UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2019

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

For the Transition Period from ____________ to ____________

Commission File Number: 001-37397

Rimini Street, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**36-4880301**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3993 Howard Hughes Parkway, Suite 500, Las Vegas, NV	**89169**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	**(702) 839-9671**

Not Applicable
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, par value $0.0001 per share	**RMNI**	**The Nasdaq Global Market**
Public Units, each consisting of one share of Common Stock, $0.0001 par value, and one-half of one Warrant	**RMNIU**	**OTC Pink Current Information Marketplace**
Warrants, exercisable for one share of Common Stock, $0.0001 par value	**RMNIW**	**OTC Pink Current Information Marketplace**

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

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

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

Smaller reporting company ☐ Emerging growth company ☑

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

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

The registrant had approximately 67,271,000 shares of its $0.0001 par value common stock outstanding as ofNovember 5, 2019.

RIMINI STREET, INC.
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

RIMINI STREET, INC.
Unaudited Condensed Consolidated Balance Sheets
(In thousands, except per share amounts)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41,725	$ 24,771
Restricted cash	436	435
Accounts receivable, net of allowance of $477 and $489, respectively	61,829	80,599
Prepaid expenses and other	11,198	7,099
Total current assets	115,188	112,904
Long-term assets:		
Property and equipment, net of accumulated depreciation and amortization of $9,949 and $8,543, respectively	3,605	3,634
Deposits and other	1,632	1,438
Deferred income taxes, net	907	909
Total assets	$ 121,332	$ 118,885
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ —	$ 2,372
Accounts payable	2,580	12,851
Accrued compensation, benefits and commissions	22,337	22,503
Other accrued liabilities	22,506	20,424
Deferred revenue	167,024	180,358
Total current liabilities	214,447	238,508
Long-term liabilities:		
Deferred revenue	33,489	28,898
Accrued PIK dividends payable	1,149	1,056
Other long-term liabilities	2,326	2,011
Total liabilities	251,411	270,473
Commitments and contingencies (Note 8)		
Redeemable Series A Preferred Stock:		
Authorized 180 shares; issued and outstanding 154 shares and 141 shares as of September 30, 2019 and December 31, 2018, respectively. Liquidation preference of $154,082, net of discount of $25,444 and $140,846, net of discount of $26,848, as of September 30, 2019 and December 31, 2018, respectively.	128,638	113,998
Stockholders' deficit:		
Preferred stock; $0.0001 par value. Authorized 99,820 shares (excluding 180 shares of Series A Preferred Stock); no other series has been designated	—	—
Common stock; $0.0001 par value. Authorized 1,000,000 shares; issued and outstanding 67,109 and 64,193 shares as of September 30, 2019 and December 31, 2018, respectively	7	6
Additional paid-in capital	97,896	108,347
Accumulated other comprehensive loss	(1,898)	(1,567)
Accumulated deficit	(354,722)	(372,372)
Total stockholders' deficit	(258,717)	(265,586)
Total liabilities, redeemable preferred stock and stockholders' deficit	$ 121,332	$ 118,885

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RIMINI STREET, INC.
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Revenue	$ 68,952	$ 62,629	$ 203,168	$ 185,083
Cost of revenue	25,915	22,220	74,786	71,845
Gross profit	43,037	40,409	128,382	113,238
Operating expenses:				
Sales and marketing	26,716	22,312	76,437	65,616
General and administrative	10,472	8,585	34,162	29,714
Litigation costs and related recoveries:				
Professional fees and other costs of litigation	3,642	6,990	6,127	25,002
Litigation appeal refunds	—	—	(12,775)	(21,285)
Insurance costs and recoveries, net	(339)	—	4,000	(7,583)
Litigation costs and related recoveries, net	3,303	6,990	(2,648)	(3,866)
Total operating expenses	40,491	37,887	107,951	91,464
Operating income	2,546	2,522	20,431	21,774
Non-operating income and (expenses):				
Interest expense	(27)	(9,499)	(375)	(32,231)
Other debt financing expenses	—	(48,375)	—	(58,331)
Gain from change in fair value of embedded derivatives	—	7,800	—	1,600
Other expense, net	(329)	(306)	(629)	(1,546)
Income (loss) before income taxes	2,190	(47,858)	19,427	(68,734)
Income tax expense	(451)	(510)	(1,777)	(1,573)
Net income (loss)	1,739	(48,368)	17,650	(70,307)
Other comprehensive loss:				
Foreign currency translation loss	(262)	(377)	(331)	(729)
Comprehensive income (loss)	$ 1,477	$ (48,745)	$ 17,319	$ (71,036)
Net loss attributable to common stockholders	$ (4,780)	$ (53,070)	$ (1,219)	$ (75,009)
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.07)	$ (0.85)	$ (0.02)	$ (1.24)
Weighted average number of shares of Common Stock outstanding:				
Basic and diluted	66,696	62,590	65,625	60,565

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RIMINI STREET, INC.
Unaudited Condensed Consolidated Statements of Stockholders' Deficit
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Common Stock, Shares				
Beginning of period	66,387	60,005	64,193	59,314
Exercise of stock options for cash	714	612	2,399	1,303
Restricted stock units vested	8	—	165	—
Issuance of Common Stock in Private Placement, net	—	2,897	207	2,897
Issuance of Common Stock	—	—	145	—
End of period	67,109	63,514	67,109	63,514
Total Stockholders' Deficit, beginning of period	$ (256,203)	$ (229,896)	$ (265,586)	$ (210,301)
Common Stock, Amount				
Beginning of period	7	6	6	6
Exercise of stock options for cash	—	—	1	—
Restricted stock units vested	—	—	—	—
Issuance of Common Stock in Private Placement, net	—	—	—	—
Issuance of Common Stock	—	—	—	—
End of period	7	6	7	6
Additional Paid-in Capital				
Beginning of period	101,887	97,663	108,347	94,967
Stock based compensation expense	1,621	1,178	3,829	3,143
Exercise of stock options for cash	907	618	2,875	1,349
Restricted stock units vested	—	—	—	—
Issuance of Common Stock in Private Placement, net	—	16,138	935	16,138
Issuance of Common Stock	—	—	779	—
Accretion of discount on Series A Preferred Stock	(1,511)	(1,011)	(4,319)	(1,011)
Accrued dividends on Series Preferred Stock:				
Payable in cash	(3,852)	(2,845)	(11,192)	(2,845)
Payable in kind	(1,156)	(846)	(3,358)	(846)
End of period	97,896	110,895	97,896	110,895
Accumulated Other Comprehensive Loss				
Beginning of period	(1,636)	(1,219)	(1,567)	(867)
Foreign currency loss	(262)	(377)	(331)	(729)
End of period	(1,898)	(1,596)	(1,898)	(1,596)
Accumulated Deficit				
Beginning of period	(356,461)	(326,346)	(372,372)	(304,407)
Net income (loss)	1,739	(48,368)	17,650	(70,307)
End of period	(354,722)	(374,714)	(354,722)	(374,714)
Total Stockholders' Deficit, end of period	$ (258,717)	$ (265,409)	$ (258,717)	$ (265,409)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RIMINI STREET, INC.
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Nine Months Ended September 30,	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 17,650	$ (70,307)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Accretion and amortization of debt discount and issuance costs	185	13,102
Write-off of debt discount and issuance costs	—	54,536
Gain from change in fair value of embedded derivatives	—	(1,600)
Stock-based compensation expense	3,829	3,143
Paid-in-kind interest expense	—	1,886
Depreciation and amortization	1,462	1,399
Deferred income taxes	(15)	(255)
Make-whole applicable premium included in interest expense	—	10,410
Other	141	704
Changes in operating assets and liabilities:		
Accounts receivable	18,547	20,206
Prepaid expenses, deposits and other	(4,057)	(1,148)
Accounts payable	(10,222)	(759)
Accrued compensation, benefits, commissions and other liabilities	1,789	67
Deferred insurance settlement	—	(8,033)
Deferred revenue	(8,324)	(5,800)
Net cash provided by operating activities	20,985	17,551
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Capital expenditures	(1,354)	(890)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of Series A Preferred Stock and Common Stock	9,110	133,000
Principal payments on borrowings	(2,555)	(145,382)
Payments for deferred offering and financing costs	(452)	(9,641)
Make-whole applicable premium related to prepayment of borrowings	—	(10,410)
Payments of cash dividends on Series A Preferred Stock	(10,883)	—
Principal payments on capital leases	(378)	(502)
Proceeds from exercise of employee stock options	2,875	1,349
Net cash used in financing activities	(2,283)	(31,586)
Effect of foreign currency translation changes	(393)	(1,180)
Net change in cash, cash equivalents and restricted cash	16,955	(16,105)
Cash, cash equivalents and restricted cash at beginning of period	25,206	40,027
Cash, cash equivalents and restricted cash at end of period	$ 42,161	$ 23,922

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RIMINI STREET, INC.
Unaudited Condensed Consolidated Statements of Cash Flows, Continued
(In thousands)

	Nine Months Ended September 30,	
	2019	**2018**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 210	$ 19,294
Cash paid for income taxes	1,778	1,372
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Discount on shares issued in Private Placements:		
Fair value of 207 shares and 2,897 shares of Common Stock issued in 2019 and 2018, respectively, for no consideration regarding their respective Private Placements	$ 1,098	$ 20,131
Original issuance discount on Series A Preferred Stock	500	7,000
Transaction costs	390	—
Issuance of 120 shares of Common Stock for consent regarding Private Placements	638	—
Redeemable Series A Preferred Stock Dividends and Accretion:		
Accrued cash dividends	$ 3,859	$ 2,845
Accrued PIK dividends	1,149	846
Accretion of discount on Series A Preferred Stock	4,319	1,011
Issuance of Series A Preferred Stock for PIK dividends	3,236	—
Adjustment for updated calculation of mandatory trigger event exit fees	$ —	$ 3,952
Purchase of equipment under capital lease obligations	206	126
Increase in payables for:		
Deferred offering costs	$ —	$ 350
Capital expenditures	—	44

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTE 1 — NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

Rimini Street, Inc. ("the Company") is a global provider of enterprise software support services. The Company's subscription-based software support products and services offer enterprise software licensees a choice of solutions that replace or supplement the support products and services offered by enterprise software vendors.

Basis of Presentation and Consolidation

The unaudited condensed consolidated financial statements, which include the accounts of the Company and its wholly owned subsidiaries, are prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"). All significant intercompany balances and transactions have been eliminated. The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, certain information and footnote disclosures required by GAAP for complete financial statements have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the unaudited condensed consolidated financial statements have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018, included in the Company's 2018 Annual Report on Form 10-K as filed with the SEC on March 14, 2019 (the "2018 Form 10-K").

The accompanying condensed consolidated balance sheet and related disclosures as of December 31, 2018 have been derived from the Company's audited financial statements. The Company's financial condition as of September 30, 2019, and operating results for both the three and nine months ended September 30, 2019 are not necessarily indicative of the financial condition and results of operations that may be expected for any future interim period or for the year ending December 31, 2019.

NOTE 2 — LIQUIDITY AND SIGNIFICANT ACCOUNTING POLICIES

Liquidity

As of September 30, 2019, the Company's current liabilities exceeded its current assets by $99.3 million, and the Company earned net income of $1.7 million for the three months ended September 30, 2019. As of September 30, 2019, the Company had available cash, cash equivalents and restricted cash of $42.2 million. As of September 30, 2019, the Company's current liabilities included $167.0 million of deferred revenue whereby the historical costs of fulfilling the Company's commitments to provide services to its customers was approximately 38% of the related deferred revenue for the three months ended September 30, 2019.

As discussed in Note 5, the Company completed a third private placement on June 20, 2019, which provided additional net proceeds of $3.0 million from the sale of 3,500 shares of 13.00% Series A Redeemable Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock") and 72,414 shares of Common Stock. On March 7, 2019, the Company had completed a second private placement, which provided additional net cash proceeds of $5.0 million from the sale of 6,500 shares of the Series A Preferred Stock and 134,483 shares of Common Stock. In 2018, the Company had previously refinanced and repaid its Credit Facility (defined below) on July 19, 2018 through aggregate cash payments of $132.8 million that resulted in the termination of the Credit Facility. These cash payments were funded from the Initial Private Placement (together with cash-on-hand) discussed in Note 5 that resulted in cash proceeds of $133.0 million from the sale of 140,000 shares of Series A Preferred Stock and approximately 2.9 million shares of Common Stock.

These refinancing arrangements are expected to improve the Company's liquidity and capital resources whereby cash dividends are payable at 10.0% per annum that will result in quarterly cash dividends ranging from $3.7 million to $4.3 million over the initial 5-year period beginning on July 19, 2018, assuming all shares of Series A Preferred Stock remain outstanding, and thereafter, if not previously redeemed or converted, cash dividends will be payable at 13.0% per annum.

Additionally, the Company is obligated to make operating and capital lease payments that are due within the next 12 months in the aggregate amount of $5.8 million. The Company believes that current cash, cash equivalents, restricted cash, and future cash flow from operating activities will be sufficient to meet the Company's anticipated cash needs, including cash dividend requirements, working capital needs, capital expenditures and contractual obligations for at least 12 months from the issuance date of these financial statements.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires the Company to make judgments, assumptions, and estimates that affect the amounts reported in its consolidated financial statements and accompanying notes. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes are reasonable under the circumstances, to determine the carrying values of assets and liabilities that are not readily apparent from other sources. The Company’s significant accounting estimates include, but are not necessarily limited to, accounts receivable, valuation assumptions for stock options, deferred income taxes and the related valuation allowances, and the evaluation and measurement of contingencies. To the extent there are material differences between the Company’s estimates and the actual results, the Company’s future consolidated results of operation may be affected.

Recent Accounting Pronouncements

Recently Adopted Standards. The following accounting standards were adopted during the first quarter of fiscal year2019:

In May 2017, the FASB issued ASU No. 2017-9,*Compensation-Stock Compensation: Scope of Modification Accounting*, which provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. This standard does not change the accounting for modifications of share-based payment awards but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions, or award classification and would not be required if the changes are considered non-substantive. This standard did not have a material impact for the Company during the three and nine months ended September 30, 2019.

In August 2018, the SEC adopted a final rule that extends the current annual requirement to disclose changes in stockholders’ equity to interim periods and also requires interim disclosure of dividends per share for each class of shares (including the Company’s Series A Preferred Stock). These disclosure provisions became effective beginning in the first quarter of 2019, whereby the Company is required to disclose changes in stockholders’ deficit for the current and comparative fiscal quarters as well as the current and comparative year-to-date periods presented in interim condensed consolidated financial statements. The Company has provided an unaudited condensed consolidated statement of stockholders' deficit for the three and nine months ended September 30, 2019 and 2018.

The following accounting standards are not yet effective. Management has not completed its evaluation to determine the impact that adoption of these standards will have on the Company’s consolidated financial statements:

In May 2014, the FASB issued ASU No. 2014-09,*Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition standards under U.S. GAAP. The new standard provides a five-step process for recognizing revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires expanded qualitative and quantitative disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard allows for two transition methods: (i) a full retrospective method applied to each prior reporting period presented, or (ii) a modified retrospective method applied with the cumulative effect of adoption recognized on adoption date. The Company will adopt this standard using the full retrospective method. Due to the Company’s emerging growth company status and certain elections made, the new standard is effective for the Company in fiscal year 2019. As an emerging growth company for interim reporting purposes, we can elect to initially apply the standard either in 2019, the year of adoption or in the subsequent year. The Company has elected to adopt the standard for interim reporting purposes beginning in the first quarter of fiscal 2020. As a result of this election, fiscal year 2019 interim periods have been reported under Accounting Standards Codification 605, *Revenue Recognition* (“ASC 605”) while full year 2019 results will be reported under the new standard.

We have made significant progress in our analysis of how the new standard will impact our revenue, but we have not completed our evaluation and therefore the full impact upon adoption of this standard is not known and cannot be reasonably estimated. Based on our preliminary evaluation to date, we believe that the primary change will be the accelerated timing of revenue recognition for certain contracts due to the removal of the current limitation associated with revenue contingent upon the future delivery of support services. In addition, we expect to capitalize costs incurred to obtain new client contracts, which is primarily comprised of sales commissions. Such costs, which are expensed as incurred under ASC 605, will be capitalized and amortized over their estimated useful lives under the new standard. We will complete our evaluation during the remainder of fiscal year 2019.

In February 2016, the FASB issued ASU No. 2016-02,*Leases*, which requires organizations that lease assets ("lessees") to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. Under the new standard, both finance and operating leases will be required to be recognized on the balance sheet. Additional quantitative and qualitative disclosures, including significant judgments made by management, will also be required. The standard will be effective for the Company beginning in the first quarter of fiscal 2020. Early adoption is permitted. The new standard was initially required to be adopted retrospectively to each prior reporting period presented upon initial adoption. However, in July 2018 the FASB issued ASU No. 2018-11 *Targeted Improvements*, which provides lessees the option to apply the new leasing standard to all open leases as of the adoption date by recognizing a cumulative-effect adjustment to accumulated deficit in the period of adoption without restating prior periods. The Company will not early adopt the new leasing standard and is still evaluating which transition approach will be implemented upon its adoption.

NOTE 3 — OTHER FINANCIAL INFORMATION

Other Accrued Liabilities

As of September 30, 2019 and December 31, 2018, other accrued liabilities consist of the following (in thousands):

	2019	2018
Accrued sales and other taxes	$ 4,671	$ 5,687
Accrued professional fees	7,977	7,035
Accrued dividends on Redeemable Series A Preferred Stock	3,859	3,521
Current maturities of capital lease obligations	243	387
Income taxes payable	667	767
Other accrued expenses	5,089	3,027
Total other accrued liabilities	$ 22,506	$ 20,424

Other accrued expenses includes an amount due to an insurance company as a result of the United States Supreme Court decision, which is described in Note 8.

NOTE 4 — DEBT

Debt is presented net of debt discounts and issuance costs ("DDIC") in the Company's balance sheets. As ofSeptember 30, 2019 and December 31, 2018, the net carrying value and balance sheet classification of debt is summarized as follows (in thousands):

	2019	2018
Note payable to GP Sponsor, net of DDIC	$ —	$ 2,372
Less current maturities	—	2,372
Long-term debt, net of current maturities	$ —	$ —

For purposes of classifying current maturities of long-term debt in the Company's balance sheets, none of the discount is attributed to the current portion until the maturity date is less than one year from the balance sheet date. As discussed below, the Company has repaid the related party note payable to GP Sponsor on June 28, 2019. Also discussed below, the Company repaid in full and terminated its former Credit Facility onJuly 19, 2018.

Related Party Note Payable

Upon consummation of the merger with GP Investments Acquisition Corp. ("GPIA") in May 2017, an outstanding note payable to GP Sponsor with an initial face amount of approximately $3.0 million was assumed by the Company. This note was originally non-interest bearing and was not due and payable until the outstanding principal balance under the former Credit Facility was less than $95.0 million. At the inception of this note, the maturity date was expected to occur in June 2020 based on the scheduled principal payments under the Credit Facility. Interest was initially imputed under this note payable at the rate of 15.0% per annum. The net carrying value of this note payable was$2.1 million as of December 31, 2017, and the Company recognized accretion expense of $0.3 million and $0.7 million for the three and nine months ended September 30, 2018, respectively. This note payable was amended twice in 2018, which resulted in further changes to the effective interest rate and maturity date.

The second amendment to the loan agreement was effective on December 21, 2018, and provided for an extension of the maturity date from January 4, 2019 to June 28, 2019. In addition, the parties agreed that the note payable would retroactively bear interest at 13.0% per annum from July 19, 2018 through the maturity date. Total retroactive interest amounted to $0.2 million which is accounted for as DDIC that was being accreted through the maturity date. In addition, the second amendment provided for monthly principal payments starting in December 2018 of approximately $0.4 million plus accrued interest. In December 2018, the Company made a payment of $0.6 million, primarily consisting of payment of retroactive interest of $0.2 million and the first monthly principal payment of $0.4 million. The Company made principal and interest payments totaling $2.7 million during the nine months ended September 30, 2019, respectively. The effective interest rate for accretion of DDIC was 26.4% for the period from December 21, 2018 through June 28, 2019. The note was paid off on June 28, 2019.

Former Credit Facility

Overview. In June 2016, the Company entered into a multi-draw term loan Financing Agreement (the “Credit Facility”) with a syndicate of lenders (the “Lenders”). The Credit Facility would have matured in June 2020 but was repaid and terminated in July 2018 as discussed below. The Credit Facility provided for an aggregate commitment of up to $125.0 million which consisted of an initial term loan for $30.0 million, a “delayed draw A Term Loan” for $65.0 million, and a “delayed draw B Term Loan” for $30.0 million. An origination fee equal to 5.0% of the $125.0 million commitment was paid in cash to the Lenders from the proceeds of the initial term loan. The Credit Facility provided for an Original Issue Discount (“OID”) of 2.0% of the initial face amount of borrowings. Origination fees and OID were accounted for as DDIC.

Borrowings under the Credit Facility were collateralized by substantially all assets of the Company, including certain cash depository accounts that were subject to control agreements with the Lenders.

Interest and Fees. The outstanding principal balance under the former Credit Facility provided for monthly interest payments at 15.0% per annum, consisting of 12.0% per annum that was payable in cash and 3.0% per annum that was payable through the issuance of additional borrowings beginning on the interest payment due date (referred to as paid-in-kind, or “PIK” interest). In addition, a make-whole applicable premium payment of approximately 15.0% per annum through June 2019 was required for certain principal prepayments as defined in the Credit Facility.

The Credit Facility provided for collateral monitoring fees at the rate of 2.5% of the outstanding principal balance during 2018 until the Credit Facility was terminated. The Credit Facility also required unused line fees of 5.0% per annum on the $17.5 million undrawn portion of the Credit Facility during 2018 until the termination date. All unused line fees and collateral monitoring fees were payable monthly in arrears and were recorded as a component of other debt financing expenses in the period incurred.

Accretion and Amortization. DDIC that relates to the entire Credit Facility was allocated pro rata between the funded and unfunded portions of the Credit Facility based on the relative amounts that were cumulatively borrowed versus the undrawn portion of the $125.0 million commitment. DDIC related to funded debt was accreted to interest expense using the effective interest method based on the aggregate principal obligations to the Lenders and consulting and Trigger Event exit fee obligations to one of the lenders that served as the origination agent (the “Origination Agent”). DDIC associated with unfunded debt was amortized using the straight-line method from the date incurred through the maturity date of the Credit Facility, which was included in other debt financing expenses in the accompanying unaudited condensed consolidated statements of operations and comprehensive loss.

Termination of the Credit Facility. In connection with the closing on July 19, 2018 of the Initial Private Placement discussed in Note 5, the Company used substantially all of the $133.0 million of gross proceeds from the Initial Private Placement (together with cash-on-hand) to repay all outstanding indebtedness and fees under the Credit Facility, and the Credit Facility was terminated. The aggregate cash payments to terminate the Credit Facility amounted to $132.8 million and consisted of the following (in thousands):

Contractual principal and exit fees:		
Principal balance	$	102,576
Mandatory trigger event exit fees		13,624
Mandatory consulting		2,000
Subtotal		118,200
Make-whole applicable premium		7,307
Amendment fees and related liabilities		6,250
Accrued interest and fees payable		1,073
Total cash termination payments	$	132,830

Interest Expense

The components of interest expense are presented below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Credit Facility:				
Interest expense at 12.0%	$ —	$ 631	$ —	$ 7,513
PIK interest at 3.0%	—	162	—	1,886
Accretion expense for funded debt	—	1,071	—	11,670
Make-whole applicable premium:				
Credit Facility prepayments	—	—	—	3,103
Payoff of Credit Facility	—	7,307	—	7,307
Accretion expense for GP Sponsor note payable	—	309	185	676
Interest on other borrowings	27	19	190	76
Total interest expense	$ 27	$ 9,499	$ 375	$ 32,231

Other Debt Financing Expenses

The components of other debt financing expenses are presented below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Write-off of DDIC:				
Credit Facility prepayments	$ —	$ —	$ —	$ 7,169
Payoff of funded Credit Facility	—	44,603	—	44,603
Termination of unfunded Credit Facility	—	2,764	—	2,764
Collateral monitoring fees	—	121	—	1,556
Amortization of DDIC related to unfunded debt	—	70	—	756
Unused line fees	—	42	—	481
Amortization of prepaid agent fees and other	—	775	—	1,002
Total other debt financing fees	$ —	$ 48,375	$ —	$ 58,331

NOTE 5 — REDEEMABLE SERIES A PREFERRED STOCK

June 2019 Securities Purchase Agreement

On June 20, 2019, the Company entered into a securities purchase agreement (the "June 2019 SPA") with accredited investors for a private placement (the “June 2019 Private Placement”) of (i) 3,500 shares of Series A Preferred Stock, (ii) 72,414 shares of Common Stock, and (iii) a Convertible Note (as defined below) with no principal balance outstanding. The shares of the Series A Preferred Stock were authorized pursuant to the CoD (as defined below) and are subject to the provisions set forth in an amended Security Agreement (as defined below), a Convertible Note and a registration rights agreement that is substantially similar in all material respects to the Registration Rights Agreement (as defined below) entered into connection with the 2018 Securities Purchase Agreement discussed below. The accredited investors in the June 2019 Private Placement are not affiliated with the accredited investors in the March 2019 Private Placement (as defined below) or the Initial Private Placement.

