Change of Control, in addition to receiving the severance payments described above, Mr. Bizzack's outstanding equity compensation awards will immediately become vested in full. The foregoing separation payments and benefits are conditioned on Mr. Bizzack executing a general release of claims in our favor. In the event any payment to Mr. Bizzack provided in the agreement would constitute a parachute payment as defined in 280G(b)(2) of the Internal Revenue Code, then Mr. Bizzack will be entitled to receive the amount of such payment that would provide him the greatest after-tax benefit of either the full payment or a lesser payment which would result in no portion of such severance benefits being subject to excise tax.

*David S. Oppenheimer.* We have entered into an employment agreement, dated July 7, 2010, with David Oppenheimer, our Chief Financial Officer, who commenced employment in July 2010. The agreement sets forth Mr. Oppenheimer's annual base salary of \$300,000, target bonus of 40% of his annual salary to be pro rated for 2010 based on actual length of service pursuant to the 2010 CIP, eligibility for participation in the one-time 2010 special incentive bonus plan up to a level of \$20,000 (which he received) and a grant of options to purchase 650,000 shares of our common stock vesting over four years. Mr. Oppenheimer's agreement provides that if we terminate his employment without Cause, or if he terminates his employment with us for Good Reason, he will be entitled to a lump-sum severance payment equal to six months of his then current base salary, as well as 50% of his target bonus, if any (subject to applicable tax withholdings), the payment of premiums for up to 12 months of group health plan coverage, assuming that Mr. Oppenheimer has timely elected COBRA continuation coverage, and up to nine months from his termination date to exercise any stock option in which he has vested as of his termination date (which is six months longer than his stock option agreement would otherwise permit). In addition, if we terminate Mr. Oppenheimer's employment without Cause, or if he terminates his employment with us for Good Reason, within one year following a Change of Control, in addition to the severance payments described above, all of Mr. Oppenheimer's outstanding equity compensation awards will immediately vest. The foregoing separation payments and benefits are conditioned on Mr. Oppenheimer executing a general release of claims in our favor. In the event any payment to Mr. Oppenheimer provided in the agreement would constitute a parachute payment as defined in 280G(b)(2) of the Internal Revenue Code, then Mr. Oppenheimer will be entitled to receive the amount of such payment that would provide him the greatest after-tax benefit of either the full payment or a lesser payment which would result in no portion of such severance benefits being subject to excise tax.

*John J. Boucher.* We have entered into an employment agreement, dated August 16, 2011, with John Boucher, our Executive Vice President of World Wide Sales, who commenced employment in August 2011. The agreement sets forth Mr. Boucher's annual base salary of \$350,000, a hire-on bonus in the total amount of \$150,000 payable in three equal annual installments beginning on August 30, 2012, eligibility for participation in the sales commission program with a target commission of \$500,000 per year beginning on January 1, 2012 and a non-recoverable draw against commissions of up to \$150,000 payable in four equal monthly installments beginning in September 2011. The agreement also sets forth a grant of options to purchase 350,000 shares of our common stock vesting over four years, a grant of 100,000 restricted stock units vesting over four years and eligibility to participate in our 2011 Employee Stock Purchase Plan. Mr. Boucher's agreement provides further that if we terminate his employment without Cause at any time before August 30, 2012, then he will be entitled to a lump-sum severance payment equal to twelve months of his then current base salary (subject to applicable tax withholdings) and the payment of premiums for up to 12 months of group health plan coverage, assuming that Mr. Boucher has timely elected COBRA continuation coverage. In addition, if we terminate Mr. Boucher's employment without Cause, or if he terminates his employment with us for Good Reason, within one year following a Change of Control, all of Mr. Boucher's outstanding equity compensation awards will immediately vest. The foregoing separation payments and benefits are conditioned on Mr. Boucher executing a general release of claims in our favor. In the event any payment to Mr. Boucher provided in the agreement would constitute a parachute payment as defined in 280G(b)(2) of the Internal Revenue Code, then Mr. Boucher will be entitled to receive the amount of such payment that would provide him the greatest after-tax benefit of either the full payment or a lesser payment which would result in no portion of such severance benefits being subject to excise tax.