The aggregate cash proceeds from the June 2019 Private Placement were $3.3 million in cash (after a 5.0% discount or $0.2 million). The net proceeds were approximately $3.0 million after estimated transaction costs payable by the Company of $0.3 million. The transaction costs consisted of 35,000 shares of Common Stock issued to the existing holders of the Series A Preferred Stock for their consent at a cost of approximately $0.2 million and direct transaction costs of approximately $0.2 million related to professional fees of the investors, existing holders of Series A Preferred Stock and the Company. The net proceeds were allocated based on their relative fair values at issuance of the Series A Preferred Stock and the Common Stock. The allocation of the net proceeds from the June 2019 Private Placement are set forth below (dollars in thousands):

	Series A Preferred Stock		Common	Convertible	
	Shares	Amount	Stock	Notes	Total
Fair value on June 20, 2019:					
Series A Preferred Stock	3,500	$ 2,997 (1)	$ —	$ —	$ 2,997
Common Stock	—	—	376 (2)	—	376
Convertible Notes	—	—	—	—	—
Total	3,500	$ 2,997	$ 376	$ —	$ 3,373
Relative fair value allocation on June 20, 2019:					
Aggregate cash proceeds on June 20, 2019	3,500	$ 2,954 (3)	$ 371 (3)	$ —	$ 3,325
Incremental and direct costs	—	(301) (4)	(38) (4)	—	(339)
Net carrying value on June 20, 2019	3,500	$ 2,653	$ 333	$ —	$ 2,986

(1) The liquidation preference for each share of Series A Preferred Stock on the closing date for the June 2019 Private Placement was $1,000 per share for an aggregate liquidation preference of $3.5 million. The estimated fair value of the Series A Preferred Stock was approximately $3.0 million on June 20, 2019, which is the basis for allocation of the net proceeds. Please refer to Note 11 for further discussion of the valuation methodology employed.
(2) The fair value of the issuance of approximately 72,414 shares of the Common Stock was based on the closing price of $5.19 per share on the date prior to closing of the transaction.
(3) The aggregate cash proceeds of $3.3 million on June 20, 2019 were allocated pro rata based on the fair value of all consideration issued.
(4) Incremental and direct costs related to the June 2019 Private Placement were allocated pro rata based on the fair value of all consideration issued. Such costs included the issuance of 35,000 shares of Common Stock to the Initial Private Placement investors in the Series A Preferred Stock for their consent of approximately $0.2 million and financial advisory and professional fees that were incurred of approximately $0.2 million that were either paid or accrued directly by the Company as of June 30, 2019.

March 2019 Securities Purchase Agreement

On March 7, 2019, the Company entered into a securities purchase agreement (the “March 2019 SPA”) with an accredited investor for a private placement (the "March 2019 Private Placement") of (i) 6,500 shares of Series A Preferred Stock, (ii) 134,483 shares of Common Stock, and (iii) a Convertible Note (as defined below) with no principal balance outstanding. The shares of Series A Preferred Stock were authorized pursuant to the CoD (as defined below) and are subject to the provisions set forth in an amended Security Agreement (as defined below), a Convertible Note and a registration rights agreement that is substantially similar in all material respects to the Registration Rights Agreement (as defined below) entered into in connection with the 2018 Securities Purchase Agreement discussed below. The accredited investor in the March 2019 Private Placement is affiliated with one of the accredited investors in the Initial Private Placement.

The aggregate cash proceeds from the March 2019 Private Placement were $5.8 million in cash (after an 11.0% discount or $0.7 million). The net proceeds were approximately $5.0 million after estimated transaction costs payable by the Company of $0.8 million. The transaction costs consisted of 85,000 shares of Common Stock issued to the existing holders of the Series A Preferred Stock for their consent at a cost of approximately $0.5 million and direct transaction costs of approximately $0.3 million related to due diligence and professional fees. The net proceeds were allocated based on their relative fair values at issuance of the Series A Preferred Stock and the Common Stock. The allocation of the net proceeds from the March 2019 Private Placement are set forth below (dollars in thousands):

	Series A Preferred Stock		Common	Convertible	
	Shares	Amount	Stock	Notes	Total
Fair value on March 7, 2019:					
Series A Preferred Stock	6,500	$ 5,313 (1)	$ —	$ —	$ 5,313
Common Stock	—	—	722 (2)	—	722
Convertible Notes	—	—	—	—	—
Total	6,500	$ 5,313	$ 722	$ —	$ 6,035
Relative fair value allocation on March 7, 2019:					
Aggregate cash proceeds on March 7, 2019	6,500	$ 5,093 (3)	$ 692 (3)	$ —	$ 5,785
Incremental and direct costs	—	(661) (4)	(90) (4)	—	(751)
Net carrying value on March 7, 2019	6,500	$ 4,432	$ 602	$ —	$ 5,034

(1) The liquidation preference for each share of Series A Preferred Stock on the closing date for the March 2019 Private Placement was $1,000 per share for an aggregate liquidation preference of $6.5 million. The estimated fair value of the Series A Preferred Stock was approximately $5.3 million on March 7, 2019, which is the basis for allocation of the net proceeds. Please refer to Note 11 for further discussion of the valuation methodology employed.
(2) The fair value of the issuance of approximately 134,483 shares of the Common Stock was based on the closing price of $5.37 per share on the date prior to closing of the transaction.
(3) The aggregate cash proceeds of $5.8 million on March 7, 2019 were allocated pro rata based on the fair value of all consideration issued.
(4) Incremental and direct costs related to the March 2019 Private Placement were allocated pro rata based on the fair value of all consideration issued. Such costs included the issuance of 85,000 shares of Common Stock to the Initial Private Placement investors in the Series A Preferred Stock for their consent of approximately $0.5 million and financial advisory and professional fees that were incurred of approximately $0.3 million that were either paid or accrued directly by the Company as of March 31, 2019.

The changes in the net carrying value of Series A Preferred Stock from December 31, 2018 to September 30, 2019, including the June 2019 Private Placement and March 2019 Private Placement, are set forth below (dollars in thousands):

	Series A Preferred Stock	
	Shares	Amount
Net carrying value as of December 31, 2018	140,846	$ 113,998
Issuance of shares to settle PIK Dividends on January 2, 2019	1,062	1,062
Additional shares issued on March 7, 2019	6,500	4,432
Accretion of discount for the three months ended March 31, 2019	—	1,359
Net carrying value as of March 31, 2019	148,408	120,851
Issuance of shares to settle PIK Dividends on April 1, 2019	1,059	1,059
Additional shares issued on June 20, 2019	3,500	2,653
Accretion of discount for the three months ended June 30, 2019	—	1,449
Net carrying value as of June 30, 2019	152,967	126,012
Issuance of shares to settle PIK Dividends on July 1, 2019	1,115	1,115
Accretion of discount for the three months ended September 30, 2019	—	1,511
Net carrying value as of September 30, 2019	154,082	$ 128,638

For future calculations of earnings applicable to common stockholders, the aggregate discount applicable to the Series A Preferred Stock will be accreted using the effective interest method from the respective issuance dates through July 19, 2023 when the holders of all outstanding shares of Series A Preferred Stock may first elect to redeem their shares for cash.

2018 Securities Purchase Agreement

On July 19, 2018, the closing occurred for a Securities Purchase Agreement (the “2018 SPA”) with several accredited investors (the “Purchasers”) for a private placement (the “Initial Private Placement”) of (i) 140,000 shares of Series A Preferred Stock,

(ii) approximately 2.9 million shares of Common Stock, and (iii) convertible secured promissory notes (the "Convertible Notes"), with no principal amount outstanding at issuance that solely collateralize amounts, if any, that may become payable by the Company pursuant to certain redemption provisions of the Series A Preferred Stock.

The aggregate cash proceeds from the Initial Private Placement were$133.0 million in cash (after taking into account a discount of$7.0 million, but before the incremental and direct transaction costs associated with the Initial Private Placement of $4.6 million).

The Company used the net proceeds from the 2018 SPA to repay all outstanding indebtedness and various fees and expenses under the former Credit Facility as discussed in Note 4, and to pay certain fees and expenses of the Purchasers and the Company in connection with the 2018 SPA.

Agreements Related to Private Placement Transactions

In connection with the completion of the Initial Private Placement, the Company, among other customary closing actions, (i) filed a Certificate of Designations with the State of Delaware setting forth the rights, preferences, privileges, qualifications, restrictions and limitations on the Series A Preferred Stock (the "CoD"), (ii) entered into a Registration Rights Agreement with the Purchasers setting forth certain registration rights of the Purchasers (the "Registration Rights Agreement"), (iii) delivered a Convertible Note to each Purchaser, and (iv) entered into a Security Agreement (the "Security Agreement") in respect of the Company's assets collateralizing the amounts that may become payable pursuant to the Promissory Notes if certain redemption provisions of the Series A Preferred Stock are triggered in the future. In connection with both the March 2019 and June 2019 Private Placements, the Company entered into a securities purchase agreement, a Registration Rights Agreement, a First (March 2019) and Second (June 2019) Amendment to the Security Agreement, as well as issued Convertible Notes to each investor, in each case substantially in the same form as entered into by the Company in the Initial Private Placement.

Certificate of Designations of the Series A Preferred Stock and Dividends

The CoD authorizes the issuance of up to 180,000 shares of Series A Preferred Stock. The holders of Series A Preferred Stock are entitled to, from the respective issuance date, a cash dividend of 10.0% per annum and a payment-in-kind dividend of3.0% per annum for the first five years following the initial June 2018 closing and thereafter all dividends accruing on such Series A Preferred Stock will be payable in cash at a rate of 13.0% per annum. The Series A Preferred Stock is classified as mezzanine equity in the Company's consolidated balance sheet as of September 30, 2019 and December 31, 2018 since the holders have redemption rights beginning on July 19, 2023 (and earlier under certain circumstances).

As required under the CoD, the Cash Dividends and PIK Dividends for the period in which the Series A Preferred Stock was outstanding during the third quarter of 2019 were settled on October 1, 2019 to holders of record on September 16, 2019. Accordingly, the Company accrued a current liability for accrued Cash Dividends through September 30, 2019 for $3.9 million. A long-term liability was recorded for$1.1 million of PIK Dividends that accrued through September 30, 2019, and that were settled through the issuance of 1,149 shares of Series A Preferred Stock on October 1, 2019. Presented below is a summary of total and per share dividends declared through September 30, 2019 (dollars in thousands, except per share amounts):

	Dividends Payable in: Cash	PIK	Total Dividends	Dividends Per Share
Dividends payable as of December 31, 2018	$ 3,521	$ 1,056	$ 4,577	$ 32.50
Cash Dividends @ 10% per annum	3,593	—	3,593	25.00
PIK Dividends @ 3% per annum	—	1,065	1,065	7.41
Fractional PIK shares settled for cash	13	—	13	0.09
Less dividends settled January 2, 2019	(3,566)	(1,062)	(4,628)	(32.62)
Dividends payable as of March 31, 2019	3,561	1,059	4,620	31.13
Cash Dividends @ 10% per annum	3,747	—	3,747	25.00
PIK Dividends @ 3% per annum	—	1,115	1,115	7.44
Fractional PIK shares settled for cash	9	—	9	0.06
Less dividends settled April 1, 2019	(3,561)	(1,059)	(4,620)	(30.82)
Dividends payable as of June 30, 2019	3,756	1,115	4,871	31.84
Cash Dividends @ 10% per annum	3,852	—	3,852	25.00
PIK Dividends @ 3% per annum	—	1,149	1,149	7.46
Fractional PIK shares settled for cash	7	—	7	0.05
Less dividends settled July 1, 2019	(3,756)	(1,115)	(4,871)	(31.61)
Dividends payable as of September 30, 2019	$ 3,859	$ 1,149	$ 5,008	$ 32.50

The liquidation value of the Series A Preferred Stock is convertible into shares of Common Stock at an initial conversion rate of $10.00 per share for a total of 15.4 million shares of Common Stock based on 154,082 shares of Series A Preferred Stock outstanding as of September 30, 2019. Each share of Series A Preferred Stock is convertible at the holder's option into one share of Common Stock at a conversion price equal to the quotient of (i) the Liquidation Preference (as defined below), and (ii) $10.00 (subject to appropriate adjustment in the event of a stock split, stock dividend, combination or other similar recapitalization) (the "Per Share Amount"). The Company has the right to convert outstanding shares of Series A Preferred Stock into Common Stock for the Per Share Amount after July 19, 2021, if the Company's volume weighted average stock price for at least 30 trading days of the 45 consecutive trading days immediately preceding such conversion is greater than $11.50 per share. The Company can exercise this right to convert twice per calendar year for a maximum number of shares of Common Stock that has publicly traded over the 60 consecutive trading days prior to the conversion date (less any shares of Common Stock that have been issued pursuant to any such conversion during such 60-day period).

The Series A Preferred Stock will become mandatorily redeemable, upon the election by the holders of a majority of the then outstanding shares, on or after July 19, 2023. Any and all of the then outstanding liquidation value of the Series A Preferred Stock plus any capitalized PIK Dividends and any unpaid accrued Cash Dividends not previously included in the Liquidation Preference (the "Redemption Amount") is required to be repaid in full in cash on such redemption date or satisfied in the form of obligations under the Convertible Notes. Additionally, in certain circumstances the Company may require the holders of shares of the Series A Preferred Stock to convert into shares of Common Stock in lieu of cash payable upon redemption.

The Series A Preferred Stock will also become mandatorily redeemable at any time upon the reasonable determination of the holders of a majority of the Series A Preferred Stock then outstanding of the occurrence of a Material Adverse Effect or the occurrence of a Material Litigation Effect (as such terms are defined in the CoD), with the Redemption Amounts payable automatically becoming payment obligations pursuant to the Convertible Notes with a concurrent cancellation of the shares of the Series A Preferred Stock, unless under certain circumstances, the Company redeems the Series A Preferred Stock for cash at such time.

Prior to July 19, 2021, the Company will have the right to redeem up to $80.0 million of shares of the Series A Preferred Stock for cash amounts equal to the Redemption Amount which would include a make-whole premium that provides the holders thereof with full yield maintenance as if the Series A Preferred Stock was held until July 19, 2021, provided that such redemptions are subject to certain conditions and limitations. After July 19, 2021, the Company will have the right to redeem shares of Series A Preferred Stock for a cash per share amount equal to the Redemption Amount.

The holders of Series A Preferred Stock may exercise their conversion rights prior to any optional redemption. In the event of a liquidation, dissolution or winding up of the Company, the Series A Preferred Stock is entitled to a liquidation preference in the amount of the greater of (i) $1,000 plus accrued but unpaid Dividends (the "Liquidation Preference"), and (ii) the per share amount of all cash, securities and other property to be distributed in respect of the Common Stock such holder would have been entitled to receive for its Series A Preferred Stock on an as-converted basis. In the event of a liquidation, dissolution or winding up of the Company prior to July 19, 2021, the holders are entitled to a make-whole premium that provides the holders thereof with full yield maintenance as if the shares of Series A Preferred Stock were held until July 19, 2021.

Until approximately 95% of the Series A Preferred Stock or Convertible Notes are no longer outstanding, the Company is restricted from incurring Indebtedness (as defined in the June 2019 SPA, March 2019 SPA and 2018 SPA), subject to certain exceptions.

Registration Rights Agreement

The original Registration Rights Agreement required the Company to register the resale of the shares of Common Stock and Series A Preferred Stock issued pursuant to the 2018 SPA. The Company satisfied such registration requirements in November 2018. The Registration Rights Agreements, entered into in connection with both the March 2019 and June 2019 Private Placements, require the Company to register the resale of the shares of Common Stock and Series A Preferred Stock pursuant to the March 2019 SPA and the June 2019 SPA within 120 days of the respective March 7, 2019 and June 20, 2019 closing dates. The Company satisfied such registration requirements in July 2019. Each such Registration Rights Agreement also includes customary “piggyback” registration rights, suspension rights, indemnification, contribution, and assignment provisions.

NOTE 6—RESTRICTED STOCK UNITS, STOCK OPTIONS AND WARRANTS

The Company’s stock option plans consist of the 2007 Stock Plan (the “2007 Plan”) and the 2013 Equity Incentive Plan, as amended and restated in July 2017 (the “2013 Plan”). The 2007 Plan and the 2013 Plan are collectively referred to as the “Stock Plans”. For additional information about the Stock Plans, please refer to Note 8 to the Company’s consolidated financial statements for the year ended December 31, 2018, included in the 2018 Form 10-K. The information presented below provides an update for activity under the Stock Plans for the nine months ended September 30, 2019.

Restricted Stock Units

For the nine months ended September 30, 2019, the Board of Directors granted restricted stock units (“RSUs”) under the 2013 Plan for an aggregate of approximately 2.9 million shares of Common Stock to members of the Board of Directors, officers and employees of the Company. These RSUs vest over periods ranging from 12 to 36 months from the respective grant dates and the awards are subject to forfeiture upon termination of employment or service on the Board of Directors. Based on the weighted average fair market value of the Common Stock on the date of grant of $4.87 per share, the aggregate fair value for the shares underlying the RSUs amounted to $14.1 million as of the grant date that will be recognized as compensation cost over the vesting period. Compensation expense of approximately $1.1 million and $0.3 million was recognized for the three months ended September 30, 2019 and 2018, respectively. Compensation expense of approximately $2.1 million and $0.8 million was recognized for the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019, the unrecognized expense of $10.2 million is expected to be charged to expense on a straight-line basis as the RSUs vest over a weighted-average period of approximately 2.6 years.

Stock Options

On February 13, 2019, the Board of Directors authorized an increase of approximately 2.6 million shares available for grant under the 2013 Plan. For the nine months ended September 30, 2019, the Board of Directors granted stock options for the purchase of an aggregate of approximately 0.6 million shares of Common Stock at an exercise prices that were equal to or greater than the fair market value of the Common Stock on the date of grant. These stock options generally vest annually for one-third of the awards and expire ten years after the grant date.

The following table sets forth a summary of stock option activity under the Stock Plans for the nine months ended September 30, 2019 (shares in thousands):

	Shares	Price (1)	Term (2)
Outstanding, December 31, 2018	11,904	$ 4.00	5.1
Granted	634	5.38	
Forfeited	(419)	7.73	
Expired	(408)	6.88	
Exercised	(2,399)	1.20	
Outstanding, September 30, 2019 (3)(4)	9,312	4.52	5.2
Vested, September 30, 2019 (3)	7,459	3.95	4.3

(1) Represents the weighted average exercise price.
(2) Represents the weighted average remaining contractual term until the stock options expire.
(3) As of September 30, 2019, the aggregate intrinsic value of all stock options outstanding was $10.3 million. As of September 30, 2019, the aggregate intrinsic value of vested stock options was $10.3 million.
(4) The number of outstanding stock options that are not expected to ultimately vest due to forfeiture amounted to 0.2 million shares as of September 30, 2019.

The following table presents activity affecting the total number of shares available for grant under the Stock Plans for the nine months ended September 30, 2019 (in thousands):

Available, December 31, 2018	2,758
Stock options granted	(634)
Restricted stock units granted	(2,887)
Expired options under Stock Plans	408
Forfeited options and restricted stock units under Stock Plans	451
Newly authorized by Board of Directors	2,567
Available, September 30, 2019	2,663

The aggregate fair value of approximately 634,000 stock options granted for the nine months ended September 30, 2019 amounted to $1.3 million, or $2.04 per share as of the grant date. Fair value was computed using the Black-Scholes-Merton ("BSM") method and will result in the recognition of compensation cost over the vesting period of the stock options. For the nine months ended September 30, 2019, the fair value of each stock option grant under the Stock Plans was estimated on the date of grant using the BSM option-pricing model, with the following weighted-average assumptions:

Expected life (in years)	6.0
Volatility	35%
Dividend yield	0%
Risk-free interest rate	2.35%
Fair value per common share on date of grant	$5.38

As of September 30, 2019 and December 31, 2018, total unrecognized compensation costs related to unvested stock options, net of estimated forfeitures, was $2.7 million and $4.0 million, respectively. As of September 30, 2019, the unrecognized costs are expected to be charged to expense on a straight-line basis over a weighted-average vesting period of approximately 1.7 years.

Stock-Based Compensation Expense

Stock-based compensation expense attributable to RSUs and stock options is classified as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of revenues	$ 247	$ 246	$ 625	$ 612
Sales and marketing	484	504	1,132	1,321
General and administrative	890	428	2,072	1,210
Total	$ 1,621	$ 1,178	$ 3,829	$ 3,143

Warrants

As of September 30, 2019, warrants are outstanding for an aggregate of 18.1 million shares of Common Stock, including 3.4 million shares of Common Stock exercisable at $5.64 per share, and an aggregate of 14.7 million shares of Common Stock exercisable at $11.50 per share. For additional information about these warrants, please refer to Note 8 to the Company's consolidated financial statements for the year ended December 31, 2018, included in the 2018 Form 10-K.

NOTE 7 — INCOME TAXES

In December 2017, the U.S. Tax Cuts and Jobs Act of 2017 ("Tax Act") was enacted into law which significantly revises the Internal Revenue Code of 1986, as amended. The Tax Act, among other things, contains significant changes to corporate taxation, including a flat corporate tax rate of 21%, limitation of the tax deduction for interest expense to 30% of adjusted earnings, limitation of the deduction for newly generated net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated (the "Transition Tax"), future taxation of certain classes of offshore earnings regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits beginning in 2018.

The imposition of the Transition Tax may reduce or eliminate U.S. federal deferred taxes on the unremitted earnings of the Company's foreign subsidiaries. However, the Company may still be liable for withholding taxes, state taxes, or other income taxes that might be incurred upon the repatriation of foreign earnings. The Company has not made any provision for additional income taxes on undistributed earnings of its foreign subsidiaries.

For the three months ended September 30, 2019 and 2018, our effective rate was 20.6% and (1.1)%, respectively. For the nine months ended September 30, 2019 and 2018, our effective tax rate was 9.1% and (2.3)%, respectively. Our income tax expense was attributable to earnings in foreign jurisdictions subject to income taxes. For both the three and nine months ended September 30, 2019 and 2018, no income tax expense was recorded in the United States as a result of historical net operating losses being incurred. The Company did not have any material changes to its conclusions regarding valuation allowances for deferred income tax assets or uncertain tax positions for the three months ended September 30, 2019 and 2018.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its office facilities under non-cancellable operating lease agreements that expire from November 2019 to December 2026. The Company recognizes rent expense on a straight-line basis over the lease period. Rent expense for the three months ended September 30, 2019 and 2018 was $1.5 million and $1.4 million, respectively. Rent expense for the nine months ended September 30, 2019 and 2018 was $4.5 million and $4.1 million, respectively.

Future minimum lease payments under the non-cancellable operating lease agreements are as follows (in thousands):

12 months ending September 30:		
2020	$	5,569
2021		5,254
2022		4,273
2023		2,692
2024		2,702
Thereafter		5,724
Total	$	26,214

Series A Preferred Stock Dividends

In connection with the issuance of Series A Preferred Stock on June 20, 2019, March 7, 2019 and July 19, 2018 as discussed in Note 5, the Company is obligated to pay Cash Dividends and issue additional shares of Series A Preferred Stock in settlement of PIK Dividends. From January 1, 2019 through July 19, 2023 that the Series A Preferred Stock is expected to be outstanding, estimated Cash Dividends and PIK Dividends required to be declared are as follows (in thousands):

Year Ending December 31:		**Cash**		**PIK**		**Total**
2019	$	15,075	$	4,522	$	19,597
2020		15,819		4,746		20,565
2021		16,299		4,890		21,189
2022		16,794		5,038		21,832
2023		9,455		2,837		12,292
Total	$	73,442	$	22,033	$	95,475

Retirement Plan

The Company has a qualified 401(k) plan for all eligible U.S. employees. Employees may contribute up to the statutory maximum, which is set by law each year. The plan also provides for discretionary employer contributions in an amount equal to 100% of each employee's contribution, not to exceed 4% of eligible compensation. The Company's matching contribution to the plan totaled $0.6 million and $0.5 million for the three months ended September 30, 2019 and 2018, respectively. The Company's matching contribution to the plan totaled $1.9 million and $1.6 million for the nine months ended September 30, 2019 and 2018, respectively.

Rimini I Litigation

In January 2010, certain subsidiaries of Oracle Corporation (together with its subsidiaries individually and collectively, "Oracle") filed a lawsuit, *Oracle USA, Inc. et al. v. Rimini Street, Inc. et al.* (United States District Court for the District of Nevada) ("Rimini I"), against the Company and its Chief Executive Officer, Seth Ravin, alleging that certain of the Company's processes violated Oracle's license agreements with its customers and that the Company committed acts of copyright infringement and violated other federal and state laws. The litigation involved the Company's business processes and the manner in which the Company provided services to its clients. To provide software support and maintenance services to its clients, the Company requests access to a separate environment for developing and testing the updates to the software programs. Prior to July 2014, PeopleSoft, J.D. Edwards, and Siebel clients switching from Oracle to the Company's enterprise software support were given a choice of two models for hosting the development and testing environment for their software: the environment could be hosted on the client's servers or on the Company's servers. In addition to other allegations, Oracle challenged the Rimini Street-hosted model for certain Oracle license agreements with its customers that contained site-based restrictions. Oracle alleged that its license agreements with these customers restrict licensees' rights to provide third parties, such as the Company, with copies of Oracle software and restrict where a licensee may physically install the software. Oracle alleged that, in the course of providing services, the Company violated such license agreements and illegally downloaded software and support materials without authorization. Oracle further alleged that the Company impaired its computer systems in the course of downloading materials for the Company's clients. Oracle filed amended complaints (together, "Oracle's amended complaint") in April 2010 and June 2011. Specifically, Oracle's amended complaint asserted the following causes of action: copyright infringement; violations of the Federal Computer Fraud and Abuse Act; violations of the Computer Data Access and Fraud Act; violations of Nevada Revised Statute 205.4765; breach of contract; inducing breach of contract;

intentional interference with prospective economic advantage; negligent interference with prospective economic advantage; unfair competition; trespass to chattels; unjust enrichment/restitution; unfair practices; and a demand for an accounting. Oracle's amended complaint sought the entry of a preliminary and permanent injunction prohibiting the Company from copying, distributing, using, or creating derivative works based on Oracle Software and Support Materials except as allowed by express license from Oracle; from using any software tool to access Oracle Software and Support Materials; and from engaging in other actions alleged to infringe Oracle's copyrights or were related to its other causes of action. The parties conducted extensive fact and expert discovery from 2010 through mid-2012.

In March and September 2012, Oracle filed two motions seeking partial summary judgment as to, among other things, its claim of infringement of certain copyrighted works owned by Oracle. In February 2014, the District Court issued a ruling on Oracle's March 2012 motion for partial summary judgment (i) granting summary judgment on Oracle's claim of copyright infringement as it related to two of the Company's PeopleSoft clients and (ii) denying summary judgment on Oracle's claim with respect to one of the Company's J.D. Edwards clients and one of the Company's Siebel clients. The parties stipulated that the licenses among clients were substantially similar for purposes of the Rimini I action. In August 2014, the District Court issued a ruling on Oracle's September 2012 motion for partial summary judgment (i) granting summary judgment on Oracle's claim of copyright infringement as it relates to Oracle Database and (ii) dismissing the Company's first counterclaim for defamation, business disparagement and trade libel and the Company's third counterclaim for unfair competition. In response to the February 2014 ruling, the Company revised its business practices to eliminate the processes determined to be infringing. This process was completed no later than July 2014.

A jury trial in Rimini I commenced in September 2015. On October 13, 2015, the jury returned a verdict against the Company finding that (i) the Company was liable for innocent copyright infringement, (ii) the Company and Mr. Ravin were each liable for violating certain state computer access statutes, (iii) Mr. Ravin was not liable for copyright infringement, and (iv) neither the Company nor Mr. Ravin were liable for inducing breach of contract or intentional interference with prospective economic advantage. The jury determined that the copyright infringement did not cause Oracle to suffer lost profits, that the copyright infringement was not willful, and did not award punitive damages. Following post-trial motions, Oracle was awarded a final judgment of $124.4 million in October 2016, consisting of copyright infringement damages based on the fair market value license damages theory, damages for violation of certain state computer access statutes, prejudgment interest, and attorneys' fees and costs. In addition, the District Court entered a permanent injunction prohibiting the Company from using certain processes.

The Company accounted for the $124.4 million judgment to Oracle by recording accrued legal settlement expense of (i)$100.0 million for the year ended December 31, 2014, (ii) $21.4 million for the year ended December 31, 2015, and (iii) pre-judgment interest of$3.0 million for the period from January l, 2016 through October 31, 2016.

Appeal of Rimini I Litigation

On October 31, 2016, the Company paid the full judgment amount of approximately$124.4 million to Oracle, and appealed the case to the United States Court of Appeals for the Ninth Circuit (the "Court of Appeals") to appeal findings (i) and (ii) above as well as the injunction and attorneys' fee award, non-taxable expenses, and interest. With respect to the injunction entered by the District Court, the Company argued on appeal that the injunction was vague and contains overly broad language that could be read to cover some of the Company's current business practices that were not adjudicated to be infringing at trial and the injunction should not have been issued under applicable law. On December 6, 2016, the Court of Appeals granted the Company's emergency motion for a stay of the permanent injunction pending resolution of the underlying appeal and agreed to consider the appeal on an expedited basis. The Court of Appeals heard argument on July 13, 2017.

On January 8, 2018, the Court of Appeals reversed certain awards totaling$50.3 million made in Oracle's favor during and after the Company's 2015 jury trial in Rimini I and vacated and remanded others, including the injunction that had previously been stayed by the Court of Appeals on December 6, 2016, and all awards and judgments against Mr. Ravin. The Court of Appeals reversed awards previously paid by the Company as part of the $124.4 million judgment, consisting of an award under state computer access statutes and taxable expenses and interest totaling $21.3 million, Oracle's attorneys' fees of $28.5 million (that was subsequently remanded to the District Court), and post-judgment interest of $0.5 million. The Court of Appeals also vacated and remanded the injunction originally ordered by the District Court. Although the Court of Appeals affirmed the findings of infringement against Rimini (which the jury had found to be "innocent" infringement) for the processes that the Company ceased using no later than July 2014, it stated in the opinion that the Company "provided third-party support for Oracle's enterprise software, in lawful competition with Oracle's direct maintenance services."

As mandated by the Court of Appeals, on March 30, 2018, Oracle paid the Company$21.5 million for the reversal of the award under state computer access statutes and taxable expenses and interest totaling $21.3 million, and post-judgment interest of

$0.2 million. Due to collection of this award in cash, the Company recognized a recovery of the 2016 judgment for $21.3 million and interest income of $0.2 million for the year ended December 31, 2018. Additionally, in May 2018, by stipulation of the parties, Oracle deposited $28.5 million into an escrow account with the District Court pending a decision by the District Court on the remanded attorneys' fees award. On August 14, 2018, the District Court (i) imposed an injunction that was substantially identical to the injunction that the Court of Appeals had vacated in January 2018, and (ii) again awarded Oracle $28.5 million in attorneys' fees, which were paid by funds deposited by Oracle with the District Court in May 2018.

On August 16, 2018, the Company filed a notice of appeal of the District Court's renewed injunction and its decision to return the $28.5 million attorneys' fee award to Oracle. The Company also filed in the District Court a motion to stay the injunction pending appeal. On September 11, 2018, the District Court denied the motion, but granted a temporary 60-day stay for the Company to seek a stay with the Court of Appeals. On September 14, 2018, the Company filed a motion with the Court of Appeals, seeking a stay of the permanent injunction pending appeal and requesting a decision before the expiration of the temporary stay entered by the District Court. On November 5, 2018, the Court of Appeals denied the Company's motion for a stay pending appeal of the injunction issued by the District Court without addressing the merits of the Company's appeal, and it confirmed the briefing schedule for the appeal. The briefing on our appeal to the Court of Appeals was completed on March 14, 2019, and a hearing on our appeal occurred on July 12, 2019. On August 16, 2019, the Court of Appeals entered an order affirming the permanent injunction and the award of attorneys' fees that were previously paid to Oracle. However, the Court of Appeals agreed that the injunction was overbroad in two respects and instructed the District Court to remove the restriction on "local hosting" of J.D. Edwards and Siebel software and the prohibition against "accessing" J.D. Edwards and Siebel software source code.

On September 20, 2019 Oracle filed a motion for attorneys' fees on appeal, in which it requested and estimated fees totaling approximately $0.5 million. On October 9, 2019, the parties stipulated to a withdrawal of Oracle's motion, with Rimini agreeing to pay Oracle $0.5 million without any admission of wrongdoing. These fees were accrued by the Company as of September 30, 2019.

As long as the injunction is still in place, Oracle may file contempt proceedings against the Company at any time to attempt to enforce its interpretation of the injunction or if it has reason to believe the Company is not in compliance with express terms of the injunction. The Company believes that it is in compliance with the terms of the injunction insofar as they are comprehensible and within the scope of the judgment in Rimini I. On February 27, 2019, Oracle filed in the District Court a motion to reopen discovery in Rimini I and a motion to modify the protective order in Rimini II to permit Oracle to use discovery from Rimini II in Rimini I, in a purported effort to investigate whether the Company is complying with the injunction. On April 4, 2019, the District Court granted Oracle's motion to reopen discovery in Rimini I, and on May 14, 2019, the District Court granted Oracle's motion to modify the protective order in Rimini II to permit Oracle to use discovery from that case in Rimini I. Pursuant to the discovery scheduling order issued in Rimini I, Oracle is permitted to conduct limited discovery regarding Rimini's compliance with the injunction. On September 3, 2019, the Court vacated all prior deadlines for discovery, initial expert disclosure, rebuttal expert disclosure, and for Oracle to file a motion for an order to show cause related to alleged contempt. It is anticipated that discovery will close sometime in the first quarter of 2020, and there is currently no deadline for Oracle to file a motion for an order to show cause.

On November 5, 2019, the Company filed a petition for writ of certiorari in the Supreme Court of the United States (the "U.S. Supreme Court") appealing the August 19, 2019 judgment of the Court of Appeals. The Company has asked the U.S. Supreme Court to determine whether a district court must take into account a jury's finding of an infringer's mental state in considering injunctive relief under the Copyright Act. As of the date of this filing, the U.S. Supreme Court has not made a decision on whether to grant certiorari and certiorari may or may not be granted.

Petition for Rehearing En Banc and Appeal to the U.S. Supreme Court

In January 2018, the Company filed a petition for rehearing en banc with the Court of Appeals regarding two other components of the final judgment awarded to Oracle. First, the Company asked the Court of Appeals to rehear the calculation of prejudgment interest, arguing that the District Court set the interest rate using a date that precedes the filing of Oracle's complaint, which resulted in an additional judgment amount of approximately $20.2 million that was paid by the Company to Oracle in October 2016. Second, the Company asked the Court of Appeals to rehear the award of non-taxable expenses, arguing that this decision is in direct conflict with decisions in other federal circuit courts and decisions of the U.S. Supreme Court and resulted in the Company paying approximately $12.8 million that it would not have had to pay in other court jurisdictions. The Court of Appeals denied the petition for rehearing en banc on March 2, 2018, and the mandate was issued on March 13, 2018. On May 31, 2018, the Company filed a petition for writ of certiorari in the U.S. Supreme Court appealing the decision of the Court of Appeals on the non-taxable expenses issue. On September 27, 2018, the U.S. Supreme Court granted the Company's petition for a writ of *certiorari*. Briefing on the Company's appeal was completed in early 2019, and a hearing on the appeal was held on January 14, 2019. On March 4, 2019, the U.S. Supreme Court issued a unanimous decision reversing earlier decisions by the lower courts and ruling that Oracle must return approximately $12.8 million in non-taxable expenses that the Company had previously paid to Oracle (plus interest of$0.2 million). As mandated by the U.S. Supreme Court, on April 5, 2019, Oracle paid the Company $13.0 million (the principal amount plus post-judgment interest). The award received by the Company will be required to be shared on a pro rata basis with an insurance company that previously paid for part of the judgment and reimbursed a portion of defense costs after deducting the costs of all of our past and pending appeal and remand proceedings in Rimini I. As a result of the U.S. Supreme Court decision, the Company recognized a recovery of the non-taxable expenses for $12.8 million and interest income of $0.2 million for the nine months ended September 30, 2019, excluding any contractual amounts due to the insurance company.

Rimini II Litigation

In October 2014, the Company filed a separate lawsuit, *Rimini Street Inc. v. Oracle Int'l Corp.* (United States District Court for the District of Nevada) ("Rimini II"), against Oracle seeking a declaratory judgment that the Company's revised development processes, in use since at least July 2014, do not infringe certain Oracle copyrights. In February 2015, Oracle filed a counterclaim alleging copyright infringement, which included (i) the same allegations asserted in Rimini I but limited to clients not addressed in Rimini I, and (ii) new allegations that the Company's revised support processes also infringe Oracle copyrights. Oracle's counterclaim also included allegations of violation of the Lanham Act, intentional interference with prospective economic advantage, breach of contract and inducing breach of contract, unfair competition, and unjust enrichment/restitution. It also sought an accounting. On February 28, 2016, Oracle filed amended counterclaims adding allegations of violation of the Digital Millennium Copyright Act. On December 19, 2016, the Company filed an amended complaint against Oracle asking for a declaratory judgment of non-infringement of copyright and alleging intentional interference with contract, intentional interference with prospective economic advantage, violation of the Nevada Deceptive Trade Practices Act, violation of the Lanham Act, and violation of California Business & Professions Code §17200 et seq. On January 17, 2017, Oracle filed a motion to dismiss the Company's amended claims and filed its third amended counterclaims, adding three new claims for a declaratory judgment of no intentional interference with contractual relations, no intentional interference with prospective economic advantage, and no violation of California Business & Professions Code §17200 et seq. On February 14, 2017, the Company filed its answer and motion to dismiss Oracle's third amended counterclaim. On March 7, 2017, Oracle filed a motion to strike the Company's copyright misuse affirmative defense. By stipulation of the parties, the District Court granted the Company's motion to file its third amended complaint to add claims arising from Oracle's purported revocation of access by the Company to its support websites on behalf of the Company's clients, which was filed and served on May 2, 2017. By agreement of the parties, Oracle filed its motion to dismiss the Company's third amended complaint on May 30, 2017, and the Company's opposition was filed on June 27, 2017, and Oracle's reply was filed on July 11, 2017. On September 22, 2017, the District Court issued an order granting in part and denying in part the Company's motion to dismiss Oracle's third amended counterclaims. The District Court granted the Company's motion to dismiss Oracle's intentional interference with prospective economic advantage and unjust enrichment counterclaims. On October 5, 2017, Oracle filed a motion for reconsideration of the District Court's September 22, 2017 order. The Company filed its opposition to Oracle's motion for reconsideration on October 19, 2017. Oracle filed its reply to its motion for reconsideration on October 26, 2017. On November 7, 2017, the District Court issued an order granting in part and denying in part Oracle's motion to dismiss the Company's third amended complaint. The District Court granted Oracle's motion to dismiss as to the Company's third cause of action for a declaratory judgment that Oracle has engaged in copyright misuse, fifth cause of action for intentional interference with prospective economic advantage; sixth cause of action for a violation of Nevada's Deceptive Trade Practices Act under the "bait and switch" provision of NRS § 598.0917; and seventh cause of action for violation of the Lanham Act. The District Court denied Oracle's motion as to the Company's causes of action for intentional interference with contractual relations, violation of Nevada Deceptive Trade Practices Act, under the "false and misleading" provision of NRS § 598.0915(8) and unfair competition. On November 17, 2017 the District Court denied Oracle's motion for reconsideration of the District Court's September 22, 2017 order. On June 5, 2018, the District Court denied the Company's motion for reconsideration of the District Court's November 7, 2017 order.

Fact discovery with respect to the above action substantially ended by March 2018, and expert discovery ended in September 2018. Briefing on the parties' motions for summary judgment was completed December 14, 2018, and the parties await the District Court's ruling on those motions. On February 27, 2019, Oracle filed a motion to modify the protective order to permit Oracle to use discovery from Rimini II in Rimini I, in connection with injunction compliance issues. On May 14, 2019, the District Court granted Oracle's motion, permitting Oracle to use in Rimini I the discovery gathered in Rimini II.

There is currently no trial date scheduled, and the Company does not expect a trial to occur in this matter earlier than 2021, but the trial could occur earlier or later than that. At this time, the Company does not have sufficient information regarding possible damages exposure for the counterclaims asserted by Oracle or possible recovery by the Company in connection with its claims against Oracle. Both parties are seeking injunctive relief in addition to monetary damages in this matter. As a result, an estimate of the range of loss cannot be reasonably determined. The Company also believes that an award for damages is not probable, so no accrual has been made as of September 30, 2019.

Other Litigation

From time to time, the Company may be a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business. Regardless of the outcome, litigation can have an adverse impact on the Company because of judgment, defense and settlement costs, diversion of management resources and other factors. At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under ASC 450, *Contingencies*. Legal fees are expensed as incurred.

Insurance Settlement Agreement

On March 31, 2017, the Company entered into a Settlement Agreement, Release and Policy Buyback Agreement (the “Settlement Agreement”) with an insurance company that previously provided coverage for the defense costs related to the Oracle litigation referred to as Rimini II. The Settlement Agreement provided for aggregate payments to the Company of $24.0 million and resulted in the termination of coverage under the insurance policies. Prior to execution of the Settlement Agreement, the insurance company reimbursed the Company an aggregate of $4.7 million of defense costs, and pursuant to the settlement agreed to make an additional payment to the Company of $19.3 million that was received in April 2017. In April 2017, the Company paid $0.6 million of settlement expenses, and the remaining $18.7 million of settlement proceeds was used to make a mandatory $14.1 million principal payment, and a $4.6 million make-whole applicable premium payment due to the Lenders pursuant to the terms of the Credit Facility discussed in Note 4.

The Settlement Agreement was initially accounted for by recognizing a deferred insurance settlement liability for $19.3 million. This deferred insurance settlement liability was reduced as legal defense costs related to Rimini II were incurred subsequent to March 31, 2017. Accordingly, the deferred insurance settlement liability was eliminated as of March 31, 2018 due to legal defense costs of $11.3 million incurred for the year ended December 31, 2017, resulted in a reduction of the deferred insurance settlement liability to $8.0 million as of December 31, 2017. There was no remaining liability as of December 31, 2018.

Governmental Inquiry

On March 2, 2018, the Company received a federal grand jury subpoena, issued from the United States District Court for the Northern District of California, requesting the Company produce certain documents relating to specified support and related operational practices. The Company is cooperating with this inquiry and has complied with the related document request.

Proceeds from the U.S. Supreme Court Decision

On April 5, 2019, the Company received payment from Oracle of $13.0 million related to the U.S. Supreme Court ruling on March 4, 2019, which reversed earlier decisions by the lower courts that Oracle must return approximately $12.8 million in non-taxable expenses previously paid by the Company plus post-judgment interest. The award is required to be shared with an insurance company on a pro rata basis, whereby the insurance company may be entitled to 60% of the award after deducting the Company's costs for all appeal and remand proceedings. As a result, the Company has recognized a recovery of non-taxable expenses of $12.8 million and recorded interest income of $0.2 million for the nine months ended September 30, 2019. The Company also recognized costs of $4.0 million, during the nine months ended September 30, 2019, reflecting the current estimate of the amounts owed to the insurance company to date pursuant to the Settlement Agreement described above. This liability is subject to decrease as additional costs related to any future Rimini I appeal and remand proceedings are incurred.

Liquidated Damages

The Company enters into agreements with clients that contain provisions related to liquidated damages that would be triggered in the event that the Company is no longer able to provide services to these clients. The maximum cash payments related to these liquidated damages is approximately $25.0 million and $30.4 million as of September 30, 2019 and December 31, 2018, respectively. To date, the Company has not incurred any costs as a result of such provisions and has not accrued any liabilities related to such provisions in these unaudited condensed consolidated financial statements.

NOTE 9 — RELATED PARTY TRANSACTIONS

Upon consummation of the Merger Agreement, an outstanding note payable to GP Sponsor with a face amount of approximately$3.0 million was assumed by the Company. As discussed more thoroughly in Note 4, the note was amended twice in 2018 whereby the maturity date changed to June 28, 2019 and was repaid in full as of June 28, 2019.
Prior to repayment, the parties agreed that the note would retroactively bear interest at13.0% per annum from July 19, 2018 through the maturity date. The second amendment also provided for monthly principal payments of approximately $0.4 million plus accrued interest. An affiliate of GP Sponsor is member of the Company's Board of Directors.

An affiliate of Adams Street Partners ("ASP") is a member of the Company's Board of Directors. As of September 30, 2019, ASP owned approximately35.3% of the Company's issued and outstanding shares of Common Stock. In July 2018, ASP acquired 19,209 shares of Series A Preferred Stock and approximately0.4 million shares of Common Stock issued in the Initial Private Placement discussed in Note 5 for total consideration of approximately$19.2 million. As of September 30, 2019, ASP had voting control of approximately 31.1% of the Company's issued and outstanding shares of Common Stock, including voting rights associated with the 19,754 shares of Series A Preferred Stock. Prior to termination on July 19, 2018 of the amended Credit Facility discussed in Note 4, ASP owned a $10.0 million indirect interest in the amended Credit Facility. For the three months ended September 30, 2019 and 2018, the Company recognized revenue for software support services provided to certain ASP investees for an aggregate of $0.3 million and $0.2 million, respectively. For the nine months ended September 30, 2019 and 2018, the Company recognized revenue for software support services provided to certain ASP investees for approximately $1.0 million and $1.2 million, respectively. Accounts receivable includes$0.9 million and $1.2 million due from ASP investees for software support services as of September 30, 2019 and December 31, 2018, respectively.

NOTE 10 —EARNINGS (LOSS) PER SHARE

We compute earnings per share in accordance with ASC Topic 260,*Earnings per Share* ("ASC 260"), which requires earnings per share for each class of stock to be calculated using the two-class method. The holders of Series A Preferred Stock are entitled to participate in Common Stock dividends, if and when declared, on a one-to-one per-share basis. Accordingly, in periods in which the Company has net income, earnings per share will be computed using the two-class method whereby the pro rata dividends on Common Stock that are also distributable to the holders of Series A Preferred Stock will be deducted from earnings applicable to common stockholders, regardless of whether a dividend is declared for such undistributed earnings. Under the two-class method, earnings for the reporting period are allocated between the holders of our Common Stock and the Series A Preferred Stock based on their respective participation rights in undistributed earnings.

Basic earnings per Common Stock share is computed by dividing net income attributable to common stockholders by the weighted average number of shares of basic Common Stock outstanding. Net income allocated to the holders of our Series A Preferred Stock is calculated based on the shareholders' proportionate share of the weighted average shares of Common Stock outstanding on an if-converted basis. Diluted earnings per Common Stock share is calculated by adjusting the basic earnings per Common Stock share for the effects of potential dilutive Common Stock shares outstanding such as stock options, restricted stock units and warrants.