**Table of Contents**

*Paul D. Warenski.* We have entered into an employment agreement, dated May 12, 2008, amended and restated December 8, 2010, with Paul Warenski, our Senior Vice President and General Counsel. The agreement sets forth Mr. Warenski's annual base salary of \$236,250 and a target bonus of \$75,000, both amounts to be reviewed annually and subject to adjustment by the board of directors. The agreement also sets forth a grant of options to purchase 175,000 shares of our common stock vesting over four years. Mr. Warenski's agreement provides further that if we terminate his employment without Cause, or if he terminates his employment with us for Good Reason, within one year following a Change of Control, all of Mr. Warenski's outstanding equity compensation awards will immediately vest. The foregoing separation benefit is conditioned on Mr. Warenski executing a general release of claims in our favor. In the event any payment to Mr. Warenski provided in the agreement would constitute a parachute payment as defined in 280G(b)(2) of the Internal Revenue Code, then Mr. Warenski will be entitled to receive the amount of such payment that would provide him the greatest after-tax benefit of either the full payment or a lesser payment which would result in no portion of such severance benefits being subject to excise tax.

For purposes of the employment agreements described above, the following definitions apply:

**Change of Control** means the a sale of all or substantially all of our equity interests; a merger, consolidation or similar transaction involving us following which the persons entitled to elect a majority of the members of our board of directors immediately before the transaction are not entitled to elect a majority of the members of the board of directors of the surviving entity following the transaction; or a sale of all or substantially all of our assets.

**Cause** means (1) the employee's commission of any felony or any crime involving fraud or dishonesty under the laws of the United States or any state thereof; (2) the employee's commission of, or participation in, a fraud or act of dishonesty against us; (3) the employee's intentional, material violation of any contract or agreement between the employee and us or any statutory duty owed to us; (4) the employee's unauthorized use or disclosure of Proprietary and Confidential Information; or (5) the employee's gross misconduct.

**Good Reason** means the occurrence of any one of the following events without the employee's written consent: (1) a material, adverse change in the employee's job title; (2) a material, adverse change in the employee's job responsibilities; (3) any reduction in the employees' base salary, target bonus or aggregate level of benefits; or (4) in most cases, a relocation of the employee's principal place of employment beyond a specified radius of between 30 and 50 miles from the company's location at the time the agreement is entered into; provided that the employee has notified us in writing of the event described in (1), (2), (3) or (4) above and within 30 days thereafter we have to restore the executive to the appropriate job title, responsibility, compensation or location. In the case of severance or vesting following a Change of Control, Good Reason is determined based on a change to the above factors as in effect immediately prior to a Change of Control.

*Potential Payments upon Termination or Change-in-Control*

The following table summarizes the estimated payments and benefits that would be provided to our named executive officers upon termination or a change-in-control under our plans and arrangements with our named executive officers described above, assuming the triggering event took place on the last business day of 2011.

Name	Termination Without Cause		Termination Without Cause or Termination for Good Reason		Termination Without Cause or Termination for Good Reason within one year of a Change of Control Acceleration of Equity Vesting(1)
	Cash Compensation	Health Care Benefits	Cash Compensation	Health Care Benefits	
Michael A. Smerklo			\$ 345,000(2)		\$ 5,285,691
Jeffrey M. Bizzack			\$ 325,000(2)	\$ 13,392(2)	\$ 8,750,294
David S. Oppenheimer			\$ 243,125(3)	\$ 8,913(3)	\$ 4,768,179
John J. Boucher	\$ 350,000(4)	\$ 8,136(4)			\$ 1,569,000
Paul D. Warenski					\$ 814,594

**Table of Contents**

- (1) The amounts in this column represent the intrinsic value of the unvested shares subject to full equity acceleration, calculated as the sum of the market value minus the exercise price, multiplied by the number of unvested shares. Market value is equal to the closing price of our common stock of \$15.69 on December 30, 2011 (the last trading day of 2011), as reported on The NASDAQ Global Market.
- (2) Eligibility for the specified compensation and benefits occurs upon a termination without Cause or a termination for Good Reason prior to a Change of Control or within twelve months after a Change of Control. For Mr. Smerklo, the amount represents his estimated remaining 2011 CIP bonus assuming that his target amount was paid out at 150% for the full year.
- (3) Eligibility for the specified compensation and benefits occurs upon a termination without Cause or a termination for Good Reason at any time.
- (4) Eligibility for the specified compensation and benefits occurs upon a termination without Cause before August 30, 2012.

---

**Table of Contents**

**RELATED PERSON TRANSACTIONS**

**AND SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

**Related Person Transactions**

Other than compensation arrangements, the following is a description of certain relationships and transactions since January 1, 2009 involving our directors, executive officers, beneficial holders of more than 5% of our capital stock, or entities affiliated with them. Compensation arrangements for our directors and named executive officers are described elsewhere in this proxy statement.

***Conversion to a Corporation***

On March 24 2011, we converted from a Delaware limited liability company into a Delaware corporation and changed our name from ServiceSource International, LLC to ServiceSource International, Inc. (the *Conversion* ). This conversion to a corporate form occurred pursuant to our Limited Liability Company Agreement ( *LLC Agreement* ) and was approved by our board of directors. As a result, we entered into a conversion agreement with certain of our equityholders that provided that the conversion to a corporation take the form of a statutory conversion, and also provided that the conversion occur prior to the declaration of effectiveness by the SEC of our registration statement related to our initial public offering without any further action on the part of our board of directors or equityholders. In conjunction with the Conversion, all of our outstanding common shares automatically converted into shares of our common stock based on their relative rights as set forth in our LLC Agreement. Also, as part of the Conversion and as contemplated by our LLC Agreement, two of our equityholders, GA SS Holding LLC, and entities controlled by investment funds controlled by General Atlantic LLC, and SLLC Holdings, Inc., controlled by Benchmark Capital, each elected to merge with and into us. In the merger, the equity interests of GA Holdings LLC and SLLC Holdings, Inc. were canceled and extinguished in exchange for shares of our common stock. In the merger agreement, the companies that merged into us represented and warranted that they did not have any liabilities, operations or businesses other than activities related to holding our common stock and other than liabilities for certain tax matters with respect to the periods prior to the merger which are not yet due and payable, and provided us with certain indemnities. Concurrently with the consummation of the Conversion to a corporation, the LLC Agreement was terminated other than certain provisions relating to certain pre-termination tax matters and liabilities.

***Transactions with Directors and Their Affiliates***

In the first quarter of 2012, we purchased a software license and related services from Jive Software, Inc. Anthony Zingale, who is Chief Executive Officer and Chairman of the Board of Jive Software, is a member of our board of directors and serves on our nominating and governance committee. The aggregate value of the purchase slightly exceeds, per annum, the \$120,000 related party disclosure threshold over the 18-month term of the license and was made in the ordinary course of business with the pre-approval of our audit committee. Mr. Zingale is not a member of our audit committee and did not participate in the audit committee's approval process.

***Historical Transactions***

***Registration Rights Agreements***

GA SS Holding II LLC, controlled by General Atlantic, LLC, Benchmark Capital Partners V, L.P., controlled by Benchmark Capital, and certain entities affiliated with Housatonic Partners (together, the *Significant Holders* ) and certain of our other stockholders (the *2003 Holders* ) are entitled to the following rights with respect to the registration of their shares of our common stock under the Securities Act. For the Significant Holders, these rights are provided under the terms of a Registration and Information Rights

## **Table of Contents**

Agreement (the Registration Rights Agreement). For the 2003 Holders, these rights are provided under the terms of a Registration Rights Schedule to a Securities Purchase Agreement (the Registration Rights Schedule). Both agreements include demand registration rights, piggyback registration rights and Form S-3 registration rights. In addition, both agreements provide for certain information rights. Under the Registration Rights Schedule, registration rights are held only by persons or entities that own at least 1% of our outstanding common stock.