For both the three months and nine months endedSeptember 30, 2019 and 2018, basic and diluted net earnings per share of Common Stock were computed by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the respective periods. The following table sets forth the computation of basic and diluted net income attributable to common stockholders for both the three and nine months ended September 30, 2019 and 2018 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Income attributable to common stockholders:				
Net income (loss)	$ 1,739	$ (48,368)	$ 17,650	$ (70,307)
Dividends and accretion related to Series A Preferred Stock:				
Cash dividends declared	(3,852)	(2,845)	(11,192)	(2,845)
PIK dividends declared	(1,156)	(846)	(3,358)	(846)
Accretion of discount	(1,511)	(1,011)	(4,319)	(1,011)
	(4,780)	(53,070)	(1,219)	(75,009)
Undistributed earnings allocated using the two-class method	—	—	—	—
Net loss attributable to common stockholders	$ (4,780)	$ (53,070)	$ (1,219)	$ (75,009)
	2019	2018	2019	2018
Weighted average number of shares of Common Stock outstanding	66,696	62,590	65,625	60,565
Additional shares outstanding if Series A Preferred Stock is converted to Common Stock	15,408	11,261	14,926	3,795
Total shares outstanding if Series A Preferred Stock is converted to Common Stock	82,104	73,851	80,551	64,360
Percentage of shares allocable to Series A Preferred Stock	*18.8%*	*15.2%*	*18.5%*	*5.9%*
Weighted average number of shares of Common Stock outstanding:				
Basic and diluted	66,696	62,590	65,625	60,565
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.07)	$ (0.85)	$ (0.02)	$ (1.24)

For the three and nine months ended September 30, 2019 and 2018, basic and diluted loss per share attributable to common stockholders were the same because all Common Stock equivalents were anti-dilutive.

As of September 30, 2019 and 2018, the following potential Common Stock equivalents were excluded from the computation of diluted net loss per share for the respective periods ending on these dates since the impact of inclusion was anti-dilutive (in thousands):

	2019	2018
Series A Preferred Stock	15,408	14,000
Restricted stock units	2,887	184
Stock options	9,312	12,289
Warrants	18,128	18,128
Total	45,735	44,601

NOTE 11 — FINANCIAL INSTRUMENTS AND SIGNIFICANT CONCENTRATIONS

Fair Value Measurements

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which it transacts, and considers assumptions that market participants would use when pricing the asset or liability. Additional information on fair value measurements is included in Note 13 to the Company’s consolidated financial statements for the year ended December 31, 2018, included in the 2018 Form 10-K.

As discussed in Note 5, the fair value for our Series A Preferred Stock issuances on June 20, 2019 and March 7, 2019 were determined to be $3.0 million and $5.3 million, respectively, which were utilized to determine the basis for allocating the net proceeds. The fair value was determined by utilizing a combination of a discounted cash flow methodology related to funds generated by the Series A Preferred Stock, along with the BSM option-pricing model in relation to the conversion feature. Key assumptions applied for the discounted cash flow and BSM analysis included (i) three different scenarios whereby the Series A Preferred Stock would remain outstanding between 4 and 5 years along with a probability weighting assigned to each scenario, (ii) an implied yield of the Series A Preferred Stock ranging from 20.9% to 22.9% calibrated to the transaction values as of June 20, 2019 and March 7, 2019, respectively, (iii) risk-free interest rates of 1.72% and 2.44%, and (iv) historical volatility of 30.0%.

For the three and nine months ended September 30, 2018, the Company's embedded derivative liability was the only liability that was carried at fair value on a recurring basis and was classified within Level 3 of the fair value hierarchy. Details of the embedded derivative, including valuation methodology and key assumptions and estimates used, were disclosed in Part II, Item 8 of our 2018 Form 10-K, in the Company's audited consolidated financial statements for the year ended December 31, 2018, within Note 5. All embedded derivative liabilities were eliminated on July 19, 2018 upon termination of the Credit Facility. As a result, these embedded derivatives did not exist as of September 30, 2018 and had an aggregate fair value of $1.6 million as of December 31, 2017, respectively. The change in fair value of embedded derivatives resulted in the Company recognizing a gain of $7.8 million and $1.6 million for the three and nine months ended September 30, 2018, respectively. The Company's policy is to recognize asset or liability transfers among Level 1, Level 2 and Level 3 as of the actual date of the events or change in circumstances that caused the transfer. As of September 30, 2019, the Company does not have any assets or liabilities that are carried at fair value on a recurring basis.

The carrying amounts of the Company's financial instruments including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued liabilities approximate fair values due to their short-term maturities. Based on borrowing rates currently available to the Company for debt with similar terms, the carrying value of capital lease obligations approximate fair value as of the respective balance sheet dates.

Significant Concentrations

The Company attributes revenues to geographic regions based on the location of its customers' contracting entity. The following table shows revenues by geographic region (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
United States of America	$ 44,555	$ 40,363	$ 131,445	$ 119,405
International	24,397	22,266	71,723	65,678
Total	$ 68,952	$ 62,629	$ 203,168	$ 185,083

No customers represented more than 10% of revenue for the three months or nine months ended September 30, 2019 or 2018. As of September 30, 2019 and December 31, 2018, no customers accounted for more than 10% of total net accounts receivable.

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, and accounts receivable. The Company maintains its cash, cash equivalents and restricted cash at high-quality financial institutions, primarily in the United States of America. Deposits, including those held in foreign branches of global banks, may exceed the amount of insurance provided on such deposits. As of September 30, 2019 and December 31, 2018, the Company had cash, cash equivalents and restricted cash with a single financial institution for an aggregate of $34.3 million and $19.9 million, respectively. As of September 30, 2019 and December 31, 2018, the Company had restricted cash of $0.4 million and $0.4 million, respectively. The Company has never experienced any losses related to these balances.

Generally, credit risk with respect to accounts receivable is diversified due to the number of entities comprising the Company's customer base and their dispersion across different geographies and industries. The Company performs ongoing credit evaluations on certain customers and generally does not require collateral on accounts receivable. The Company maintains reserves for potential bad debts and historically such losses are generally not significant.

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

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") includes forward-looking statements. All statements other than statements of historical facts contained in this Report, including statements regarding our future results of operations and financial position, business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements include, but are not limited to, information concerning:

- the evolution of the enterprise software management and support landscape facing our customers and prospects;
- our ability to educate the market regarding the advantages of our enterprise software management and support services and products;
- estimates of our total addressable market;
- projections of customer savings;
- our ability to maintain an adequate rate of revenue growth;
- our expectations about future financial, operating and cash flow results;
- the sufficiency of future cash and cash equivalents to meet our liquidity requirements;
- our business plan and our ability to effectively manage our growth and associated investments;
- beliefs and objectives for future operations;
- our ability to expand our leadership position in independent enterprise software support and sell our new application managed services;
- our ability to attract and retain customers;
- our ability to further penetrate our existing customer base;
- our ability to maintain our competitive technological advantages against new entrants in our industry;
- our ability to timely and effectively scale and adapt our existing technology;
- our ability to innovate new products and bring them to market in a timely manner, including our recently announced salesforce.com and application management services offerings;
- our ability to maintain, protect, and enhance our brand and intellectual property;
- our ability to capitalize on changing market conditions including a market shift to hybrid and cloud/SaaS offerings for information technology environments and retirement of certain software releases by software vendors;
- our ability to develop strategic partnerships;
- benefits associated with the use of our services;
- our ability to expand internationally;
- our ability to raise equity or debt financing in the future;
- the effects of increased competition in our market and our ability to compete effectively;
- our intentions with respect to our pricing model;
- cost of revenues, including changes in costs associated with production, manufacturing, and customer support;
- operating expenses, including changes in sales and marketing, and general administrative expenses;
- anticipated income tax rates;
- our ability to maintain our good standing with the United States and international governments and capture new contracts;
- costs associated with defending intellectual property infringement and other claims, such as those claims discussed under the section titled "*Business—Legal Proceedings*" in our 2018 Annual Report on Form 10-K, as filed with the SEC on March 14, 2019 (the "2018 Form 10-K");
- our expectations concerning relationships with third parties, including channel partners and logistics providers;
- economic and industry trends or trend analysis;
- the attraction and retention of qualified employees and key personnel;
- future acquisitions of or investments in complementary companies, products, subscriptions or technologies;
- uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmarks;
- the effects of seasonal trends on our results of operations; and

- other risks and uncertainties, including those discussed under "Risk Factors" in Part II, Item 1A of this Report.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those referred to Part II, Item 1A of this Report. Moreover, we operate in very competitive and rapidly changing markets. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements in this Report are made as of the date of the filing, and except as required by law, we disclaim and do not undertake any obligation to update or revise publicly any forward-looking statements in this Report. You should read this Report and the documents that we reference in this Report and have filed with the SEC as exhibits with the understanding that our actual future results, levels of activity and performance, as well as other events and circumstances, may be materially different from what we expect.

Overview

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes to those statements included in Part I, Item 1 of this Report, and our audited consolidated financial statements for the year ended December 31, 2018, included in our 2018 Form 10-K. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "*Risk Factors*" in Part II, Item 1A of this Report.

Certain figures, such as interest rates and other percentages included in this section have been rounded for ease of presentation. Percentage figures included in this section have not in all cases been calculated based on such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary slightly from those obtained by performing the same calculations using the figures in our unaudited condensed consolidated financial statements or in the associated text. Certain other amounts that appear in this section may similarly not sum due to rounding.

We were incorporated as Rimini Street, Inc. ("RSI") in the state of Nevada in September 2005. In May 2017, RSI entered into an Agreement and Plan of Merger (the "Merger Agreement") with GP Investments Acquisition Corp. ("GPIA"), a publicly-held special purpose acquisition company incorporated in the Cayman Islands and formed for the purpose of effecting a business combination with one or more businesses. Substantially all of GPIA's assets consisted of cash and cash equivalents. The Merger Agreement was approved by the respective shareholders of RSI and GPIA in October 2017, and closing occurred on October 10, 2017, resulting in (i) the merger of a wholly-owned subsidiary of GPIA with and into RSI, with RSI as the surviving corporation, after which (ii) RSI merged with and into GPIA, with GPIA as the surviving corporation. Prior to consummation of the mergers, GPIA domesticated as a Delaware corporation (the "Delaware Domestication"). Immediately after the Delaware Domestication and the consummation of the second merger, GPIA was renamed "Rimini Street, Inc." (referred to herein as the Company, as distinguished from RSI with the same legal name).

We are a global provider of enterprise software management and support products and services, and the leading independent software support provider for Oracle and SAP products, based on both the number of active clients supported and recognition by industry analyst firms.

In 2018, we announced plans to support Software as a Service ("SaaS") solutions beginning with Salesforce products. As a partner of Salesforce, we provide our award-winning service and support for custom code, release updates and application integrations in addition to ongoing administrative, configuration and enhancement of Salesforce's industry leading cloud solutions.

In August 2019, we announced plans to globally offer our Application Management Services ("AMS") for SAP, expanding the scope of support we will offer clients globally. We are already providing the service to clients in North and South America. The service includes system administration, monitoring, and tasks that would be considered standard for operating the SAP system day-to-day.

We founded our company to disrupt and redefine the enterprise software support market by developing and delivering innovative new products and services that fill a then unmet need in the market. We believe we have achieved our leadership position in independent enterprise software support by recruiting and hiring experienced, skilled and proven staff; delivering outcomes-based, value-driven and award-winning enterprise software support products and services; seeking to provide an exceptional client-service, satisfaction and success experience; and continuously innovating our unique products and services by leveraging our proprietary knowledge, tools, technology and processes.

Enterprise software support products and services is one of the largest categories of overall global information technology ("IT") spending. We believe core enterprise resource planning ("ERP"), customer relationship management ("CRM"), product lifecycle management ("PLM") and technology software platforms have become increasingly important in the operation of mission-critical business processes over the last 30 years, and also that the costs associated with failure, downtime, security exposure and maintaining the tax, legal and regulatory compliance of these core software systems have also increased. As a result, we believe that licensees often view software support as a mandatory cost of doing business, resulting in recurring and highly profitable revenue streams for enterprise software vendors. For example, for fiscal year 2018, SAP reported that support revenue represented approximately 44% of its total revenue and, for fiscal year 2019, Oracle reported a margin of 86% for cloud services and license support.

We believe that software vendor support is an increasingly costly model that has not evolved to offer licensees the responsiveness, quality, breadth of capabilities or value needed to meet the needs of licensees. Organizations are under increasing pressure to reduce their IT costs while also delivering improved business performance through the adoption and integration of emerging technologies, such as mobile, virtualization, internet of things ("IoT") and cloud computing. Today, however, the majority of IT budget is spent operating, maintaining and supporting existing infrastructure and systems. As a result, we believe organizations are increasingly seeking ways to redirect budgets from maintenance to new technology investments that provide greater strategic value, and our software management and support products and services help clients achieve these objectives by reducing the total cost of support.

As of September 30, 2019, we employed over1,210 professionals and supported over 2,030 active clients globally, including 76 Fortune 500 companies and 20 Fortune Global 100 companies across a broad range of industries. We define an active client as a distinct entity, such as a company, an educational or government institution, or a business unit of a company that purchases our services to support a specific product. For example, we count as two separate active client instances in circumstances where we provide support for two different products to the same entity.

Our subscription-based revenue provides a strong foundation for, and visibility into, future period results. For the three months ended September 30, 2019 and 2018, we generated revenue of $69.0 million and $62.6 million, respectively, representing an increase of10%. We have a history of losses, and as of September 30, 2019, we had an accumulated deficit of $354.7 million. Approximately 65% and 64% of our revenue was generated in the United States for the three months ended September 30, 2019 and 2018, respectively. Approximately 35% and 36% of our revenue was generated in foreign jurisdictions for the three months ended September 30, 2019 and 2018, respectively.

Since our inception, we have financed our operations through cash collected from clients and net proceeds from equity financings and borrowings. As of September 30, 2019, we no longer have any outstanding contractual debt obligations under a former note payable to a related party. In addition as discussed in Notes 4 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report, we terminated our former Credit Facility on July 19, 2018.

We intend to continue investing for long-term growth. We have invested and expect to continue investing in expanding our ability to market, sell and provide our current and future products and services to clients globally. We also expect to continue investing in the development and improvement of new and existing products and services to address client needs. We currently expect to be profitable for the year ending December 31, 2019. However, we expect that cash dividends, PIK dividends and the related accretion for our Series A Preferred Stock for the year ended December 31, 2019 will leave us with a net loss attributable to common stockholders.

Recent Developments

Reference is made to Note 5 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report for a discussion of recent developments related to the securities purchase agreements entered into on June 20, 2019 and March 7, 2019, and the related private placements of Series A Preferred Stock, Common Stock and Convertible Notes.

Additionally, reference is made to Note 8 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report for a discussion of developments in our litigation with Oracle. On March 4, 2019, the U.S. Supreme Court issued a unanimous decision reversing earlier decisions by the lower courts and ruling that Oracle must return approximately $12.8 million in non-taxable expenses that we had previously paid to Oracle (plus interest). Oracle paid us approximately $13.0 million (the principal amount plus post-judgment interest) on April 5, 2019. As a result, we recognized a recovery of non-taxable expenses for $12.8 million and recorded interest income of $0.2 million for the nine months ended September 30, 2019. The award that we received is required to be shared on a pro rata basis with an insurance company, which had previously paid for part of the judgment and reimbursed a portion of defense costs, after deducting the costs of all of our past and pending appeal and remand proceedings in Rimini I. Therefore, we also incurred costs of $4.0 million for the nine months ended September 30, 2019, reflecting the current estimated contractual amounts due to the insurance company to date. We recorded a benefit of $0.3 million during the three months ended September 30, 2019 as we incurred additional appeal and remand proceeding costs during the period. The liability is subject to decrease as additional costs related to any future Rimini I appeal and remand proceedings are incurred. Further, on August 16, 2019, U.S. Court of Appeals for the Ninth Circuit (the "Court of Appeals") entered an order affirming the permanent injunction in Rimini I and the award of attorneys' fees that were previously paid to Oracle. However, the Court of Appeals agreed that the injunction was overbroad in two respects and instructed the district court to remove the restriction on "local hosting" of J.D. Edwards and Siebel software and the prohibition against "accessing" J.D. Edwards and Siebel software source code.

Key Business Metrics

Number of clients

Since we founded our company, we have made the expansion of our client base a priority. We believe that our ability to expand our client base is an indicator of the growth of our business, the success of our sales and marketing activities, and the value that our services bring to our clients. We define an active client as a distinct entity, such as a company, an educational or government institution, or a business unit of a company that purchases our services to support a specific product. For example, we count as two separate active clients when support for two different products is being provided to the same entity. As of September 30, 2019 and 2018, we had over 2,030 and 1,730 active clients, respectively.

We define a unique client as a distinct entity, such as a company, an educational or government institution or a subsidiary, division or business unit of a company that purchases one or more of our products or services. We count as two separate unique clients when two separate subsidiaries, divisions or business units of an entity purchase our products or services. As of September 30, 2019 and 2018, we had over 1,150 and 1,010 unique clients, respectively.

The increase in both our active and unique client counts have been almost exclusively from new unique clients and not from sales of new products and services to existing unique clients. However, as noted previously, we intend to focus future growth on both new and existing clients. We believe that the growth in our number of clients is an indication of the increased adoption of our enterprise software products and services.

Annualized subscription revenue

We recognize subscription revenue on a daily basis. We define annualized subscription revenue as the amount of subscription revenue recognized during a quarter and multiplied by four. This gives us an indication of the revenue that can be earned in the following 12-month period from our existing client base assuming no cancellations or price changes occur during that period. Subscription revenue excludes any non-recurring revenue, which has been insignificant to date.

Our annualized subscription revenue was approximately $274 million and $250 million as of September 30, 2019 and 2018, respectively. We believe the sequential increase in annualized subscription revenue demonstrates a growing client base, which is an indicator of stability in future subscription revenue.

Revenue retention rate

A key part of our business model is the recurring nature of our revenue. As a result, it is important that we retain clients after the completion of the non-cancellable portion of the support period. We believe that our revenue retention rate provides insight into the quality of our products and services and the value that our products and services provide our clients.

We define revenue retention rate as the actual subscription revenue (dollar-based) recognized in a 12-month period from clients that existed on the day prior to the start of the 12-month period divided by our annualized subscription revenue as of the day prior to the start of the 12-month period. Our revenue retention rate was 92% for both the 12 months ended September 30, 2019 and 2018, respectively.

Gross profit percentage

We derive revenue through the provision of our enterprise software products and services. All the costs incurred in providing these products and services are recognized as part of the cost of revenue. The cost of revenue includes all direct product line expenses, as well as the expenses incurred by our shared services organization which supports all product lines.

We define gross profit as the difference between revenue and the costs incurred in providing the software products and services. Gross profit percentage is the ratio of gross profit divided by revenue. Our gross profit percentage was approximately 62.4% and 64.5% for the three months ended September 30, 2019 and 2018, respectively. We believe the gross profit percentage provides an indication of how efficiently and effectively we are operating our business and serving our clients.

Results of Operations

Comparison of Three Months Ended September 30, 2019 and 2018

Our consolidated statements of operations for the three months ended September 30, 2019 and 2018, are presented below (in thousands):

	Three Months Ended September 30,		Variance	
	2019	**2018**	**Amount**	**Percent**
Revenue	$ 68,952	$ 62,629	$ 6,323	*10.1%*
Cost of revenue:				
Employee compensation and benefits	17,518	15,891	1,627	*10.2%*
Engineering consulting costs	3,698	2,635	1,063	*40.3%*
Administrative allocations (1)	3,035	2,537	498	*19.6%*
All other costs	1,664	1,157	507	*43.8%*
Total cost of revenue	25,915	22,220	3,695	*16.6%*
Gross profit	43,037	40,409	2,628	*6.5%*
Gross margin	*62.4%*	*64.5%*		
Operating expenses:				
Sales and marketing	26,716	22,312	4,404	*19.7%*
General and administrative	10,472	8,585	1,887	*22.0%*
Litigation costs and related recoveries, net	3,303	6,990	(3,687)	*(52.7)%*
Total operating expenses	40,491	37,887	2,604	*6.9%*
Operating income	2,546	2,522	24	*1.0%*
Non-operating income and (expenses):				
Interest expense	(27)	(9,499)	9,472	*(99.7)%*
Other debt financing expenses	—	(48,375)	48,375	*(100.0)%*
Gain from change in fair value of embedded derivatives	—	7,800	(7,800)	*(100.0)%*
Other expense, net	(329)	(306)	(23)	*7.5%*
Income (loss) before income taxes	2,190	(47,858)	50,048	*(104.6)%*
Income tax expense	(451)	(510)	59	*(11.6)%*
Net income (loss)	$ 1,739	$ (48,368)	$ 50,107	*(103.6)%*

(1) Includes the portion of costs for information technology, security services and facilities costs that are allocated to cost of revenue. In our unaudited condensed consolidated financial statements, the total of such costs is allocated between cost of revenue, sales and marketing, and general and administrative expenses, based primarily on relative headcount, except for facilities which is based on occupancy.

Revenue. Revenue increased from $62.6 million for the three months ended September 30, 2018 to $69.0 million for the three months ended September 30, 2019, an increase of $6.3 million or 10%. The increase was driven by a 15% increase in the average number of unique clients from approximately 980 for the three months ended September 30, 2018 to approximately 1,130 for the three months ended September 30, 2019. On a geographic basis, United States revenue grew from $40.4 million for the three months ended September 30, 2018 to $44.6 million for the three months ended September 30, 2019, an increase of $4.2 million or 10%. Our International revenue grew from $22.3 million for the three months ended September 30, 2018 to $24.4 million for the three months ended September 30, 2019, an increase of $2.1 million or 10%.

Our former multi-draw term loan financing agreement (the "Credit Facility") included covenants that restricted our spending on sales and marketing activity that resulted in sequential reductions in new business activity during fiscal 2017. These covenants became less restrictive beginning in October 2017 when the Credit Facility was amended and were eliminated in July 2018 as a result of the termination of the Credit Facility. The October 2017 amendment allowed us to increase our sales and marketing spending in the fourth quarter of 2017. However, even though we are currently increasing our sales and marketing spending, it can take several quarters before these efforts are expected to translate into revenue. In addition, beginning in the second quarter of 2017 some potential sales transactions were adversely affected by certain competitive actions, and we are encountering increased competitive discounting by enterprise software vendors. As a result, our 2019 versus 2018 quarter-over-quarter revenue growth decreased from approximately 17% for the third quarter of 2018 to 10% for the third quarter of 2019. Due to our subscription revenue model, the impact of these matters that resulted in revenue growth of 10% for the third quarter of 2019 versus the comparable period in 2018 is expected to result in similar or potentially relative lower revenue growth rates at least through 2019, or longer if our investment in sales and marketing does not result in increased sales activity.

Cost of revenue. Cost of revenue increased from $22.2 million for the three months ended September 30, 2018 to $25.9 million for the three months ended September 30, 2019, an increase of $3.7 million or 17%. The key drivers related to the cost of revenue increase were a $1.6 million increase in compensation costs and a $1.1 million increase in engineering consulting costs for the three months ended September 30, 2019 compared to 2018. The compensation cost increase was attributable to an increase in the average number of employees of 60 required to support the revenue growth. In addition, administrative allocations increased $0.5 million and all other costs increased $0.5 million for the three months ended September 30, 2019 compared to 2018 as technology and security costs increased.

As discussed in Note 8 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report, in August 2018 Oracle obtained a permanent injunction from the U. S. District Court for the District of Nevada (the "District Court"), which had been temporarily stayed pending appeal that prohibits us from using certain processes that required us to incur additional labor costs to provide support for our clients as contracted. Since the permanent injunction is currently in place, we have incurred and will continue to incur additional expenses in the range of 1% to 2% of revenue for additional labor costs because, as drafted, the injunction contains language that could be read to cover some current support practices that are being litigated in the "Rimini II" lawsuit and that have not been found to be infringing. The briefing on our appeal of the permanent injunction in the U.S. Court of Appeals for the Ninth Circuit (the "Court of Appeals") was completed on March 14, 2019, and a hearing on our appeal was held on July 12, 2019. On August 16, 2019, the Court of Appeals entered an order affirming the permanent injunction and the award of attorneys' fees that were previously paid to Oracle. However, the Court of Appeals agreed that the injunction was overbroad in two respects and instructed the District Court to remove the restriction on "local hosting" of J.D. Edwards and Siebel software and the prohibition against "accessing" J.D. Edwards and Siebel software source code.

Gross profit. For the three months ended September 30, 2019, total cost of revenue increased by 17%, compared to an increase in revenue of 10% for the three months ended September 30, 2019. As a result, our gross profit margin decreased to 62% for the three months ended September 30, 2019 from 65% for the three months ended September 30, 2018. This decrease in gross margin reflects, in part, our investment in the launch of new products and services, including our new AMS product.

Sales and marketing expenses. As a percentage of our revenue, sales and marketing expenses have increased from 36% for the three months ended September 30, 2018 to 39% for the three months ended September 30, 2019. In dollar terms, sales and marketing expenses increased from $22.3 million for the three months ended September 30, 2018 to $26.7 million for the three months ended September 30, 2019, an increase of $4.4 million or 20%. This increase was primarily due to (i) an increase in employee compensation and benefits of $2.9 million, (ii) an increase in shared service allocations for facilities, security and technology of $0.6 million, (iii) an increase in contract labor of $0.4 million and an increase in other costs of $0.5 million. Our overall spending increased as we attempt to accelerate our future revenue growth by investing in more resources, which is now possible as we no longer have a sales and marketing spending ratio covenant in place due to the termination of former Credit Facility in July 2018.