**Demand Registration Rights.** The Significant Holders and the 2003 Holders are entitled to demand registration rights. If the Significant Holders request in writing that we effect a registration that has an anticipated aggregate offering price to the public of at least \$10 million or if the 2003 Holders request in writing a registration that has an anticipated aggregate offering price to the public of at least \$7.5 million, then we will be required, at our expense, to register all registrable securities that these respective holders request to be registered. We are required to effect only two registrations for the Significant Holders pursuant to this provision of the Registration Rights Agreement and only two registrations for the 2003 Holders pursuant to this provision of the Registration Rights Schedule. Depending on certain conditions, however, we may defer such registration for a specified number of days. The underwriters of any underwritten offering have the right to limit the number of shares registered by these holders for marketing reasons, subject to certain limitations.

**Piggyback Registration Rights.** The Significant Holders and the 2003 Holders, respectively, are entitled to piggyback registration rights. If we register any of our securities either for our own account or for the account of other security holders, after the completion of this offering the Significant Holders and the 2003 Holders are entitled to include all or part of their shares in the registration at our expense. The underwriters of any underwritten offering have the right to limit the number of shares registered by these holders for marketing reasons, subject to certain limitations.

**Form S-3 Registration Rights.** The Significant Holders and the 2003 Holders, respectively, are also currently entitled to short-form registration rights. If we are eligible to file a registration statement on Form S-3, these holders have the right to have all or part of their shares registered by us at our expense, subject to certain exceptions. The underwriters of any underwritten offering have the right to limit the number of shares registered by these holders for marketing reasons, subject to certain limitations.

### ***Employment Arrangements and Indemnification Agreements***

In the ordinary course of business, we enter into employment arrangements with our current executive officers.

We have also entered into indemnification agreements with each of our directors and officers. The indemnification agreements and our certificate of incorporation and bylaws currently in effect require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

### **Policy Concerning Audit Committee Approval of Related Person Transactions**

We have adopted a formal policy that our executive officers, directors, holders of more than 5% of any class of our voting securities, and any member of the immediate family of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a related party transaction with us without the prior consent of our audit committee, or other independent members of our board of directors if it is inappropriate for our audit committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, principal stockholder, or any of their immediate family members or affiliates, in which the amount involved exceeds \$120,000 must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee is to consider the relevant facts and circumstances available and deemed relevant to the audit committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction.

**Table of Contents**

**Section 16(a) Beneficial Ownership Reporting Compliance**

Pursuant to Section 16(a) of the Exchange Act, our officers and directors and persons who beneficially own more than 10% of a registered class of our equity securities are required to file initial statements of beneficial ownership (Form 3) and statements of changes in beneficial ownership (Forms 4 and 5) with the SEC. Such persons are required by the rules of the SEC to furnish us with copies of all such forms they file. Based solely on a review of the copies of such forms furnished to us and/or written representations that no additional forms were required, we are not aware that that of our directors, officers or persons who beneficially owned more than 10% of a registered class of our equity securities failed to comply with the reporting requirements applicable to them pursuant to Section 16(a) with respect to transactions during the fiscal year ended December 31, 2011, with the following exception: that we were late in filing a Form 4 for Paul D. Warenski with respect to one transaction (a grant of restricted stock units, which was subsequently reported on a Form 4 on November 17, 2011).

Our Insider Trading Policy permits directors, officers and other employees covered under the policy to establish, subject to certain conditions and limitations set forth in the policy, written trading plans that are intended to comply with Rule 10b5-1 under the Exchange Act, which permit automatic trading of our common stock or trading of common stock by an independent person (such as a stockbroker) who is not aware of material nonpublic information at the time of the trade. We are aware that certain of our directors and officers have entered into written trading plans, and we believe our directors and officers may establish such plans in the future.

**Table of Contents****SECURITY OWNERSHIP**

The following table sets forth information, as of March 30, 2012, concerning, except as indicated by the footnotes below:

Each person who we know beneficially owns more than five percent of our common stock;

Each of our named executive officers;

Each of our directors and nominees for the board of directors; and

All of our directors and executive officers as a group.

Unless otherwise noted below, the address of each person listed on the table is c/o ServiceSource International, Inc., 634 Second Street, San Francisco, California 94107.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 74,334,756 shares of common stock outstanding at March 30, 2012. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of March 30, 2011, and restricted stock units ( RSUs ) held by that person that vest within 60 days of March 30, 2011. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Beneficial ownership representing less than one percent is denoted with an asterisk ( \* ).

The information provided in the table is based on our records, information filed with the SEC, and information provided to us, except where otherwise noted.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Shares Beneficially Owned
<b>5% Stockholders:</b>		
GA SS Holding II LLC(1)	9,337,740	12.6%
Benchmark Capital Partners V, L.P.(2)	7,350,740	9.9%
Entities affiliated with Housatonic Partners(3)	6,083,051	8.2%
Michael A. Smerklo(4)	3,989,824	5.2%
<b>Named Executive Officers and Directors:</b>		
Michael A. Smerklo(4)	3,989,824	5.2%
Jeffrey M. Bizzack(5)	1,039,596	1.4%
David S. Oppenheimer(6)	154,991	*
John J. Boucher	0	*
Paul D. Warenski(7)	125,708	*
Steven M. Cakebread(8)	165,752	*
Bruce W. Dunlevie(9)	7,533,343	10.1%
James C. Madden, V.(10)	197,458	*
Marc F. McMorris	0	*
Thomas F. Mendoza(11)	23,333	*
Barry D. Reynolds(12)	6,083,051	8.2%

Edgar Filing: SERVICESOURCE INTERNATIONAL, INC. - Form DEF 14A

Anthony Zingale(13)	201,507	*
All directors and executive officers as a group (17 persons)(14)	20,841,808	26.1%