The $2.9 million increase in sales and marketing expense attributable to employee compensation and benefits for the three months ended September 30, 2019, was primarily due to an increase in salaries, wages and benefit costs of $2.5 million due to an 14% increase in the average number of employees devoted to sales and marketing functions, pay increases, and higher bonus payouts and commissions of $0.4 million.

General and administrative expenses. General and administrative expenses increased from $8.6 million for the three months ended September 30, 2018 to $10.5 million for the three months ended September 30, 2019, an increase of $1.9 million or 22%. This increase was primarily due to higher costs in salaries, wages and benefit costs of $1.1 million for the three months ended September 30, 2019 as the average number of employees increased by 11 or 5% and higher bonus costs of $0.2 million. In addition, our sales tax expense and other taxes increased $1.1 million during the three months ended September 30, 2019 due to a larger sales tax benefit during the 2018 period. During the three months ended September 30, 2018, we began billing our clients for sales taxes and settled various state sales tax positions. These increases were offset by a decrease in other costs of $0.5 million during the three months ended September 30, 2019.

Looking forward on a quarter-over-quarter basis, we expect to continue to incur higher expenses associated with supporting the growth of our business, both in terms of size and geographical diversity, and to meet the increased compliance requirements associated with our transition to being a public company and no longer being classified as an "emerging growth company." Public company costs that are expected to increase in the future include additional information systems costs, costs for additional personnel in our accounting, human resources, IT and legal functions, SEC and Nasdaq fees, and incremental professional, legal, audit and insurance costs. As a result, we expect our general and administrative expenses will continue to increase in future periods.

Litigation costs, net of related insurance recoveries. Litigation costs, net of related insurance recoveries for the three months ended September 30, 2019 and 2018, consist of the following (in thousands):

	2019	2018	Change
Professional fees and other costs of litigation	$ 3,642	$ 6,990	$ (3,348)
Litigation appeal refunds	—	—	—
Insurance costs and recoveries, net	(339)	—	(339)
Litigation costs and related recoveries, net	$ 3,303	$ 6,990	$ (3,687)

Professional fees and other costs associated with litigation decreased from $7.0 million for the three months ended September 30, 2018 to $3.6 million for the three months ended September 30, 2019, a decrease of $3.3 million. This decrease was primarily due to lower costs associated with discovery work on the Rimini II litigation, the Rimini I appeal, and the United States Attorney's Office (the "USAO") inquiry during the three months ended September 30, 2019 compared to the three months ended September 30, 2018.

In May 2018, we also appealed to the U.S. Supreme Court for approximately $12.8 million of the District Court's award of non-taxable expenses related to the judgment. On March 4, 2019, the U.S. Supreme Court issued a unanimous decision reversing earlier decisions by the lower courts and ruling that Oracle must return approximately $12.8 million in non-taxable expenses that we had previously paid to Oracle (plus interest). As further described in Note 8 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report, as mandated by the U.S. Supreme Court, on April 5, 2019, Oracle paid us approximately $13.0 million (the principal amount plus post-judgment interest). As a result, we recognized a recovery of non-taxable expenses for $12.8 million and recorded interest income of $0.2 million during our first quarter of 2019. The award received is required to be shared on a pro rata basis with an insurance company, which had previously paid for part of the judgment and reimbursed a portion of defense costs, after deducting the costs of all of our past and pending appeal and remand proceedings in Rimini I. As a result, we had accrued a liability for the estimated amount due to the insurance company as of the end of the third quarter of 2019.

Insurance costs and related recoveries, net increased from no amount for the three months ended September 30, 2018 to a net recovery of $0.3 million for the three months ended September 30, 2019. This was due to us incurring costs associated with appeal and remand proceedings in Rimini I, thereby reducing the amount owed to the insurance company which had been recorded during the first quarter of 2019. The remaining liability is subject to decrease as additional costs related to any future Rimini I appeal and remand proceedings are incurred.

Interest expense. Interest expense decreased from $9.5 million for the three months ended September 30, 2018 to $27 thousand for the three months ended September 30, 2019, a decrease of $9.5 million or approximately 100%. Reductions in interest expense were primarily due to the payoff of the former Credit Facility on July 19, 2018, including reductions of (i) a make-whole applicable premium incurred upon payoff of the Credit Facility on July 19, 2018 of $7.3 million, (ii) interest payable at 12.0% of $0.6 million, (iii) PIK interest payable at 3.0% of $0.2 million, and (iv) accretion expense of $1.1 million, incurred during the three months ended September 30, 2018. Interest expense also decreased due to a net reduction in accretion expense related to the GP Sponsor note payable of $0.3 million. The note was paid off on June 28, 2019.

Other debt financing expenses. Other debt financing expenses decreased from $48.4 million for the three months ended September 30, 2018 to none for the three months ended September 30, 2019 due to the payment and termination of the former Credit Facility on July 19, 2018. The elimination of other debt financing expenses primarily resulted from the payoff of the Credit Facility on July 19, 2018, which resulted in charges for the write-off of DDIC for the funded debt of $44.6 million, the unfunded debt of $2.8 million, and the write-off of agent fees and other charges of $0.8 million. Other decreases included lower collateral monitoring of $0.1 million as well as amortization and unused line fees of $0.1 million due to the shorter period that the Credit Facility was outstanding.

Gain on change in fair value of embedded derivatives. Upon the termination of the former Credit Facility on July 19, 2018, we no longer recognized a liability for embedded derivatives associated with this instrument and recognized a corresponding gain in the third quarter of 2018. For the three months ended September 30, 2018, we recognized a gain on change in fair value of embedded derivatives of $7.8 million. For the three months ended September 30, 2019, there was no corresponding activity due to the termination of the former Credit Facility, resulting in a change of $7.8 million.

Other expense, net. Other expense, net is primarily comprised of interest income, foreign exchange gains and losses, and other non-operating income and expenses. For the three months ended September 30, 2019, net other expense of approximately $0.3 million was comprised primarily by foreign exchange losses of approximately $0.3 million. For the three months ended September 30, 2018, net other expense of $0.3 million was also comprised primarily of foreign exchange losses.

Income tax expense. We had an income tax expense of $0.5 million for both the three months ended September 30, 2018 and for the three months ended September 30, 2019. All of our income tax expense is attributable to our foreign operations. For the three months ended September 30, 2019 and 2018, no income tax expense was recognized in the United States due to utilization of net operating loss carryforwards.

Comparison of Nine Months Ended September 30, 2019 and 2018

Our consolidated statements of operations for the nine months ended September 30, 2019 and 2018, are presented below (in thousands):

	Nine Months Ended September 30,		Variance	
	2019	**2018**	**Amount**	**Percent**
Revenue	$ 203,168	$ 185,083	$ 18,085	*9.8%*
Cost of revenue:				
Employee compensation and benefits	51,644	48,078	3,566	*7.4%*
Engineering consulting costs	10,116	9,873	243	*2.5%*
Administrative allocations (1)	8,887	7,785	1,102	*14.2%*
All other costs	4,139	6,109	(1,970)	*(32.2)%*
Total cost of revenue	74,786	71,845	2,941	*4.1%*
Gross profit	128,382	113,238	15,144	*13.4%*
Gross margin	*63.2%*	*61.2%*		
Operating expenses:				
Sales and marketing	76,437	65,616	10,821	*16.5%*
General and administrative	34,162	29,714	4,448	*15.0%*
Litigation costs and related recoveries, net	(2,648)	(3,866)	1,218	*(31.5)%*
Total operating expenses	107,951	91,464	16,487	*18.0%*
Operating income	20,431	21,774	(1,343)	*(6.2)%*
Non-operating income and (expenses):				
Interest expense	(375)	(32,231)	31,856	*(98.8)%*
Other debt financing expenses	—	(58,331)	58,331	*(100.0)%*
Gain from change in fair value of embedded derivatives	—	1,600	(1,600)	*(100.0)%*
Other expense, net	(629)	(1,546)	917	*(59.3)%*
Income (loss) before income taxes	19,427	(68,734)	88,161	*(128.3)%*
Income tax expense	(1,777)	(1,573)	(204)	*13.0%*
Net income (loss)	$ 17,650	$ (70,307)	$ 87,957	*(125.1)%*

(1) Includes the portion of costs for information technology, security services and facilities costs that are allocated to cost of revenue. In our unaudited condensed consolidated financial statements, the total of such costs is allocated between cost of revenue, sales and marketing, and general and administrative expenses, based primarily on relative headcount, except for facilities which is based on occupancy.

Revenue. Revenue increased from $185.1 million for the nine months ended September 30, 2018 to $203.2 million for the nine months ended September 30, 2019, an increase of $18.1 million or 9.8%. The increase was driven by a 14% increase in the average number of unique clients from approximately 960 for the nine months ended September 30, 2018 to approximately 1,100 for the nine months ended September 30, 2019. On a geographic basis, United States revenue grew from $119.4 million for the nine months ended September 30, 2018 to $131.4 million for the nine months ended September 30, 2019, an increase of $12.0 million or 10%. Our International revenue grew from $65.7 million for the nine months ended September 30, 2018 to $71.7 million for the nine months ended September 30, 2019, an increase of $6.0 million or 9%.

Our former multi-draw term loan financing agreement (the "Credit Facility") included covenants that restricted our spending on sales and marketing activity that resulted in sequential reductions in new business activity during fiscal 2017. These covenants became less restrictive beginning in October 2017 when the Credit Facility was amended and were eliminated in July 2018 as a result of the termination of the Credit Facility. The October 2017 amendment allowed us to increase our sales and marketing spending in the fourth quarter of 2017. However, even though we are currently increasing our sales and marketing spending, it can take several quarters before these efforts are expected to translate into revenue. In addition, beginning in the second quarter of 2017 some potential sales transactions were adversely affected by certain competitive actions, and we are encountering increased competitive discounting by enterprise software vendors.

Cost of revenue. Cost of revenue increased from $71.8 million for the nine months ended September 30, 2018 to $74.8 million for the nine months ended September 30, 2019, an increase of $2.9 million or 4%. The key driver, resulting in an increase in cost of revenue, was a $3.6 million increase in employee compensation and benefit costs as we experienced an increase in the average number of employees of 46 to support our revenue growth. In addition, the administrative allocations increased by approximately $1.1 million and engineering consulting costs increased by $0.2 million during the nine months ended September 30, 2019 compared to the same period in 2018. The administrative allocations resulted from an increase in technology and security costs. Offsetting these increases was a $2.0 million decline in all other costs, which was due primarily to incurring costs associated with our Global Service Delivery conference during the 2018 period, but not during the current period.

As discussed in Note 8 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report, in August 2018 Oracle obtained a permanent injunction from the U. S. District Court for the District of Nevada (the "District Court"), which had been temporarily stayed pending appeal that prohibits us from using certain processes that required us to incur additional labor costs to provide support for our clients as contracted. Since the permanent injunction is currently in place, we have incurred and will continue to incur additional expenses in the range of 1% to 2% of revenue for additional labor costs because, as drafted, the injunction contains language that could be read to cover some current support practices that are being litigated in the "Rimini II" lawsuit and that have not been found to be infringing. The briefing on our appeal of the permanent injunction in the U.S. Court of Appeals for the Ninth Circuit (the "Court of Appeals") was completed on March 14, 2019, and a hearing on our appeal was held on July 12, 2019. On August 16, 2019, the Court of Appeals entered an order affirming the permanent injunction and the award of attorneys' fees that were previously paid to Oracle. However, the Court of Appeals agreed that the injunction was overbroad in two respects and instructed the District Court to remove the restriction on "local hosting" of J.D. Edwards and Siebel software and the prohibition against "accessing" J.D. Edwards and Siebel software source code.

Gross profit. For the nine months ended September 30, 2019, total cost of revenue increased by 4%, compared to an increase in revenue of 10% for the nine months ended September 30, 2019. Since our costs grew at a slower rate than our revenue, gross profit in dollar terms increased by 13% for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. As a result, our gross profit margin increased to 63% for the nine months ended September 30, 2019 from 61% for the nine months ended September 30, 2018.

Sales and marketing expenses. As a percentage of our revenue, sales and marketing expenses have increased from 35% for the nine months ended September 30, 2018 to 38% for the nine months ended September 30, 2019. In dollar terms, sales and marketing expenses increased from $65.6 million for the nine months ended September 30, 2018 to $76.4 million for the nine months ended September 30, 2019, an increase of $10.8 million or 16%. This increase was primarily due to (i) an increase in employee compensation and benefits of $9.2 million, (ii) an increase in shared service allocations for facilities, security and technology of $2.2 million, and (iii) an increase in contract labor of $1.1 million. These increases were offset by a decrease in travel and business meeting costs of $1.6 million because our sales and marketing staff did not hold our sales kick-off meeting during the nine months ended September 30, 2019, whereas we did hold the event during the nine months ended September 30, 2018. In addition, our advertising and other marketing and promotion costs decreased $0.3 million for the nine months ended September 30, 2019. Our overall spending increased as we attempt to accelerate our future revenue growth by investing in more resources, which is now possible as we no longer have a sales and marketing spending ratio covenant in place due to the termination of our former Credit Facility in July 2018.

The $9.2 million increase in sales and marketing expense attributable to employee compensation and benefits for the nine months ended September 30, 2019, was primarily due to an increase in salaries, wages and benefit costs of $7.7 million due to a 21% increase in the average number of employees devoted to sales and marketing functions, pay increases, and higher bonus payouts and commissions of $1.5 million.

General and administrative expenses. General and administrative expenses increased from $29.7 million for the nine months ended September 30, 2018 to $34.2 million for the nine months ended September 30, 2019, an increase of $4.4 million or 15%. This increase was primarily due to higher costs in salaries, wages and benefit costs of $3.1 million for the nine months ended September 30, 2019 as the average number of employees increased by 19 or 9% and higher bonus payouts of $0.8 million. In addition, our sales tax expense and other taxes increased $0.9 million during the nine months ended September 30, 2019 due to a larger sales tax benefit during the 2018 period. During the nine months ended September 30, 2018, we began billing our clients for sales taxes and settled various state sales tax positions. These increases were offset by a decrease in other costs of $0.4 million during the nine months ended September 30, 2019.

Litigation costs, net of related insurance recoveries. Litigation costs, net of related insurance recoveries for the nine months ended September 30, 2019 and 2018, consist of the following (in thousands):

	2019	2018	Change
Professional fees and other costs of litigation	$ 6,127	$ 25,002	$ (18,875)
Litigation appeal refunds	(12,775)	(21,285)	8,510
Insurance costs and recoveries, net	4,000	(7,583)	11,583
Litigation costs and related recoveries, net	$ (2,648)	$ (3,866)	$ 1,218

Professional fees and other costs associated with litigation decreased from $25.0 million for the nine months ended September 30, 2018 to $6.1 million for the nine months ended September 30, 2019, a decrease of $18.9 million. This decrease was primarily due to lower costs associated with discovery work on the Rimini II litigation, the Rimini I appeal, and the United States Attorney's Office (the "USAO") inquiry during the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. In addition, the Company resolved a dispute with a vendor, which resulted in a non-recurring benefit of $1.8 million to professional fees and litigation costs during the nine months ended September 30, 2019.

Litigation appeal refunds decreased from $21.3 million for the nine months ended September 30, 2018 to $12.8 million for the nine months ended September 30, 2019. Over a six-year period through October 2016, we were actively engaged in the Rimini I litigation, for which we paid a judgment of $124.4 million in October 2016. On March 31, 2018, Oracle paid us approximately $21.5 million including post-judgment interest of $0.2 million for the reversal of the award under state computer access statutes mandated by the Court of Appeals. Due to the collection of this award in cash, we recognized a recovery of the 2016 judgment for $21.3 million and interest income of $0.2 million for the nine months ended September 30, 2018.

In May 2018, we also appealed to the U.S. Supreme Court for approximately $12.8 million of the District Court's award of non-taxable expenses related to the judgment. On March 4, 2019, the U.S. Supreme Court issued a unanimous decision reversing earlier decisions by the lower courts and ruling that Oracle must return approximately $12.8 million in non-taxable expenses that we had previously paid to Oracle (plus interest). As further described in Note 8 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report, as mandated by the U.S. Supreme Court, on April 5, 2019, Oracle paid us approximately $13.0 million (the principal amount plus post-judgment interest). As a result, we recognized a recovery of non-taxable expenses for $12.8 million and recorded interest income of $0.2 million for the nine months ended September 30, 2019. The award received is required to be shared on a pro rata basis with an insurance company, which had previously paid for part of the judgment and reimbursed a portion of defense costs, after deducting the costs of all of our past and pending appeal and remand proceedings in Rimini I.

Insurance costs and related recoveries, net increased from a net recovery of $7.6 million for the nine months ended September 30, 2018 to net costs of $4.0 million for the nine months ended September 30, 2019. During the first quarter of 2018, Rimini II legal fees exceeded the $8.0 million balance of the deferred settlement liability which was eliminated through the recognition of insurance recoveries. As a result, we recognized an $8.0 million deferred gain for the nine months ended September 30, 2018 offset by $0.4 million owed to an insurance company. As noted above, we recognized costs of $4.0 million for the nine months ended September 30, 2019 reflecting our current estimate of the amounts owed to the insurance company to date from the amounts refunded by Oracle from the Rimini I litigation. The liability is subject to decrease as additional costs related to any future Rimini I appeal and remand proceedings are incurred.

We currently expect to continue to incur legal expenses related to our ongoing appeal of the Rimini I outcome at least through 2019 and possibly later, while the Rimini II litigation costs are expected to continue through 2021, and depending on appeals, if any, may be longer. Such litigation costs are not linear and can fluctuate significantly from quarter to quarter, but generally expected to range between $2.0 million and $5.0 million per quarter at least through the Rimini II trial date.

Interest expense. Interest expense decreased from $32.2 million for the nine months ended September 30, 2018 to $0.4 million for the nine months ended September 30, 2019, a decrease of $31.9 million or 99%. Reductions in interest expense were primarily due to the payoff of the former Credit Facility on July 19, 2018, including reductions of (i) interest payable at 12.0% of $7.5 million, (ii) PIK interest payable at 3.0% of $1.9 million, (iii) accretion expense of $11.7 million, and (iv) make-whole applicable premium of $3.1 million incurred during the three months ended March 31, 2018 and a make-whole applicable premium of $7.3 million upon payoff of the Credit Facility on July 19, 2018. Interest expense also decreased due to a net reduction in accretion expense related to the GP Sponsor note payable of $0.5 million. The note was paid off on June 28, 2019.

Other debt financing expenses. Other debt financing expenses decreased from $58.3 million for the nine months ended September 30, 2018 to none for the nine months ended September 30, 2019 due to the payment and termination of the former Credit Facility on July 19, 2018. The elimination of other debt financing expenses primarily resulted from the payoff of the Credit Facility on July 19, 2018, which resulted in charges for the write-off of DDIC for the funded debt of $44.6 million and the unfunded debt of $2.8 million. In addition, there were other costs which were not incurred during 2019 due to the payoff of the Credit Facility such as write-offs of DDIC due to mandatory prepayments of $7.2 million, collateral monitoring fees of $1.6 million and amortization as well as unused line fees totaling approximately $2.2 million.

Gain on change in fair value of embedded derivatives. Upon the termination of the former Credit Facility on July 19, 2018, we no longer recognized a liability for embedded derivatives associated with this instrument and recognized a corresponding gain in the third quarter of 2018. For the nine months ended September 30, 2018, we recognized a gain on change in fair value of embedded derivatives of $1.6 million. For the nine months ended September 30, 2019, there was no corresponding activity due to the termination of the former Credit Facility, resulting in a change of $1.6 million.

Other expense, net. Other expense, net is primarily comprised of interest income, foreign exchange gains and losses, and other non-operating income and expenses. For the nine months ended September 30, 2019, net other expense of approximately $0.6 million was primarily comprised of foreign exchange losses amounting to approximately $0.8 million, offset in part by interest income of $0.2 million related to the U.S. Supreme Court decision noted above. For the nine months ended September 30, 2018, net other expense of $1.5 million was comprised of foreign exchange losses for $0.8 million, write-off of deferred financing costs of $0.7 million related to an unsuccessful debt refinancing, and other non-operating expenses of $0.2 million. These amounts, which totaled $1.7 million, were partially offset by interest income of $0.2 million.

Income tax expense. We had an income tax expense of $1.6 million for the nine months ended September 30, 2018 compared to income tax expense of $1.8 million for the nine months ended September 30, 2019. All of our income tax expense is attributable to our foreign operations. For the nine months ended September 30, 2019 and 2018, no income tax expense was recognized in the United States due to utilization of net operating loss carryforwards.

Liquidity and Capital Resources

Overview

As of September 30, 2019, we had a working capital deficit of $99.3 million and an accumulated deficit of $354.7 million. For the three months ended September 30, 2019, we had a net income of $1.7 million. As of September 30, 2019, we had available cash, cash equivalents and restricted cash of $42.2 million.

A key component of our business model requires that substantially all customers prepay us annually for the services we will provide over the following year or longer. As a result, we typically collect cash from our customers in advance of when the related service costs are incurred, which resulted in deferred revenue of $167.0 million that is included in current liabilities as of September 30, 2019. Therefore, we believe that working capital deficit is not as meaningful in evaluating our liquidity since the historical costs of fulfilling our commitments to provide services to customers are currently limited to approximately 38% of the related deferred revenue based on our gross profit percentage of 62% for the three months ended September 30, 2019.

For the next year, we believe that cash, cash equivalents and restricted cash of $42.2 million as of September 30, 2019, plus future cash flows from operating activities will be sufficient to meet our anticipated cash needs including working capital requirements, planned capital expenditures and our contractual obligations.

For the nine months ended September 30, 2019, we generated cash flows from our operating activities of approximately $21.0 million, which was derived from our cash earnings of approximately $23.3 million and offset by unfavorable changes in operating assets and liabilities of approximately $(2.3) million. We believe that our operating cash flows for the year ending December 31, 2019 will be sufficient to fund the portion of our contractual obligations that is not funded with existing capital resources.

Private Placements

Please refer to Note 5 to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report for information regarding the June 2019 Private Placement, the March 2019 Private Placement and the Initial Private Placement.

The holders of Series A Preferred Stock are entitled to, from the respective issuance date, a cash dividend of10.0% per annum and a payment-in-kind dividend of 3.0% per annum for the first five years following the initial June 2018 closing and thereafter all dividends accruing on such Series A Preferred Stock will be payable in cash at a rate of 13.0% per annum. Assuming no redemptions of the Series A Preferred Stock and no conversions to Common Stock, the following cash and PIK dividends (settled through issuance of additional shares of Series A Preferred Stock), regarding the combined June 2019 Private Placement, March 2019 Private Placement and Initial Private Placement, are expected to accrue for each year through July 19, 2023 (in thousands):

Year Ending December 31:	Cash	PIK	Total
2019	$ 15,075	$ 4,522	$ 19,597
2020	15,819	4,746	20,565
2021	16,299	4,890	21,189
2022	16,794	5,038	21,832
2023	9,455	2,837	12,292

The June 2019 Private Placement, the March 2019 Private Placement and the Initial Private Placement improved our liquidity and capital resources whereby future cash payments are expected to be limited to annual cash dividends ranging from $15.1 million to $16.8 million over the next four years as compared to payments under our former Credit Facility.

Please refer to Note 5 to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report for further details about the Series A Preferred Stock including (i) mandatory redemption rights, (ii) the security agreement and promissory notes that may become payable pursuant to certain redemption provisions, (iii) rights to convert the Series A Preferred Stock to shares of Common Stock, (iv) registration rights, and (v) voting rights and preferences in liquidation.

Debt

Our debt obligations consisted of the following as of September 30, 2019 and December 31, 2018 (in thousands):

	2019	2018
Note payable to GP Sponsor, net of discount	$ —	$ 2,372
Less current maturities	—	2,372
Long-term debt, net of current maturities	$ —	$ —

The GP Sponsor note payable was paid off on June 28, 2019. For additional information about our debt obligations, please refer to Note 4 to our unaudited condensed consolidated financial statement in Part I, Item 1 of this Report.

Cash Flows Summary

Presented below is a summary of our operating, investing and financing cash flows for the nine months ended September 30, 2019 and 2018 (in thousands):

	2019	2018
Net cash provided by (used in):		
Operating activities	$ 20,985	$ 17,551
Investing activities	(1,354)	(890)
Financing activities	(2,283)	(31,586)

Cash Flows Provided by Operating Activities

A key component of our business model requires that customers typically prepay us annually for the services which we will provide over the following year or longer. As a result, we typically collect cash in advance of the date when the vast majority of the related services are provided. The key components in the calculation of our cash provided by operating activities for the nine months ended September 30, 2019 and 2018, are as follows (in thousands):

	2019		2018	
Net income (loss)	$	17,650	$	(70,307)
Non-cash expenses and non-operating expenses, net		5,602		83,325
Changes in operating assets and liabilities, net		(2,267)		4,533
Net cash provided by operating activities	$	20,985	$	17,551

For the nine months ended September 30, 2019, cash flows provided by operating activities amounted to approximately $21.0 million. The key drivers resulting in our cash provided by operating activities for the nine months ended September 30, 2019, included our net income of $17.7 million, as adjusted for non-cash and non-operating expenses totaling $5.6 million and unfavorable changes in operating assets and liabilities of $(2.3) million, resulting in net cash provided by operating activities of $21.0 million.

For the nine months ended September 30, 2018, cash flows provided by operating activities amounted to $17.6 million. The key drivers resulting in our cash provided by operating activities for the nine months ended September 30, 2018, included our net loss of $70.3 million, as adjusted for non-cash and non-operating expenses totaling $83.3 million and favorable changes in operating assets and liabilities of $4.5 million, resulting in net cash provided by operating activities of $17.6 million. Non-cash and non-operating expenses of $83.3 million for the nine months ended September 30, 2018, included the write-off of DDIC of $54.5 million, accretion and amortization expense of debt discount and issuance costs for $13.1 million, make-whole applicable premium of $10.4 million, stock-based compensation expense of $3.1 million, PIK interest expense of $1.9 million, depreciation and amortization expense of $1.4 million, and write-off of deferred debt financing costs of $0.7 million. These non-cash and non-operating expenses were offset by a gain from change in fair value of embedded derivatives of $1.6 million and a deferred income tax benefit of $0.3 million. Net changes in operating assets and liabilities, for the nine months ended September 30, 2018, provided $4.5 million of operating cash flow that was derived from customer cash collections that resulted in a reduction accounts receivable of $20.2 million. This benefit was partially offset by (i) a reduction in the deferred insurance settlement liability of $8.0 million, (ii) a reduction in the deferred revenue of $5.8 million, (iii) an increase in prepaid expenses and other of $1.1 million, and (iv) a decrease in accounts payable and accrued liabilities of $0.7 million.

Cash Flows Used in Investing Activities

Cash used in investing activities was primarily driven by capital expenditures for leasehold improvements and computer equipment as we continued to invest in our business infrastructure and advance our geographic expansion. Capital expenditures totaled $1.4 million and $0.9 million for the nine months ended September 30, 2019 and 2018, respectively.

For the nine months ended September 30, 2019, capital expenditures of approximately $1.4 million consisted primarily of $0.7 million for leasehold improvements, furniture and fixtures, and new computer equipment related to our U.S. facilities, and $0.6 million for computer equipment at our foreign locations, primarily in India.

For the nine months ended September 30, 2018, capital expenditures of $0.9 million included $0.5 million primarily for new computer equipment at our U.S. facilities, and $0.3 million for computer equipment and software for our facility in India, and $0.1 million for computer equipment and software at our facility in Brazil.

Cash Flows from Financing Activities

For the nine months ended September 30, 2019, cash utilized in financing activities of approximately $2.3 million which was attributable to dividend payments of $10.9 million, payments of $2.6 million on our GP Sponsor loan, payments of $0.5 million related to transaction costs for both the June 2019 SPA and March 2019 SPA and capital lease payments of $0.4 million, which were offset, in part, by proceeds received of $9.1 million from both the June 2019 SPA and March 2019 SPA transactions and proceeds received of $2.9 million from stock option exercises.

For the nine months ended September 30, 2018, cash used in financing activities was $31.6 million. For the nine months ended September 30, 2018, we had $134.3 million of sources of cash from financing activities that consisted of $133.0

million of proceeds from the issuance of Series A Preferred Stock and Common Stock in the Initial Private Placement, and $1.3 million from the exercise of stock options. For the nine months ended September 30, 2018, our financing activities resulted in cash outflows that totaled $165.9 million. The key uses of cash from financing activities consisted of (i) payments under the Credit Facility for principal and other contractual obligations of $145.4 million, (ii) make-whole applicable premium payments of $10.4 million, (iii) payments for DDIC and other financing costs of $5.7 million, (iv) payments for deferred offering costs related to the Private Placement of $3.9 million, and (v) principal payments under capital lease obligations of $0.5 million. Principal payments under the Credit Facility consisted of a mandatory prepayment in April 2018 of $17.9 million from collection of the Rimini I appeal award, $2.0 million of mandatory consulting fees under the Credit Facility in June 2018, scheduled principal payments of $7.3 million, and a cash payment of $118.2 million upon payoff of the Credit Facility on July 19, 2018. Payments for DDIC and other financing costs totaled $5.7 million, which consisted of $5.0 million of Credit Facility amendment fees that were incurred in 2017, and $0.7 million related to an unsuccessful debt financing that was charged to expense for the nine months ended September 30, 2018. Payments for deferred offering of $3.9 million were related to the Initial Private Placement.

Foreign Subsidiaries

Our foreign subsidiaries and branches are dependent on our U.S.-based parent for continued funding. We currently do not intend to repatriate any amounts that have been invested overseas back to the U.S.-based parent. The imposition of the Transition Tax may reduce or eliminate U.S. federal deferred taxes on the unremitted earnings of our foreign subsidiaries. However, we may still be liable for withholding taxes, state taxes, or other income taxes that might be incurred upon the repatriation of foreign earnings. We have not made any provision for additional income taxes on undistributed earnings of our foreign subsidiaries. As of September 30, 2019, we had cash and cash equivalents of $7.8 million in our foreign subsidiaries.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue and expenses during the reporting periods. These items are monitored and analyzed for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ from these estimates under different assumptions or conditions.

For both the three and nine months ended September 30, 2019, there were no material changes to the critical accounting policies as disclosed in Item 7 of our 2018 Form 10-K.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

For additional information on recently issued accounting standards and our plans for adoption of those standards, please refer to the section titled *Recent Accounting Pronouncements* under Note 2 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. Dollar, primarily the Euro, British Pound Sterling, Brazilian Real, Australian Dollar, Indian Rupee and Japanese Yen. For the three months ended September 30, 2019 and 2018, we generated approximately35% and 36% of our revenue from our international business, respectively. For the nine months ended September 30, 2019 and 2018, we generated approximately 35% and 35% of our revenue from our international businesses, respectively. Increases in the relative value of the U.S. Dollar to other currencies may negatively affect our revenue, partially offset by a positive impact to operating expenses in other currencies as expressed in U.S. Dollars. We have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains or losses related to revaluing certain current asset and current liability balances, including intercompany receivables and payables, which are denominated in currencies other than the functional currency of the entities in which they are recorded. While we have not engaged in the hedging of our foreign currency transactions to date, we are evaluating the costs and benefits of initiating such a program and we may in the future hedge selected significant transactions denominated in currencies other than the U.S. Dollar.

Interest Rate Sensitivity

We hold cash and cash equivalents for working capital purposes. We do not have material exposure to market risk with respect to investments, as any investments we enter into are primarily highly liquid investments.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures that are designed to reasonably ensure that information required to be disclosed in our SEC reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and to reasonably ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) ("Disclosure Controls") will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We monitor our Disclosure Controls and make modifications as necessary; our intent in this regard is that the Disclosure Controls will be modified as systems change and conditions warrant.

In connection with the preparation of this Quarterly Report on Form 10-Q as of September 30, 2019, an evaluation of the effectiveness of the design and operation of our Disclosure Controls was performed. This evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, we concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the latest fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

The legal proceedings described in Note 8 of our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q (this "Report") are incorporated herein by reference. In addition, from time to time, we may be a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of judgment, defense and settlement costs, diversion of management resources and other factors.

ITEM 1A. Risk Factors.

Factors that could cause our actual results to differ materially from those in this Report are any of the risks described in this Item 1.A. Any of these factors could result in a significant or material adverse effect on our business, financial condition, results of operations and cash flows. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

Our business operations are subject to a number of risk factors that may adversely affect our business, financial condition, results of operations or cash flows. If any significant adverse developments resulting from these risk factors should occur, the trading price of our securities could decline, and moreover, investors in our securities could lose all or part of their investment in our securities.

You should refer to the explanation of the qualifications and limitations on forward-looking statements under "Cautionary Note About Forward-Looking Statements" set forth in Part I, Item 2 of this Report. All forward-looking statements made by us are qualified by the risk factors described below.

Risks Related to Our Business, Operations and Industry

Risks Related to Litigation

We and our Chief Executive Officer are involved in litigation with Oracle. An adverse outcome in the ongoing litigation could result in the payment of substantial damages and/or an injunction against certain of our business practices, either of which could have a material adverse effect on our business and financial results.

In January 2010, certain subsidiaries of Oracle Corporation (together with its subsidiaries individually and collectively, "Oracle") filed a lawsuit, *Oracle USA, Inc. et al v. Rimini Street, Inc. et al* (United States District Court for the District of Nevada) ("District Court"), against us and our Chief Executive Officer, Seth Ravin, alleging that certain of our processes violated Oracle's license agreements with its customers and that we committed acts of copyright infringement and violated other federal and state laws ("Rimini I"). The litigation involved our business processes and the manner in which we provided our services to our clients. To provide software support and maintenance services to our clients, we request access to a separate environment for developing and testing the updates to the software programs. Prior to July 2014, PeopleSoft, J.D. Edwards and Siebel clients switching from Oracle to our enterprise software support were given a choice of two models for hosting the development and testing environment for their software: the environment could be hosted on the client's servers or on our servers. In addition to other allegations, Oracle challenged the Rimini Street-hosted model for certain Oracle license agreements with its customers that contained use and site-based restrictions. Oracle alleged that its license agreements with these customers restrict licensees' rights to provide third parties, such as Rimini Street, with copies of Oracle software, and restrict where a licensee may physically install the software. Oracle alleged that, in the course of providing services, we violated such license agreements and illegally downloaded software and support materials without authorization. Oracle further alleged that we impaired its computer systems in the course of downloading materials for our clients. Oracle filed amended complaints in April 2010 and June 2011. Specifically, Oracle's amended complaint asserted the following causes of action: copyright infringement; violations of the Federal Computer Fraud and Abuse Act; violations of the Computer Data Access and Fraud Act; violations of Nevada Revised Statute 205.4765; breach of contract; inducing breach of contract; intentional interference with prospective economic advantage; unfair competition; trespass to chattels; unjust enrichment/restitution; unfair practices; and a demand for an accounting. Oracle's amended complaint sought the entry of a preliminary and permanent injunction prohibiting us from copying, distributing, using, or creating derivative works based on Oracle Software and Support Materials except as allowed by express license from Oracle; from using any software tool to access Oracle Software and

Support Materials; and from engaging in other actions alleged to infringe Oracle’s copyrights or were related to its other causes of action. The parties conducted extensive fact and expert discovery from 2010 through mid-2012.

In March and September 2012, Oracle filed two motions seeking partial summary judgment as to, among other things, its claim of infringement of certain copyrighted works owned by Oracle. In February 2014, the District Court issued a ruling on Oracle’s March 2012 motion for partial summary judgment (i) granting summary judgment on Oracle’s claim of copyright infringement as it related to two of our PeopleSoft clients and (ii) denying summary judgment on Oracle’s claim with respect to one of our J.D. Edwards clients and one of our Siebel clients. The parties stipulated that the licenses among clients were substantially similar for purposes of the Rimini I action. In August 2014, the District Court issued a ruling on Oracle’s September 2012 motion for partial summary judgment (i) granting summary judgment on Oracle’s claim of copyright infringement as it relates to Oracle Database and (ii) dismissing our first counterclaim for defamation, business disparagement and trade libel and our third counterclaim for unfair competition. In response to the February 2014 ruling, we revised our business practices to eliminate the processes determined to be infringing, which was completed no later than July 2014.

A jury trial in Rimini I commenced in September 2015. On October 13, 2015, the jury returned a verdict against us finding that (i) we were liable for innocent copyright infringement, (ii) we and Mr. Ravin were each liable for violating certain state computer access statutes, (iii) Mr. Ravin was not liable for copyright infringement, and (iv) neither we nor Mr. Ravin were liable for inducing breach of contract or intentional interference with prospective economic advantage. The jury determined that the copyright infringement did not cause Oracle to suffer lost profits, that the copyright infringement was not willful, and did not award punitive damages. Following post-trial motions, Oracle was awarded a final judgment of approximately $124.4 million, consisting of copyright infringement damages based on the fair market value license damages theory, damages for violation of certain state computer access statutes, prejudgment interest and attorneys’ fees and costs. In addition, the District Court entered a permanent injunction prohibiting us from using certain processes - including processes adjudicated as infringing at trial - that we ceased using no later than July 2014. We paid the full judgment amount of approximately $124.4 million to Oracle on October 31, 2016 and appealed the case to the United States Court of Appeals for the Ninth Circuit (“Court of Appeals”) to appeal findings (i) and (ii) above, as well as the injunction and awards of attorneys’ fees, non-taxable expenses, and interest. We argued on appeal that the injunction is vague and contains overly broad language that could be read to cover some of our current business practices that were not adjudicated to be infringing at trial, and the injunction should not have been issued under applicable law. On December 6, 2016, the Court of Appeals granted our emergency motion for a stay of the injunction pending resolution of the underlying appeal, and it agreed to consider the appeal on an expedited basis. The Court of Appeals heard argument on July 13, 2017.

On January 8, 2018, the Court of Appeals reversed certain awards totaling $50.3 million made in Oracle’s favor during and after our 2015 jury trial in Rimini I and vacated and remanded others, including the injunction that had previously been stayed by the Court of Appeals on December 6, 2016. The Court of Appeals reversed awards that we previously paid as part of the $124.4 million judgment, consisting of an award under state computer access statutes and taxable expenses and interest totaling $21.3 million, Oracle’s attorneys’ fees of $28.5 million (that was subsequently remanded to the District Court), and post-judgment interest of $0.5 million. Although the Court of Appeals affirmed the finding of infringement against us (which the jury had found to be “innocent” infringement) for the processes that we ceased using no later than July 2014, it stated in the opinion that we “provided third-party support for Oracle’s enterprise software, in lawful competition with Oracle’s direct maintenance services”. The Court of Appeals also vacated and remanded the injunction originally ordered by the District Court. As mandated by the Court of Appeals, on March 30, 2018 Oracle paid us $21.5 million for the reversal of the award under state computer access statutes and taxable expenses and interest totaling $21.3 million, and post-judgment interest of $0.2 million. Additionally, by stipulation of the parties, in May 2018, Oracle deposited $28.5 million into an escrow account with the District Court pending a decision by the District Court on the remanded attorneys’ fee award.

On August 14, 2018, the District Court (i) imposed an injunction that was substantially identical to the injunction that the Court of Appeals had vacated in January 2018, and (ii) ordered the return to Oracle of the $28.5 million attorneys’ fee award deposited in the escrow account deposited by Oracle with the District Court in May 2018.

On August 16, 2018, we filed a notice of appeal of the District Court’s renewed injunction and its decision to return the $28.5 million attorneys' fee award Oracle. We also filed in the District Court a motion to stay the injunction pending appeal. On September 11, 2018, the District Court denied the motion, but granted a temporary 60-day stay for the Company to obtain a stay with the Court of Appeals. On November 5, 2018, the Court of Appeals denied our motion for a stay pending appeal of the injunction issued by the District Court without addressing the merits of our appeal, and it confirmed the briefing schedule for the appeal. We intend to continue pursuing our appeal of the injunction and the attorneys’ fee award. The briefing on our appeal to the Court of Appeals was completed on March 14, 2019, and a hearing on our appeal occurred on July 12, 2019. The briefing on our appeal to the Court of Appeals was completed on March 14, 2019, and a hearing on our appeal occurred on July 12, 2019. On August 16, 2019, the Court of Appeals entered an Order affirming the permanent injunction and the award of attorneys' fees that were previously paid to Oracle. However, the Court of Appeals agreed that the injunction was overbroad in two respects and instructed the district court to remove the restriction on "local hosting" of J.D. Edwards and Siebel software and the prohibition against "accessing" J.D. Edwards and Siebel software source code.

On November 5, 2019, we filed a petition for writ of certiorari in the U.S. Supreme Court appealing the August 19, 2019 judgment of the Court of Appeals. We have asked the U.S. Supreme Court to determine whether a district court must take into account a jury's finding of an infringer's mental state in considering injunctive relief under the Copyright Act. As of the date of this filing, the U.S. Supreme Court has not made a decision on whether to grant certiorari.

On September 20, 2019, Oracle filed a motion for attorneys' fees on appeal, in which it requested and estimated fees totaling approximately$0.5 million. On October 9, 2019, the parties stipulated to a withdrawal of Oracle's motion, with Rimini agreeing to pay Oracle $0.5 million.

As a result of the injunction, we expect to incur additional expenses in the range of 1% to 2% of revenue for additional labor costs because, as drafted, the injunction contains language that could be read to cover some current support practices that are being litigated in the "Rimini II" lawsuit (as defined below) and that have not been found to be infringing. On February 27, 2019, Oracle filed a motion to reopen discovery in Rimini I and a motion to modify the protective order in Rimini II to permit Oracle to use discovery from Rimini II in Rimini I, in a purported effort to investigate whether we are complying with the injunction. On April 4, 2019, the District Court granted Oracle's motion to reopen discovery in Rimini I, and on May 14, 2019, the District Court granted Oracle's motion to modify the protective order in Rimini II to permit Oracle to use discovery from that case in Rimini I. Pursuant to the discovery scheduling order entered in Rimini I, Oracle is permitted to conduct limited discovery regarding Rimini's compliance with the injunction. On September 3, 2019, the Court vacated all prior deadlines for discovery, initial expert disclosure, rebuttal expert disclosure, and for Oracle to file a motion for an order to show cause related to alleged contempt. It is anticipated that discovery will close sometime in the first quarter of 2020 and there is currently no deadline for Oracle to file motion for an order to show cause.

Oracle may file contempt proceedings against us at any time to attempt to enforce its interpretation of the injunction or if it has reason to believe we are not in compliance with express terms of the injunction. Such contempt proceeding or any judicial finding of contempt could result in a material adverse effect on our business and financial condition, the pendency of the injunction alone could dissuade clients from purchasing or continuing to purchase our services. Further, certain outcomes, should they occur, may also trigger the mandatory redemption of all of our Series A Preferred Stock, with the redemption amounts automatically becoming payment obligation under our Convertible Notes with a concurrent cancellation of the outstanding shares of the Series A Preferred Stock, as provided in the Certificate of Designations for the Series A Preferred Stock and the Form of Convertible Note previously filed with the SEC. If we are obligated to pay substantial civil assessments arising from any finding of contempt, this could reduce the amount of cash flows available to pay dividends due in respect of our Series A Preferred Stock or, if the shares are converted, the interest under the Convertible Notes. Holders of our Convertible Notes are entitled to accelerate repayment of the indebtedness under such notes if we default in our interest payment obligations. We cannot assure you that we will have sufficient assets which would allow us to repay such indebtedness in full at such time. In addition, we may not be able to obtain additional debt or equity financing, if required, to repay our obligations under the Convertible Notes. As a result, we could be forced into bankruptcy or liquidation.

In January 2018, we filed a petition for rehearing en banc with the Court of Appeals regarding two other components of the final judgment awarded to Oracle. First, we asked the Court of Appeals to rehear the calculation of prejudgment interest, arguing that the District Court set the interest rate using a date that precedes the filing of Oracle's complaint, which resulted in an additional approximate amount of $20.2 million cost paid by us in October 2016. Second, we asked the Court of Appeals to rehear the award of non-taxable expenses, arguing that this decision is in direct conflict with decisions in other federal circuit courts and decisions of the U.S. Supreme Court and resulted in us paying approximately $12.8 million that we would not have had to pay in other court jurisdictions. The Court of Appeals denied the petition for rehearing en banc on March 2, 2018, and the mandate was issued on March 13, 2018. On May 31, 2018, we filed a petition for writ of *certiorari* in the U.S. Supreme Court appealing the decision of the Court of Appeals on the non-taxable expenses issue. On September 27, 2018, the U.S. Supreme Court granted our petition for a writ of *certiorari*. On March 4, 2019, the U.S. Supreme Court issued a unanimous decision reversing earlier decisions by the lower courts and ruling that Oracle must return approximately $12.8 million in non-taxable expenses (plus interest) that we had previously paid to Oracle. As mandated by the U.S. Supreme Court, on April 5, 2019, Oracle paid us approximately $13.0 million (non-taxable expenses of $12.8 million plus post-judgment interest income of $0.2 million). See Note 8 of the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report for further information.

In October 2014, we filed a separate lawsuit, Rimini Street Inc. v. Oracle Int'l Corp. (United States District Court for the District of Nevada) ("Rimini II"), against Oracle seeking a declaratory judgment that our revised development processes, in use since at least July 2014, do not infringe certain Oracle copyrights. In February 2015, Oracle filed a counterclaim alleging copyright infringement, which included (i) substantially the same allegations asserted in Rimini I but limited to clients not addressed in Rimini I, and (ii) new allegations that our revised support processes also infringe Oracle copyrights. Oracle's counterclaim also included allegations of violation of the Lanham Act, intentional interference with prospective economic advantage, breach of contract and inducing breach of contract, unfair competition, and unjust enrichment/restitution. It also sought an accounting. On February 28, 2016, Oracle filed amended counterclaims adding allegations of violation of the Digital Millennium Copyright Act. On December 19, 2016, we filed an amended complaint against Oracle asking for a declaratory judgment of non-infringement of copyright and alleging intentional interference with contract, intentional interference with prospective economic advantage, violation of the Nevada Deceptive Trade Practices Act, violation of the Lanham Act, and violation of California Business & Professions Code § 17200 et seq. On January 17, 2017, Oracle filed a motion to dismiss our amended claims and filed its third amended counterclaims, adding three new claims for a declaratory judgment of no intentional interference with contractual relations, no intentional interference with prospective economic advantage, and no violation of California Business & Professions Code § 17200 et seq. On February 14, 2017, we filed our answer and motion to dismiss Oracle's third amended counterclaims. On March 7, 2017, Oracle filed a motion to strike our copyright misuse affirmative defense. By stipulation of the parties, the District Court granted our motion to file our third amended complaint to add claims arising from Oracle's purported revocation of our access to its support websites on behalf of our clients, which was filed and served on May 2, 2017. By agreement of the parties, Oracle filed its motion to dismiss our third amended complaint on May 30, 2017, our opposition was filed on June 27, 2017, and Oracle's reply was filed on July 11, 2017. On September 22, 2017, the Court issued an order granting in part and denying in part our motion to dismiss Oracle's third amended counterclaims. The Court granted our motion to dismiss Oracle's intentional interference with prospective economic advantage and unjust enrichment counterclaims. On October 5, 2017, Oracle filed a motion for reconsideration of the Court's September 22, 2017 order. We filed our opposition to Oracle's motion for reconsideration on October 19, 2017. Oracle filed its reply to its motion for reconsideration on October 26, 2017. On November 7, 2017, the Court issued an order granting in part and denying in part Oracle's motion to dismiss our third amended complaint.

The Court granted Oracle's motion to dismiss as to our third cause of action for a declaratory judgment that Oracle has engaged in copyright misuse, fifth cause of action for intentional interference with prospective economic advantage; sixth cause of action for a violation of Nevada's Deceptive Trade Practices Act under the "bait and switch" provision of NRS § 598.0917; and seventh cause of action for violation of the Lanham Act. The Court denied Oracle's motion as to our causes of action for intentional interference with contractual relations, violation of Nevada Deceptive Trade Practices Act, under the "false and misleading" provision of NRS § 598.0915(8) and unfair competition. On November 17, 2017, the Court denied Oracle's motion for reconsideration of the Court's September 22, 2017 order. On June 5, 2018, the Court denied our motion for reconsideration of the Court's November 7, 2017 order.