**Table of Contents**

- (\*) Less than one percent.
- (1) Based on the most recently available Schedule 13G filed with the SEC and available Forms 4 filed with the SEC thereafter through March 30, 2012. GA SS Holding II LLC ( GA SS II ) directly owns these shares of common stock. GA SS II is wholly-owned by investment funds affiliated with and controlled by General Atlantic LLC ( General Atlantic ) and/or certain of its managing directors. Specifically, General Atlantic Partners 83, L.P. ( GAP 83 ) indirectly owns 8,470,572 of GA SS II s 9,337,740 outstanding shares (the GA SS II Shares ), GAP Coinvestments CDA, L.P. ( CDA ) indirectly owns 11,672 of the GA SS II Shares, GapStar, LLC ( GapStar ) indirectly owns 140,066 of the GA SS II Shares, GAP Coinvestments III, LLC ( GAPCO III ) indirectly owns 558,846 of the GA SS II Shares, GAP Coinvestments IV, LLC ( GAPCO IV ) indirectly owns 130,812 of the GA SS II Shares and GAPCO GmbH & Co. KG ( KG ) indirectly owns 25,772 of the GA SS II Shares. General Atlantic is the general partner of General Atlantic GenPar, L.P. ( GA GenPar ) and CDA. GA GenPar is the general partner of GAP 83. General Atlantic is the managing member of GAPCO III and GAPCO IV and the officers of GapStar are managing directors of General Atlantic. GAPCO Management GmbH ( GmbH Management ) is the general partner of KG. Certain managing directors of General Atlantic make investment decisions for GmbH Management. General Atlantic, GA GenPar, GAP 83, CDA, GapStar, GAPCO III, GAPCO IV, KG and GmbH Management are a group within the meaning of Rule 13d-5 promulgated under the Securities Exchange Act of 1934, as amended. There are 26 managing directors of General Atlantic, each of whom disclaims beneficial ownership of the shares owned by GA SS II except to the extent he or she has a pecuniary interest therein. Other than their interest in General Atlantic and its investment entities, these individuals are not affiliated with us or our management. The address for General Atlantic, GA GenPar, GAP 83, CDA, GapStar, GAPCO III and GAPCO IV is c/o General Atlantic Service Company, LLC, 3 Pickwick Plaza, Greenwich, CT 06830. The mailing address for KG and GmbH Management is c/o General Atlantic GmbH, Koenigsallee 63, 40212 Düsseldorf, Germany.
- (2) Based on the most recently available Schedule 13G filed with the SEC and available Forms 4 filed with the SEC thereafter through March 30, 2012. Consists of 7,350,740 shares held by Benchmark Capital Partners V, L.P. ( BCP V ), as nominee for BCP V, Benchmark Founders Fund V, L.P., Benchmark Founders Fund V-A, L.P., Benchmark Founders Fund V-B, L.P., and related individuals, or Benchmark Funds. Benchmark Capital Management Co. V, L.L.C., or BCMC V, is the general partner of BCP V. BCMC V s managing members of the general partner are Alexandre Balkanski, Bruce W. Dunlevie, J. William Gurley, Kevin R. Harvey, Robert C. Kagle, Steven M. Spurlock, Peter H. Fenton and Mitchell H. Lasky. These individuals may be deemed to have shared voting and investment power over the shares held by the Benchmark Funds. Each of these individuals disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein. In addition, (i) 10,877 shares are held by Balkanski Investments, LP, a limited partnership controlled by Mr. Balkanski; (ii) 152,043 shares are held by the Balkanski Family Trust dated December 15, 2002, for which Mr. Balkanski serves as a trustee; (iii) 133,399 shares are held by The Bruce & Elizabeth Dunlevie Living Trust dated April 8, 2002, for which Mr. Dunlevie serves as a trustee; (iv) 49,204 shares are held by B&D Aviation, LLC, which is controlled by Mr. Dunlevie; (v) 37,804 shares are held by the Peter Fenton Revocable Trust dated July 13, 2007, for which Mr. Fenton serves as trustee; (vi) 32,250 shares are held by Mr. Gurley and (vii) 153,080 shares are held by Mr. Kagle. The address for the entities and individuals listed in this footnote is 2480 Sand Hill Road, Suite 200, Menlo Park, California.
- (3) Based on the most recently available Schedule 13G filed with the SEC and available Forms 4 filed with the SEC thereafter through March 30, 2012. Includes (i) 3,874,303 shares held by Housatonic Micro Fund SBIC, LP ( HMF SBIC ); (ii) 1,432,059 shares held by Housatonic Equity Investors IV, LP ( HEI IV ); (iii) 710,671 shares held by Housatonic Equity Investors SBIC, LP ( HEI SBIC ); and (iv) 66,018 shares held by Housatonic Equity Affiliates IV, LP ( HEA IV ). Housatonic Micro Partners SBIC, LLC is the General Partner of HMF SBIC; Housatonic Equity Partners IV, LLC is the General Partner of HEI IV and HEA IV; and Housatonic Equity Partners SBIC, LLC is the General Partner of HEI SBIC. William N. Thorndike, Jr., Barry D. Reynolds, Joseph M. Niehaus, Mark G. Hilderbrand, Jill A. Raimondi, James L. Wilder, III, Karen E. Liesching, Michael C. Jackson and Eliot Wadsworth, II are managing members of one