Fact discovery with respect to the above action substantially ended in March 2018, and expert discovery ended in September 2018. Briefing on the parties' motions for summary judgment was completed in December 2018, and we wait the District Court's ruling on those motions. There is currently no trial date scheduled, and we do not expect a trial to occur in this matter earlier than 2021, but the trial could occur earlier or later than that. At this time, we do not have sufficient information regarding possible damages exposure for the counterclaims asserted by Oracle or possible recovery by us in connection with our claims against Oracle. Both parties are seeking injunctive relief in addition to monetary damages in this matter.

For counterclaims in Rimini II on which Oracle may prevail, while we believe an award for damages is not probable, we could be required to pay substantial damages for our current or past business activities and/or be enjoined from certain business practices. Any of these outcomes could result in a material adverse effect on our business and financial condition, and the pendency of the litigation alone could dissuade clients from purchasing or continuing to purchase our services. Further, these outcomes may also trigger the mandatory redemption of all of our Series A Preferred Stock, with the redemption amounts automatically becoming payment obligations under our Convertible Notes with a concurrent cancellation of the outstanding shares of the Series A Preferred Stock, as provided in the Certificate of Designations for the Series A Preferred Stock and the Form of Convertible Note previously filed with the SEC. If we are obligated to pay substantial damages to Oracle or are enjoined from certain business practices, this could reduce the amount of cash flows available to pay dividends due in respect of our Series A Preferred Stock or the indebtedness under the Convertible Notes. If we default in our payment obligations under the Convertible Notes and the indebtedness under the Convertible Notes were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full, and we could be forced into bankruptcy or liquidation.

Our business has been and may continue to be materially harmed by this litigation and Oracle's conduct. During the course of these cases, we anticipate there will be rulings by the District Court in Rimini II, the District Court in Rimini I, and the Court of Appeals in Rimini I in connection with hearings, motions, decisions, and other matters, as well as other interim developments related to the litigations. If securities analysts or investors regard these rulings as negative, the market price of our Common Stock may decline. If current or prospective clients regard these rulings as negative, it could negatively impact our new client sales or renewal sales.

While we plan to continue to vigorously litigate the pending matters in Rimini I and Rimini II, we are unable to predict the timing or outcome of these lawsuits. No assurance is or can be given that we will prevail on any appeal, contempt proceeding, claim, or counterclaim.

See the section titled "*Business-Legal Proceedings*" in our 2018 Annual Report on Form 10-K, as filed with the SEC on March 14, 2019, and Note 8 of our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report for more information related to this litigation.

The Oracle software products that are part of our ongoing litigation with Oracle represent a significant portion of our current revenue.

Subject to the final outcome of the appeals, during 2016 we paid the Rimini I final judgment of $124.4 million in full, in March 2018 recovered $21.3 million plus $0.2 million of post-judgment interest, and in April 2019, recovered $13.0 million (non-taxable expenses of $12.8 million plus post-judgment interest income of $0.2 million). Any additional recovery of any part of the judgment will depend on the outcome of the appeals. As long as the permanent injunction is still in place in Rimini I, we estimate it will cost us between 1% and 2% of revenue to further modify our support processes to comply with the terms of the injunction as ordered by the District Court. In Rimini II, Oracle has filed counterclaims relating to our support services for Oracle's PeopleSoft, J.D. Edwards, Siebel, E-Business Suite, and Database software products. For the three months ended September 30, 2019, approximately 67% of our total revenue was derived from the support services that we provide for our clients using Oracle's PeopleSoft, J.D. Edwards, Siebel, E-Business Suite and Database software products. The percentage of revenue derived from services we provide for PeopleSoft software only was approximately 16% of our total revenue during this same period. Although we provide support services for additional Oracle product lines that are not subject to litigation and support services for software products provided by companies other than Oracle, our current revenue depends significantly on the product lines that are the subject of the Rimini II litigation and Rimini I appeal. Should Oracle prevail on its claims in Rimini II or should a contempt action result in a finding that we are in violation of the injunction, we could be required to change the way we provide support services to some of our clients, which could result in the loss of clients and revenue, and may also give rise to claims for compensation from our clients, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our ongoing litigation with Oracle presents challenges for growing our business.

We have experienced challenges growing our business as a result of our ongoing litigation with Oracle. Many of our existing and prospective clients have expressed concerns regarding our ongoing litigation and, in some cases, have been subjected to subpoenas, depositions and various negative communications by Oracle in connection with the litigation. We have experienced in the past, and may continue to experience in the future, volatility and slowness in acquiring new clients, as well as clients not renewing their agreements with us, due to these challenges relating to our ongoing litigation with Oracle. Further, certain of our prospective and existing clients may be subject to additional subpoenas, depositions and negative communications from software vendors. We have taken steps to minimize disruptions to our existing and prospective clients regarding the litigation, but we continue to face challenges growing our business while the litigation remains ongoing. In certain cases, we have agreed to pay certain liquidated damages to our clients if we are no longer able to provide services to these clients, and/or reimburse our clients and our former lenders for their reasonable legal fees incurred in connection with any litigation-related subpoenas and depositions or to provide certain client indemnification or termination rights if any outcome of litigation results in our inability to continue providing any of the paid-for services. In addition, we believe the length of our sales cycle is longer than it otherwise would be due to prospective client diligence on possible effects of the Oracle litigation on our business. We cannot assure you that we will continue to overcome the challenges we face as a result of the litigation and continue to renew existing clients or secure new clients.

Additionally, the existence of this ongoing litigation, as well as the federal grand jury inquiry as discussed below initiated in March 2018, could negatively impact the value of our equity securities, could negatively impact our ability to raise additional equity or debt financing by creating challenges to providing satisfactory due diligence to potential investors or lenders to enable the evaluation of risk as well as could necessitate economic terms of any equity or debt financing that are more favorable to investors or lenders than otherwise in the absence of such conditions, in connection with any financing completed by us, if at all.

While we had insurance coverage for the Rimini I litigation, we currently have no insurance coverage with respect to the Rimini II litigation or with respective to any future litigation with Oracle.

Oracle has a history of litigation against companies offering alternative support programs for Oracle products, and Oracle could pursue additional litigation with us.

Oracle has been active in litigating against companies that have offered competing maintenance and support services for their products. For example, in March 2007, Oracle filed a lawsuit against SAP and its wholly-owned subsidiary, TomorrowNow, Inc., a company our Chief Executive Officer, Seth Ravin, joined in 2002, and which was acquired by SAP in 2005. After a jury verdict awarding Oracle $1.3 billion, the parties stipulated to a final judgment of $306 million subject to appeal. After the appeal, the parties settled the case in November 2014 for $356.7 million. In February 2012, Oracle filed suit against Service Key, Inc. and settled the case in October 2013. Oracle also filed suit against CedarCrestone Corporation in September 2012 and settled the case in July 2013. TomorrowNow and CedarCrestone offered maintenance and support for Oracle software products, and Service Key offered maintenance and support for Oracle technology products. Given Oracle's history of litigation against companies offering alternative support programs for Oracle products, we can provide no assurance, regardless of the outcome of our current litigations with Oracle, that Oracle will not pursue additional litigation against us. Such additional litigation could be costly, distract our management team from running our business and reduce client interest and our sales revenue.

We have received a federal grand jury inquiry directing delivery of certain documents relating to our operations. If such inquiry leads to legal proceedings against us or any of our employees or members of our Board of Directors, we would incur legal costs and may potentially suffer an adverse outcome negatively affecting our business and financial results.

On March 2, 2018, we received a subpoena directing us to produce to a federal grand jury certain communications and documents relating to our support for certain software systems and certain related operational practices. We have complied with the related document request and are cooperating with the governmental inquiry but cannot predict its ultimate resolution. Responding to the subpoena has caused us to incur substantial legal costs to date, and we will continue to incur legal costs until this inquiry is complete. A governmental inquiry and any legal proceedings instituted involving us, if any, from such inquiry, would require us to incur further legal costs, and if adversely determined, may ultimately result in the imposition of fines or other penalties. The mere fact of a grand jury inquiry regardless of merit or outcome could have a negative impact on our future revenue, revenue growth, client acquisition and retention, and our prospects to obtain new or alternative financing. Any such resulting material costs and expenses or other penalties could have a material adverse effect on our financial condition and results of operations.

Other Risks Related to Our Business, Operations and Industry

The market for independent software support services is relatively undeveloped and may not grow.

The market for independent enterprise software support services is still relatively undeveloped, has not yet achieved widespread acceptance and may not grow quickly or at all. Our success will depend to a substantial extent on the willingness of companies to engage a third party such as us to provide software support services for their enterprise software. Many enterprise software licensees are still hesitant to use a third party to provide such support services, choosing instead to rely on support services provided by the enterprise software vendor. Other enterprise software licensees have invested substantial personnel, infrastructure and financial resources in their own organizations with respect to support of their licensed enterprise software products and may choose to self-support with their own internal resources instead of purchasing services from the enterprise software vendor or an independent provider such as ourselves. Companies may not engage us for other reasons, including concerns regarding our ongoing litigation with Oracle and governmental inquiry, the potential for future litigation, the potential negative effect our engagement could have on their relationships with their enterprise software vendor, or concerns that they could infringe third party intellectual property rights or breach one or more software license agreements if they engage us to provide support services. New concerns or considerations may also emerge in the future. Particularly because our market is relatively undeveloped, we must address our potential clients' concerns and explain the benefits of our approach in order to convince them of the value of our services. If companies are not sufficiently convinced that we can address their concerns and that the benefits of our services are compelling, then the market for our services may not develop as we anticipate, and our business will not grow.

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

While we had net income of $1.7 million for the three months ended September 30, 2019, we incurred a net loss of $68.0 million for the year ended December 31, 2018. As of September 30, 2019, we had an accumulated deficit of $354.7

million. We will need to generate and sustain increased revenue levels in future periods while managing our costs to become profitable, and, even if we do, we may not be able to maintain or increase our level of profitability. We intend to continue to expend significant funds to expand our sales and marketing operations, enhance our service offerings, expand into new markets, launch new product offerings and meet the increased compliance requirements associated with our operations as a public company. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including, as a result of our ongoing litigation with Oracle, the potential for future litigation, other risks described herein, unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the market price of our securities may significantly decrease.

If we are unable to attract new clients or retain and/or sell additional products or services to our existing clients, our revenue growth will be adversely affected.

To increase our revenue, we must add new clients, encourage existing clients to renew or extend their agreements with us on terms favorable to us and sell additional products and services to existing clients. As competitors introduce lower-cost and/or differentiated services that are perceived to compete with ours, or as enterprise software vendors introduce competitive pricing or additional products and services or implement other strategies to compete with us, our ability to sell to new clients and renew agreements with existing clients based on pricing, service levels, technology and functionality could be impaired. As a result, we may be unable to renew or extend our agreements with existing clients or attract new clients or new business from existing clients on terms that would be favorable or comparable to prior periods, which could have an adverse effect on our revenue and growth. In addition, certain of our existing clients may choose to license a new or different version of enterprise software from an enterprise software vendor, and such clients' license agreements with the enterprise software vendor will typically include a minimum one-year mandatory maintenance and support services agreement. In such cases, it is unlikely that these clients would renew their maintenance and support services agreements with us, at least during the early term of the license agreement. In addition, such existing clients could move to another enterprise software vendor, product or release for which we do not offer any products or services.

If our retention rates decrease, or we do not accurately predict retention rates, our future revenue and results of operations may be harmed.

Our clients have no obligation to renew their product or service subscription agreements with us after the expiration of a non-cancellable agreement term. In addition, the majority of our multi-year, non-cancellable client agreements are not pre-paid other than the first year of the non-cancellable service period. We may not accurately predict retention rates for our clients. Our retention rates may decline or fluctuate as a result of a number of factors, including our clients' decision to license a new product or release from an enterprise software vendor, our clients' decision to move to another enterprise software vendor, product or release for which we do not offer products or services, client satisfaction with our products and services, the acquisition of our clients by other companies, and clients going out of business. If our clients do not renew their agreements for our products and services or if our clients decrease the amount they spend with us, our revenue will decline and our business will suffer.

We face significant competition from both enterprise software vendors and other companies offering independent enterprise software support services, as well as from software licensees that attempt to self-support, which may harm our ability to add new clients, retain existing clients and grow our business.

We face intense competition from enterprise software vendors, such as Oracle and SAP, who provide software support services for their own products. Enterprise software vendors have offered discounts to companies to whom we have marketed our services. In addition, our current and potential competitors and enterprise software vendors may develop and market new technologies that render our existing or future services less competitive or obsolete. Competition could significantly impede our ability to sell our services on terms favorable to us and we may need to decrease the prices for our services in order to remain competitive. If we are unable to maintain our current pricing due to competitive pressures, our margins will be reduced and our results of operations will be negatively affected.

There are also several smaller vendors in the independent enterprise software support services market with whom we compete with respect to certain of our services. We expect competition to continue to increase in the future, particularly if we prevail in Rimini II, which could harm our ability to increase sales, maintain or increase renewals and maintain our prices.

Our current and potential competitors may have significantly more financial, technical and other resources than we have, may be able to devote greater resources to the development, promotion, sale and support of their products and services, have more extensive customer bases and broader customer relationships than we have and may have longer operating histories and greater name recognition than we have. As a result, these competitors may be better able to respond quickly to new technologies and provide more robust support offerings. In addition, certain independent enterprise software support organizations may have or may develop more cooperative relationships with enterprise software vendors, which may allow them to compete more effectively over the long term. Enterprise software vendors may also offer support services at reduced or no additional cost to their customers. In addition, enterprise software vendors may take other actions in an attempt to maintain their support service business, including changing the terms of their customer agreements, the functionality of their products or services, or their pricing terms. For example, starting in the second quarter of 2017 Oracle has prohibited us from accessing its support websites to download software updates on behalf of our clients who are authorized to do so and permitted to authorize a third party to do so on their behalf. In addition, various support policies of Oracle and SAP may include clauses that could penalize customers that choose to use independent enterprise software support vendors or that, following a departure from the software vendor's support program, seek to return to the software vendor to purchase new licenses or services. To the extent any of our competitors have existing relationships with potential clients for enterprise software products and support services, those potential clients may be unwilling to purchase our services because of those existing relationships. If we are unable to compete with such companies, the demand for our services could be substantially impacted.

Our past growth is not indicative of our future growth but if we grow rapidly, we may not be able to manage our growth effectively.

Our revenue grew from $62.6 million for the three months ended September 30, 2018 to $69.0 million for the three months ended September 30, 2019, representing a period over period increase of 10%. Our revenue grew from $53.6 million for the three months ended September 30, 2017 to $62.6 million for the three months ended September 30, 2018, representing a period over period increase of 17%. The period over period decline in our revenue growth rates was due in part to covenants of our former Credit Facility that restricted our spending on sales and marketing activity that resulted in sequential reductions in new business activity during 2017 and the first half of 2018. In addition, beginning in the second quarter of 2017 and continuing through 2018, some potential sales transactions were adversely affected by certain competitive actions that also impacted our revenue growth. You should not consider our past growth as indicative of our future performance. We believe growth of our revenue depends on a number of factors, including our ability to:

- price our products and services effectively so that we are able to attract new clients and retain existing clients without compromising our profitability;
- introduce our products and services to new geographic markets;
- introduce new enterprise software products and services supporting additional enterprise software vendors, products and releases;
- satisfactorily conclude the Oracle litigation and any other litigation that may occur and our governmental inquiry; and
- increase awareness of our company, products and services on a global basis.

We may not successfully accomplish all or any of these objectives. We plan to continue our investment in future growth. We expect to continue to expend substantial financial and other resources on, among others:

- sales and marketing efforts;
- training to optimize our opportunities to overcome litigation risk concerns of our clients;
- expanding in new geographical areas;
- growing our product and service offerings and related capabilities;
- adding additional product and service offerings; and
- general administration, including legal and accounting expenses related to being a public company.

In addition, our historical rapid growth has placed and may continue to place significant demands on our management and our operational and financial resources. Our organizational structure is becoming more complex as we add additional staff, and we will need to improve our operational, financial and management controls, as well as our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture of rapid innovation, teamwork and attention to client service that has been central to our growth.

Our former Credit Facility, which was repaid and terminated in July 2018, included covenants that restricted our spending on sales and marketing activity that resulted in sequential reductions in new business activity during 2017 and 2018. An October 2017 amendment allowed us to increase our sales and marketing spending in the fourth quarter of 2017 and the first half of 2018. Due to the termination of the Credit Facility on July 19, 2018, we are no longer subject to restrictions related to our sales and marketing spending. However, even though we have increased our sales and marketing spending over the past year, it can take several quarters before these efforts translate to improved revenue growth rates. In addition, beginning in the second quarter of 2017 some potential sales transactions were adversely affected by certain actions by our competitors. As a result, our period over period growth in revenue has decreased over time from approximately 17% for the third quarter of 2018 to 10% for the third quarter of 2019. Due to our subscription revenue model, the impact of these matters that resulted in revenue growth of 10% for the third quarter of 2019 versus the comparable quarter in 2018 is expected to result in relatively lower revenue growth rates at least through 2019 or longer if our investment in sales and marketing does not result in increased sales activity.

Our failure to generate significant capital or raise additional capital necessary to fund and expand our operations and invest in new services and products could reduce our ability to compete and could harm our business.

We may need to raise additional capital beyond funds raised from our issuance and sale of Series A Preferred Stock in July 2018, March 2019 and June 2019, if we cannot fund our growth sufficiently through our operating cash flows. Should this occur, we may not be able to obtain debt or additional equity financing on favorable terms, if at all. We are also subject to certain restrictions for future financings as discussed in the risk factor ***"****Our Series A Preferred Stock and Convertible Notes restrict our ability to incur certain indebtedness, and the Convertible Notes contain additional restrictions and obligations that are currently effective or become effective upon certain events, which limit our flexibility in operating our business".* If we raise additional equity financing, which may include the issuance and sale of additional shares of our Series A Preferred Stock, our stockholders may experience significant dilution of their ownership interests and the per share value of our Common Stock could decline. If we engage in debt financings, the holders of the debt securities would have priority over the holders of our Common Stock. We may also be required to accept terms that further restrict our ability to incur additional indebtedness, take other actions that would otherwise not be in the best interests of our stockholders, or force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations and financial condition. If we cannot raise additional capital on acceptable terms, we may not be able to, among other things:

- maintain our operations;
- develop or enhance our products and services;
- continue to expand our sales and marketing functions;
- devote resources to research and development activities;
- acquire complementary technologies, products or businesses;
- expand operations, in the United States or globally;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our failure to do any of these things could impact our ability to grow our revenue and seriously harm our business, financial condition and results of operations.

Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others.

The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual and proprietary rights. Companies in the software industry are often required to defend against claims and litigation alleging infringement or other violations of intellectual property rights. Many of our competitors and other industry participants have been issued patents and/or have filed patent applications and may assert patent or other intellectual property rights within the industry. From time to time, we may receive threatening letters or notices alleging infringement or may be the subject of claims that our services and underlying technology infringe or violate the intellectual property rights of others. Any allegation of infringement, whether innocent or intentional, can adversely impact marketing, sales and our reputation.

For example, as described further in the section titled "Risk Factors-Risks Related to Litigation" above, we are engaged in litigation with Oracle relating in part to copyright infringement claims. See the risk factor "*We and our Chief Executive Officer are involved in litigation with Oracle. An adverse outcome in the ongoing litigation could result in the payment of substantial damages and/or an injunction against certain of our business practices, either of which could have a material adverse effect on our business and financial results*" above for additional information regarding the Rimini I and Rimini II cases.

We rely on our management team and other key employees, including our Chief Executive Officer, and the loss of one or more key employees could harm our business.

Our success and future growth depend upon the continued services of our management team, including Seth Ravin, our Chief Executive Officer, and other key employees. Since 2008, Mr. Ravin has been under the regular care of a physician for kidney disease, which includes ongoing treatment. During this time, Mr. Ravin has continuously performed all of his duties as Chief Executive Officer of our company on a full-time basis. Although Mr. Ravin's condition has not had any impact on his performance in his role as Chief Executive Officer or on the overall management of the Company, we can provide no assurance that his condition will not affect his ability to perform the role of Chief Executive Officer in the future. In addition, from time to time, there may be changes in our management team resulting from the hiring or departure of executives, which could disrupt our business. We may terminate any employee at any time, with or without cause, and any employee may resign at any time, with or without cause. We do not maintain key man life insurance on any of our employees. The loss of one or more of our key employees could harm our business.

The failure to attract and retain additional qualified personnel could prevent us from executing our business strategy.

To execute our business strategy, we must attract and retain highly qualified personnel. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. In particular, we have experienced an extremely competitive hiring environment in the San Francisco Bay Area, where we have a significant amount of operations, but also face extremely competitive hiring environments across the United States and the other countries in which we operate. Many of the companies with which we compete for experienced personnel have greater resources than we do. In addition, in making employment decisions, job candidates often consider the value of the stock options or other equity incentives they are to receive in connection with their employment. If the price of our stock declines or experiences significant volatility, our ability to attract or retain qualified employees will be adversely affected. In addition, as we continue to expand into new geographic markets, there can be no assurance that we will be able to attract and retain the required management, sales, marketing and support services personnel to profitably grow our business. If we fail to attract new personnel or fail to retain and motivate our current personnel, our growth prospects could be severely harmed.

Because we recognize revenue from subscriptions over the term of the relevant contract, downturns or upturns in sales are not immediately reflected in full in our results of operations.

As a subscription-based business, we recognize revenue over the service period of our contracts. As a result, much of our reported revenue each quarter results from contracts entered into during previous quarters. Consequently, while a shortfall in demand for our products and services or a decline in new or renewed contracts in any one quarter may not significantly reduce our revenue for that quarter, it could negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in new sales, renewals or extensions of our service agreements will not be reflected in full in our results of operations until future periods. Our revenue recognition model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new clients must be recognized over the applicable service contract term.

Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our client base and achieve broader market acceptance of our products and services.

Our ability to increase our client base and achieve broader market acceptance of our products and services will depend to a significant extent on our ability to expand our marketing and sales operations. We plan to continue expanding our sales force globally. These efforts will require us to invest significant financial and other resources. Moreover, our sales personnel typically take an average of between nine to twelve months before any new sales personnel can operate at the capacity typically expected of experienced sales personnel. This ramp cycle, combined with our typical six- to twelve-month sales cycle for engaged prospects, means that we will not immediately recognize a return on this investment in our sales department. In addition, the cost to acquire clients is high due to the cost of these marketing and sales efforts. Our business may be materially harmed if our efforts do not generate a correspondingly significant increase in revenue. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if our sales and marketing programs are not effective.

Interruptions to or degraded performance of our service could result in client dissatisfaction, damage to our reputation, loss of clients, limited growth and reduction in revenue.

Our software support agreements with our clients generally guarantee a 15-minute response time with respect to certain high-priority issues. To the extent that we do not meet the 15-minute guarantee, our clients may in some instances be entitled to liquidated damages, service credits or refunds. To date, no such payments have been made.

We also deliver tax, legal and regulatory updates to our clients and generally have done so faster than our competitors. If there are inaccuracies in these updates, or if we are not able to deliver them on a timely basis to our clients, our reputation may be damaged, and we could face claims for compensation from our clients, lose clients, or both.

Any interruptions or delays in our service, whether as a result of third-party error, our own error, natural disasters, security breaches or a result of any other issues, whether accidental or willful, could harm our relationships with clients and cause our revenue to decrease and our expenses to increase. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors, in turn, could further reduce our revenue, subject us to liability, cause us to pay liquidated damages, issue credits or cause clients not to renew their agreements with us, any of which could materially adversely affect our business.

We may experience quarterly fluctuations in our results of operations due to a number of factors, including the sales cycles for our products and services, which makes our future results difficult to predict and could cause our results of operations to fall below expectations or our guidance.