**Table of Contents**

- or more of the entities, or general partners of the entities, that directly or indirectly hold such shares, and as such, may be deemed to have voting and investment power with respect to shares held by one or more of these entities. Each of these individuals disclaims beneficial ownership with respect to such shares except to the extent of their pecuniary interest therein. The address for these entities and individuals is 44 Montgomery Street, Suite 4010, San Francisco, California 94104.
- (4) Includes (i) 951,614 shares held by Michael A. Smerklo, Trustee of The True North Trust dated July 25, 2008; (ii) 331,440 shares held by Michael A. Smerklo, Trustee of the 2010 Michael Smerklo Grantor Retained Annuity Trust dated November 23, 2010; (iii) 500,000 shares of restricted stock and (iv) 2,206,770 shares issuable upon exercise of options exercisable within 60 days of March 30, 2012.
  - (5) Consists of 1,039,596 shares issuable upon exercise of options exercisable within 60 days of March 30, 2012.
  - (6) Includes (i) 1,837 shares held by Mr. Oppenheimer and (ii) 153,154 shares issuable upon exercise of options exercisable within 60 days of March 30, 2012.
  - (7) Consists of 125,708 shares issuable upon exercise of options exercisable within 60 days of March 30, 2012.
  - (8) Consists of 165,752 shares issuable upon exercise of options exercisable within 60 days of March 30, 2012.
  - (9) Includes (i) 133,399 shares held by The Bruce & Elizabeth Dunlevie Living Trust dated April 8, 2002, for which Mr. Dunlevie serves as a trustee; (ii) 49,204 shares held by B&D Aviation, LLC, which is controlled by Mr. Dunlevie and (iii) the shares listed in footnote 2 above that are held by BCP V. Mr. Dunlevie is a managing member of Benchmark Capital Management Co. V, L.P. and may be deemed to have shared voting and dispositive power over the shares held by BCP V. Mr. Dunlevie disclaims beneficial ownership of such shares, except to the extent of his individual pecuniary interest therein.
  - (10) Includes (i) 150,000 shares issuable to the James C. Madden, V Living Trust for which Mr. Madden serves as trustee, upon exercise of options exercisable within 60 days of March 30, 2012 and (ii) 47,458 shares issuable to Mr. Madden upon exercise of options exercisable within 60 days of March 30, 2012.
  - (11) Includes (i) 20,000 shares held by Thomas Mendoza and Kathy Mendoza Community Property and (ii) 3,333 shares issuable to Mr. Mendoza upon vesting of RSUs within 60 days of March 30, 2012.
  - (12) Consists of the shares listed in footnote 3 above, which are held by entities affiliated with Housatonic Partners. Mr. Reynolds is a managing or general partner of the Housatonic entities that directly or indirectly hold such shares, and as such, may be deemed to have voting and investment power with respect to shares held by one or more of the entities affiliated with Housatonic Partners. Mr. Reynolds disclaims beneficial ownership of the shares held by the entities affiliated with Housatonic Partners, except to the extent of his individual pecuniary interest therein.
  - (13) Consists of 201,507 shares issuable upon exercise of options exercisable within 60 days of March 30, 2012.
  - (14) Includes (i) 5,415,470 shares issuable upon exercise of options held by our current executive officers and directors exercisable within 60 days of March 30, 2012 and (ii) 3,333 shares issuable to our current executive officers and directors upon vesting of RSUs within 60 days of March 30, 2012.

**Table of Contents**

**OTHER MATTERS**

We know of no other matters to be submitted at the 2012 annual meeting. If any other matters properly come before the 2012 annual meeting, it is the intention of the persons named in the proxy to vote the shares they represent as the board of directors may recommend. Discretionary authority with respect to such other matters is granted by a properly submitted proxy.

**THE BOARD OF DIRECTORS**

San Francisco, California

April 23, 2012

**Table of Contents**

Shareowner Services

P.O. Box 64945  
St. Paul, MN 55164-0945

COMPANY #

**Vote by Internet, Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

Your phone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

**INTERNET/MOBILE** [www.eproxy.com/srev](http://www.eproxy.com/srev)

Use the Internet to vote your proxy until

11:59 p.m. (CT) on May 29, 2012.

**PHONE 1-800-560-1965**

Use a touch-tone telephone to vote your proxy

until 11:59 p.m. (CT) on May 29, 2012.

**MAIL** Mark, sign and date your proxy

card and return it in the postage-paid

envelope provided.

**If you vote your proxy by Internet or by Telephone,**

**you do NOT need to mail back your Proxy Card.**

***TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW,***

***SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD.***

Ò Please detach here Ò

**The Board of Directors unanimously Recommends a For vote on Proposals 1, 2 and 4**

**and 1 year on Proposal 3.**

Edgar Filing: SERVICESOURCE INTERNATIONAL, INC. - Form DEF 14A

- |  |  |  |
|--|--|--|
| <p>1. Election of Class I Directors:</p> <p>01 Bruce W. Dunlevie</p> <p>02 Barry D. Reynolds</p> | <p>“ Vote FOR all nominees</p> <p>(except as marked)</p> | <p>“ Vote WITHHELD<br/>from all nominees</p> |
|--|--|--|

**(Instructions: To withhold authority to vote for any indicated nominee,**

**write the number(s) of the nominee(s) in the box provided to the right.)**

- |  |                 |                  |                  |                  |
|--|-----------------|------------------|------------------|------------------|
| <p>2. Advisory vote on executive compensation.</p>   | <p>“ For</p>    | <p>“ Against</p> | <p>“ Abstain</p> |                  |
| <p>3. Advisory vote on the frequency of an advisory vote on executive compensation.</p>  | <p>“ 1 Year</p> | <p>“ 2 Years</p> | <p>“ 3 Years</p> | <p>“ Abstain</p> |
| <p>4. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.</p> | <p>“ For</p>    | <p>“ Against</p> | <p>“ Abstain</p> |                  |

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED AS THE BOARD RECOMMENDS.**

Address Change? Mark box, sign, and indicate changes below: “

Date

Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

**Table of Contents**

**ANNUAL MEETING OF STOCKHOLDERS**

**May 30, 2012**

**9:00 a.m. local time**

**Le Méridien San Francisco**

**Room Consortium**

**333 Battery Street**

**San Francisco, CA 94111**

**Directions to Le Méridien San Francisco Hotel:**

**From San Francisco Airport (~15 miles) and San Jose Airport (~48 miles):**

Take 101 North to 80 East. Exit at 4th St. and turn left onto 3rd St. Follow 3rd St. to Market St.; cross Market St. (3rd St. becomes Kearny St.). Continue on Kearny St. to Clay St. and turn right. The hotel is on Clay St. and Battery St. on the right hand side.

**From Oakland Airport (~19 miles):**

Take Airport Dr. and turn right onto Hegenberger Road. Proceed on I-880 North. Exit I-880 via ramp at sign I-80 W to San Francisco/Bay Bridge. After crossing the Bay Bridge, take the first San Francisco exit on the right side, Fremont St. Continue on Fremont St. across Market St. (Fremont St. becomes Front St.). Follow for two blocks on Front St., then take a left at Sacramento St. Take Sacramento St. for two blocks to Sansome St. Take a right on Sansome St. for one block to Clay St. Go one block. The hotel is on Clay St. and Battery St. on the right hand side.

**Important Notice Regarding the Availability of Proxy Materials for the**

**Annual Meeting of Stockholders to be held on May 30, 2012:**

The Notice and Proxy Statement and Annual Report are available at <http://viewproxy.com/srev/2012/>.

**ServiceSource International, Inc.**

**Proxy**

**PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 30, 2012.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF**

**SERVICESOURCE INTERNATIONAL, INC.**

The undersigned stockholder of ServiceSource International, Inc., a Delaware corporation (the Company), hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and accompanying Proxy Statement, each dated April 20, 2012, and hereby appoints Michael A. Smerklo, David S. Oppenheimer and Paul D. Warenski, and each of them, as proxies and attorneys-in-fact, each with full power of substitution to represent the undersigned at the Annual Meeting of Stockholders of the Company to be held on May 30, 2012 at 9:00 a.m. local time, at Le Méridien San Francisco, Room Consortium, 333 Battery Street, San Francisco, CA 94111, and at any adjournment or postponement thereof, and

Edgar Filing: SERVICESOURCE INTERNATIONAL, INC. - Form DEF 14A

to vote all shares of common stock of the Company held of record by the undersigned as hereinafter specified upon the proposals listed on the reverse side.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2 AND 4 AND 1 YEAR ON PROPOSAL 3 ON THE REVERSE SIDE AND, AS THE PROXIES DEEM ADVISABLE, ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING OR MAY OTHERWISE BE ALLOWED TO BE CONSIDERED AT THE MEETING.**

**IN ORDER TO ASSURE YOUR REPRESENTATION AT THE ANNUAL MEETING OF STOCKHOLDERS, PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.**

*See reverse for voting instructions.*