Our quarterly results of operations have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Historically, our sales cycle has been tied to the renewal dates for our clients' existing and prior vendor support agreements for the products that we support. Because our clients make support vendor selection decisions in conjunction with the renewal of their existing support agreements with Oracle and SAP, among other enterprise software vendors, we have experienced an increase in business activity during the periods in which those agreements are up for renewal. Because we have introduced and intend to continue to introduce products and services for additional software products that do not follow the same renewal timeline or pattern, our past results may not be indicative of our future performance, and comparing our results of operations on a period-to-period basis may not be meaningful. Also, if we are unable to engage a potential client before its renewal date for software support services in a particular year, it will likely be at least another year before we would have the opportunity to engage that potential client again, given that such potential client likely had to renew or extend its existing support agreement for at least an additional year's worth of service with its existing support provider. Furthermore, our existing clients generally renew their agreements with us at or near the end of each calendar year, so we have also experienced and expect to continue to experience heavier renewal rates in the fourth quarter. In addition to the other risks described herein, factors that may affect our quarterly results of operations include the following:

- changes in spending on enterprise software products and services by our current or prospective clients;
- pricing of our products and services so that we are able to attract and retain clients;
- acquisition of new clients and increases of our existing clients' use of our products and services;
- client renewal rates and the amounts for which agreements are renewed;
- budgeting cycles of our clients;
- changes in the competitive dynamics of our market, including consolidation among competitors or clients;
- the amount and timing of payment for operating expenses, particularly sales and marketing expenses and employee benefit expenses, as well as the quarterly Cash Dividends required to be made on our Series A Preferred Stock;
- the amount and timing of non-cash expenses, including stock-based compensation, PIK Dividends on our Series A Preferred Stock and other non-cash charges;
- the amount and timing of costs associated with recruiting, training and integrating new employees;
- the amount and timing of cash collections from our clients;
- unforeseen costs and expenses related to the expansion of our business, operations, infrastructure and new products and services such as Application Management Services (AMS);
- the amount and timing of our legal costs, particularly related to our litigation with Oracle;
- changes in the levels of our capital expenditures; foreign currency exchange rate fluctuations; and
- general economic and political conditions in our global markets.

We may not be able to accurately forecast the amount and mix of future product and service subscriptions, revenue and expenses, and as a result, our results of operations may fall below our estimates or the expectations of securities analysts and investors. If our revenue or results of operations fall below the expectations of investors or securities analysts, or below any guidance we may provide, the price of our Common Stock could decline.

Our future liquidity and results of operations may be adversely affected by the timing of new orders, the level of customer renewals and cash receipts from customers.

Due to the collection of cash from our customers before services are provided, our revenue is recognized over future periods when there are no corresponding cash receipts from such customers. Accordingly, our future liquidity is highly dependent upon the ability to continue to attract new customers and to enter into renewal arrangements with existing customers. If we experience a decline in orders from new customers or renewals from existing customers, our revenue may continue to increase while our liquidity and cash levels decline. Any such decline, however, will negatively affect our revenues in future quarters. Accordingly, the effect of declines in orders from new customers or renewals from existing customers may not be fully reflected in our results of operations and cash flows until future periods. Comparing our revenues and operating results on a period-to-period basis may not be meaningful, as it may not be an indicator of the future sufficiency of our cash and cash equivalents to meet our liquidity requirements. You should not rely on our past results as an indication of our future performance or liquidity.

We may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability, interest and/or penalties for past sales, which could adversely harm our business.

State, local and foreign jurisdictions have differing rules and regulations governing sales, use, value-added and other taxes, and these rules and regulations can be complex and are subject to varying interpretations that may change over time. In particular, the applicability of such taxes to our products and services in various jurisdictions is unclear. Further, these jurisdictions' rules regarding tax nexus are complex and can vary significantly. As a result, we could face the possibility of tax assessments and audits, and our liability for these taxes and associated interest and penalties could exceed our original estimates. A successful assertion that we should be collecting additional sales, use, value-added or other taxes in those jurisdictions where we have not historically done so and in which we do not accrue for such taxes could result in substantial tax liabilities and related penalties for past sales, discourage clients from purchasing our products and services or otherwise harm our business and results of operations.

We may need to change our pricing models to compete successfully.

We currently offer our customers support services for a fee that is equal to a percentage of the annual fees charged by the enterprise software vendor, so changes in such vendors' fee structures would impact the fees we would receive from our customers. If the enterprise software vendors offer deep discounts on certain services or lower prices generally, we may need to change our pricing models or suffer adverse effect on our results of operations. In addition, we have recently begun to offer new products and services and do not have substantial experience with pricing such products and services, so we may need to change our pricing models for these new products and services over time to ensure that we remain competitive and realize a return on our investment in developing these new products and services. If we do not adapt our pricing models as necessary or appropriate, our revenue could decrease and adversely affect our results of operations.

We may not be able to scale our business systems quickly enough to meet our clients' growing needs, and if we are not able to grow efficiently, our results of operations could be harmed.

As enterprise software products become more advanced and complex, we will need to devote additional resources to innovating, improving and expanding our offerings to provide relevant products and services to our clients using these more advanced and complex products. In addition, we will need to appropriately scale our internal business systems and our global operations and client engagement teams to serve our growing client base, particularly as our client demographics expand over time. Any failure of or delay in these efforts could adversely affect the quality or success of our services and negatively impact client satisfaction, resulting in potential decreased sales to new clients and possibly lower renewal rates by existing clients.

Even if we are able to upgrade our systems and expand our services organizations, any such expansion may be expensive and complex, requiring financial investments, management time and attention.

We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure. There can be no assurance that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented within budgets or on a timely basis, if at all. Any failure to efficiently scale our business could result in reduced revenue and adversely impact our operating margins and results of operations.

We have experienced significant growth resulting in changes to our organization and structure, which if not effectively managed, could have a negative impact on our business.

Our headcount and operations have grown in recent years. We increased the number of full-time employees from over1,080 as of December 31, 2018 to over 1,210 as of September 30, 2019. We believe that our corporate culture has been a critical component of our success. We have invested substantial time and resources in building our team and nurturing our culture. As we expand our business and operate as a public company, we may find it difficult to maintain our corporate culture while managing our employee growth. Any failure to manage our anticipated growth and related organizational changes in a manner that preserves our culture could negatively impact future growth and achievement of our business objectives.

In addition, our organizational structure has become more complex as a result of our significant growth. We have added employees and may need to continue to scale and adapt our operational, financial and management controls, as well as our reporting systems and procedures. The expansion of our systems and infrastructure may require us to commit additional financial, operational and management resources before our revenue increases and without any assurances that our revenue will increase. If we fail to successfully manage our growth, we likely will be unable to successfully execute our business strategy, which could have a negative impact on our business, financial condition and results of operations.

Because our long-term growth strategy involves further expansion of our sales to clients outside the United States, our business will be susceptible to risks associated with global operations.

A significant component of our growth strategy involves the further expansion of our operations and client base outside the United States. Accordingly, our international revenue grew from $22.3 million for the three months ended September 30, 2018 to$24.4 million for the three months ended September 30, 2019, an increase of $2.1 million or 10%. We currently have subsidiaries outside of the United States in Australia, Brazil, Dubai, France, Germany, Hong Kong, India, Israel, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Singapore, Sweden, Taiwan and the United Kingdom, which focus primarily on selling our services in those regions.

In the future, we may expand to other locations outside of the United States. Our current global operations and future initiatives will involve a variety of risks, including:

- changes in a specific country's or region's political or economic conditions;
- changes in regulatory requirements, taxes or trade laws such as Brexit;
- more stringent regulations relating to data security, such as where and how data can be housed, accessed and used, and the unauthorized use of, or access to, commercial and personal information;
- differing labor regulations, especially in countries and geographies where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs as well as hire and retain local management, sales, marketing and support personnel, along with the ability to recapture costs to open up new geographies;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;
- increased travel, real estate, infrastructure and legal compliance costs associated with global operations;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we choose to do so in the future;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general preferences for local vendors;
- limited or insufficient intellectual property protection;
- political instability or terrorist activities;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act and similar laws and regulations in other jurisdictions; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

Our limited experience in operating our business globally and the unique challenges of each new geography increase the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to expand our global operations and are unable to do so successfully and in a timely manner, our business and results of operations will be adversely affected.

If we fail to forecast our revenue accurately, or if we fail to match our expenditures with corresponding revenue, our results of operations and liquidity could be adversely affected.

Because our recent growth has resulted in the rapid expansion of our business, we do not have a long history upon which to base forecasts of future operating revenue. In addition, the variability of the sales cycle for the evaluation and implementation of our products and services, which typically has been six to twelve months once a client is engaged, may also cause us to experience a delay between increasing operating expenses for such sales efforts, and the generation of corresponding revenue. Accordingly, we may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of delays arising from these factors. As a result, our results of operations and liquidity in future reporting periods may be significantly below the expectations of the public market, securities analysts or investors, which could negatively impact the price of our Common Stock.

Consolidation in our target sales markets is continuing at a rapid pace, which could harm our business in the event that our clients are acquired and their agreements are terminated, or not renewed or extended.

Consolidation among companies in our target sales markets has been robust in recent years, and this trend poses a risk for us. If such consolidation continues, we expect that some of the acquiring companies will terminate, renegotiate and elect not to renew our agreements with the clients they acquire, which may have an adverse effect on our business and results of operations.

If there is a widespread shift by clients or potential clients to enterprise software vendors, products and releases for which we do not provide software products or services, our business would be adversely impacted.

Our current revenue is primarily derived from the provision of support services for Oracle and SAP enterprise software products. If other enterprise software vendors, products and releases emerge to take substantial market share from current Oracle and SAP products and releases we support, and we do not provide products or services for such vendors, products or releases, demand for our products and services may decline or our products and services may become obsolete. Developing new products and services to address different enterprise software vendors, products and releases could take a substantial investment of time and financial resources, and we cannot guarantee that we will be successful. If fewer clients use enterprise software products for which we provide products and services, and we are not able to provide services for new vendors, products or releases, our business may be adversely impacted.

Delayed or unsuccessful investment in new technology, products, services and markets may harm our financial condition and results of operations.

We plan to continue investing resources in research and development in order to enhance our current product and service offerings, and other new offerings that will appeal to clients and potential clients, for example, our partnership with Salesforce to support SaaS solutions and our plans to globally offer our Application Management Services (AMS) for SAP products. The development of new product and service offerings could divert the attention of our management and our employees from the day-to-day operations of our business, the new product and service offerings may not generate sufficient revenue to offset the increased research and development expenses, they may not generate gross profit margins consistent with our current margins, and if we are not successful in implementing the new product and service offerings, we may need to write off the value of our investment. Also, these new product and service offerings may be in markets that are more competitive than markets for our existing product and service offerings, making it more difficult to introduce them to clients and potential clients effectively or provide them profitably. Furthermore, if our new or modified products, services or technology do not work as intended, are not responsive to client needs or industry or regulatory changes, are not appropriately timed with market opportunity, or are not effectively brought to market, we may lose existing and prospective clients or related opportunities, in which case our financial condition and results of operations may be adversely impacted.

If our security measures are compromised or unauthorized access to customer data is otherwise obtained, our services may be perceived as not being secure, customers may curtail or cease their use of our services, our reputation may be harmed, and we may incur significant liabilities. Further, we are subject to governmental and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

Our services sometimes involve accessing, processing, sharing, using, storing and transmitting proprietary information and protected data of our customers. We rely on proprietary and commercially available systems, software, tools and monitoring, as well as other processes, to provide security for accessing, processing, sharing, using, storing and transmitting such information. If our security measures are compromised as a result of third party action, employee or customer error, malfeasance, stolen or fraudulently obtained log-in credentials or otherwise, our reputation could be damaged, our business and our customers may be harmed, and we could incur significant liabilities. In particular, cyberattacks, such as phishing, continue to increase in frequency and in magnitude generally, and these threats are being driven by a variety of sources, including nation-state sponsored espionage and hacking activities, industrial espionage, organized crime, sophisticated organizations and hacking groups and individuals. In addition, if the security measures of our customers are compromised, even without any actual compromise of our own systems, we may face negative publicity or reputational harm if our customers or anyone else incorrectly attributes the blame for such security breaches to us, our products and services, or our systems. We may also be responsible for repairing any damage caused to our customers' systems that we support, and we may not be able to make such repairs in a timely manner or at all. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and generally are not detected until after an incident has occurred. As we increase our customer base and our brand becomes more widely known and recognized, we may become more of a target for third parties seeking to compromise our security systems or gain unauthorized access to our customers' proprietary and protected data.

Many governments have enacted laws requiring companies to notify individuals of data security incidents involving certain types of personal data. In addition, some of our customers contractually require notification of any data security compromise. Security compromises experienced by our customers, by our competitors or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, cause existing customers to elect not to renew their agreements with us, or subject us to third party lawsuits, government investigations, regulatory fines or other action or liability, all or any of which could materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that any limitations of liability provisions in our contracts for a security breach would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing general liability insurance coverage and coverage for errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of substantial deductible or co-insurance requirements, could have a material adverse effect on our business, financial condition and results of operations.

As a global company, we are subject to the laws and regulations of numerous jurisdictions worldwide regarding the accessing, processing, sharing, using, storing, transmitting, disclosure and protection of personal data, the scope of which are constantly changing, subject to differing interpretation, and may be inconsistent between countries or in conflict with other laws, legal obligations or industry standards. For example, the General Data Protection Regulation (GDPR), which came into effect in the European Union (EU) on May 25, 2018, creates a broad range of new compliance requirements and imposes substantial penalties for non-compliance, including possible fines of up to 4% of global annual revenue for the preceding financial year or €20 million (whichever is higher) for the most serious infringements. We will also be subject to the requirements of the California Consumer Privacy Act in 2020, which adds to the range of new compliance requirements. We generally comply with industry standards and strive to comply with all applicable laws and other legal obligations relating to privacy and data protection, but it is possible that these laws and legal obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with industry standards or our practices. Compliance with such laws and other legal obligations may be costly and may require us to modify our business practices, which could adversely affect our business and profitability. Any failure or perceived failure by us to comply with these laws, policies or other obligations may result in governmental enforcement actions or litigation against us, potential fines and other expenses related to such governmental actions, result in an order requiring that we change our data practices or business practices, and could cause our customers to lose trust in us, any of which could have an adverse effect on our business.

If our products and services fail due to defects or similar problems, and if we fail to correct any defect or other software problems, we could lose clients, become subject to service performance or warranty claims or incur significant costs.

Our products and services and the systems infrastructure necessary for the successful delivery of our products and services to clients are inherently complex and may contain material defects or errors. We have from time to time found defects in our products and services and may discover additional defects in the future. In particular, we have developed our own tools and processes to deliver comprehensive tax, legal and regulatory updates tailored for each client, which we endeavor to deliver to our clients in a shorter timeframe than our competitors, which may result in an increased risk of material defects or errors. We may not be able to detect and correct defects or errors before clients begin to use our products and services. Consequently, defects or errors may be discovered after our products and services are provided and used. These defects or errors could also cause inaccuracies in the data we collect and process for our clients, or even the loss, damage or inadvertent release of such confidential data. Even if we are able to implement fixes or corrections to our tax, legal and regulatory updates in a timely manner, any history of defects or inaccuracies in the data we collect for our clients, or the loss, damage or inadvertent release of such confidential data could cause our reputation to be harmed, and clients may elect not to renew, extend or expand their agreements with us and subject us to service performance credits, warranty or other claims or increased insurance costs. The costs associated with any material defects or errors in our products and services or other performance problems may be substantial and could materially adversely affect our financial condition and results of operations.

We are an emerging growth company within the meaning of the Securities Act, and if we take advantage of certain exemptions from reporting and disclosure requirements available to emerging growth companies, this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting and disclosure requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As a result, our shareholders may not have access to certain information they may deem important. We expect to continue to have such reporting status until the end of 2020. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the market prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the market prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with certain other public companies difficult or impossible because of the potential differences in accounting standards used.

If we are not able to maintain an effective system of internal control over financial reporting, current and potential investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our stock price.

As reported in prior years, we have had material weaknesses in our internal control over financial reporting. In connection with the audit of our consolidated financial statements for the years ended December 31, 2016 and 2015, management determined that we had several material weaknesses in our internal control over financial reporting. The material weaknesses related to the following:

- inadequate controls in relation to recognition of liabilities for embedded derivatives in connection with our former Credit Facility (2016);
- inadequate controls in relation to revenue recognition from support service sales contracts whereby RSI incorrectly accounted for multi-year, non-cancellable support service sales contracts as a single delivery arrangement and incorrectly accounting for revenue for certain non-standard contract provisions (2015 and 2016);
- various sales tax control matters related to manual processes and determination of tax liabilities in certain states (2015); and
- inadequate controls for accrual of loss contingencies related to RSI's litigation with Oracle (2015).

Although we remediated these material weaknesses during the years ended December 31, 2017 and 2016, we cannot provide assurance that material weaknesses in our internal control over financial reporting will not be identified in the future.

For the year ended December 31, 2018, our management was required to conduct an annual evaluation of our internal control over financial reporting and include a report of management on our internal control in our annual report on Form 10-K. As of December 31, 2018, we have concluded that our internal control over financial reporting was effective.

With respect to controls over revenue accounting procedures, we intend to continue to work on automating our processes, especially around the new FASB revenue accounting standard, as well as to continue to enhance our review processes around new and renewal contracts. In addition, we will be required to have our independent public accounting firm attest to and report on management's assessment of the effectiveness of our internal control over financial reporting when we cease qualifying as an "emerging growth company" pursuant to the JOBS Act. If we are unable to conclude that we have effective internal control over financial reporting or, if our independent auditors are unable to provide us with an attestation and an unqualified report as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities. For further information regarding our controls and procedures, see Part I, Item 4 of this Report.

Economic uncertainties or downturns in the general economy or the industries in which our clients operate could disproportionately affect the demand for our products and services and negatively impact our results of operations.

General worldwide economic conditions have experienced significant fluctuations in recent years, and market volatility and uncertainty remain widespread. As a result, we and our clients find it extremely difficult to accurately forecast and plan future business activities. In addition, these conditions could cause our clients or prospective clients to reduce their IT budgets, which could decrease corporate spending on our products and services, resulting in delayed and lengthened sales cycles, a decrease in new client acquisition and loss of clients. Furthermore, during challenging economic times, our clients may face issues with their cash flows and in gaining timely access to sufficient credit or obtaining credit on reasonable terms, which could impair their ability to make timely payments to us, impact client renewal rates and adversely affect our revenue. If such conditions occur, we may be required to increase our reserves, allowances for doubtful accounts and write-offs of accounts receivable, and our results of operations would be harmed. We cannot predict the timing, strength or duration of any economic slowdown or recovery, whether global, regional or within specific markets. If the conditions of the general economy or markets in which we operate worsen, our business could be harmed. In addition, even if the overall economy improves, the market for our products and services may not experience growth. Moreover, recent events, including the United Kingdom's 2016 vote in favor of exiting the European Union ("Brexit"), change in U.S. trade policies and responsive changes in policy by foreign jurisdictions, and similar geopolitical developments and uncertainty in the European Union and elsewhere have increased levels of political and economic unpredictability globally, and may increase the volatility of global financial markets and the global and regional economies.

If we fail to enhance our brand, our ability to expand our client base will be impaired and our financial condition may suffer.

We believe that our development of the Rimini Street brand is critical to achieving widespread awareness of our products and services, and as a result, is important to attracting new clients and maintaining existing clients. We also believe that the importance of brand recognition will increase as competition in our market increases. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts and on our ability to provide reliable products and services at competitive prices, as well as the outcome of our ongoing litigation with Oracle. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, our business could be adversely impacted.

If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, experience reduced revenue and incur costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our proprietary products, services, knowledge, software tools and processes. We rely on a combination of copyrights, trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Any of our copyrights, trademarks, service marks, trade secret rights or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy or use information that we regard as proprietary to create products and services that compete with ours. In addition, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States. To the extent we expand our global activities, our exposure to unauthorized copying and use of our processes and software tools may increase.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our proprietary intellectual property. Further, these agreements may not prevent our competitors from independently developing products and services that are substantially equivalent or superior to our products and services.

There can be no assurance that we will receive any patent protection for our proprietary software tools and processes. Even if we were to receive patent protection, those patent rights could be invalidated at a later date. Furthermore, any such patent rights may not adequately protect our processes, our software tools or prevent others from designing around our patent claims.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our products, processes and software tools against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products and services, impair the functionality of our products and services, delay introductions of new products and services, result in our substituting inferior or more costly technologies into our products and services, or injure our reputation.

We may not be able to use a significant portion of our net operating loss carryforwards, which could adversely affect our profitability.

We have U.S. federal and state net operating loss carryforwards due to prior period losses, which could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), our ability to utilize net operating loss carryforwards or other tax attributes in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws in the United States. While our ownership changes to date have not triggered any limitations under Section 382, it is possible that any future ownership changes or issuances of our capital stock, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions.

As a multinational organization, we may be subject to taxation in several jurisdictions worldwide with increasingly complex tax laws, the application of which can be uncertain. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. As such, our results may differ from previous estimates and may materially affect our financial position.

The amount of taxes we pay in jurisdictions in which we operate could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have a material adverse effect on our liquidity and results of operations. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could have a material impact on us and the results of our operations.

Future acquisitions, strategic investments, partnerships or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our financial condition and results of operations.

We may in the future seek to acquire or invest in businesses, products or technologies that we believe could complement or expand our services, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not the acquisition purchases are completed. If we acquire businesses, we may not be able to integrate successfully the acquired personnel, operations and technologies, or effectively manage the combined business following the acquisition. We may not be able to find and identify desirable acquisition targets or be successful in entering into an agreement with any particular target or obtain adequate financing to complete such acquisitions. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our results of operations. In addition, if an acquired business fails to meet our expectations, our business, financial condition and results of operations may be adversely affected.

Failure to comply with laws and regulations could harm our business.

Our business is subject to regulation by various global governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, securities laws and tax laws and regulations. For example, transfer of certain software outside of the United States or to certain persons is regulated by export controls.

In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions and may result in our inability to provide certain products and services to prospective clients or clients. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, or if clients made claims against us for compensation, our business, financial condition and results of operations could be harmed. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees and costs. Enforcement actions and sanctions could further harm our business, financial condition and results of operations.

Catastrophic events may disrupt our business.

We rely heavily on our network infrastructure and information technology systems for our business operations. A disruption or failure of these systems in the event of online attack, earthquake, fire, terrorist attack, power loss, telecommunications failure or other catastrophic event could cause system interruptions, delays in accessing our service, reputational harm, loss of critical data or could prevent us from providing our products and services to our clients. In addition, several of our employee groups reside in areas particularly susceptible to earthquakes, such as the San Francisco Bay Area and Japan, and a major earthquake or other catastrophic event could affect our employees, who may not be able to access our systems or otherwise continue to provide our services to our clients. A catastrophic event that results in the destruction or disruption of our data centers, or our network infrastructure or information technology systems, or access to our systems, could affect our ability to conduct normal business operations and adversely affect our business, financial condition and results of operations.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported results of operations.

Generally accepted accounting principles in the United States are subject to interpretation by the FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by us as of the specified effective date. For example in May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition standards under U.S. GAAP. In addition, the FASB issued ASU No. 2016-02, *Leases*, in February 2016, which requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than twelve months. For the impact on our financial position or results of operations upon adoption of recently issued accounting standards that are not yet effective and our plans for adoption of those standards, please refer to the section titled *Recent Accounting Pronouncements* under Note 2 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report.

Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the price and trading volume of our common shares.

Securities research analysts may establish and publish their own periodic projections for us. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, our share price or trading volume could decline. If no analysts commence coverage of us, the market price and volume for our common shares could be adversely affected.

Risks Related to Capitalization Matters and Corporate Governance

Risks Related to our Preferred Stock and Common Stock, Warrants and Units

Our Series A Preferred Stock and their related Convertible Notes restrict our ability to incur certain indebtedness, and the Convertible Notes contain additional restrictions and obligations that are currently effective or become effective upon certain events, which limit our flexibility in operating our business.

While a specified minimum number of shares of Series A Preferred Stock or, if applicable, principal amount of Convertible Notes remain outstanding, holders owning a majority of the then outstanding shares of Series A Preferred Stock or principal outstanding under the Convertible Notes must consent to the issuance of debt other than “permitted indebtedness” which means (i) unsecured indebtedness, (ii) indebtedness classified and accounted for as capital leases in an aggregate amount not to exceed $3.5 million at any time outstanding, (iii) indebtedness with respect to credit cards and similar services or in respect of guarantees to customers or suppliers in the ordinary course of business, (iv) secured indebtedness assumed when a person becomes our subsidiary, provided that such secured indebtedness was not incurred in contemplation of such acquisition, merger or consolidation, such liens do not attach to our assets other than the assets subject to such lien at the time of the transaction, and in any event does not exceed $3.0 million at any time outstanding, and (v) indebtedness secured by a lien not to exceed $1.0 million at any time outstanding, which (i) through (v) in the aggregate may not exceed the greater of (x)$20.0 million or (y) 5% of U.S. GAAP revenue (calculated on a quarterly basis as set forth in our annual report on Form 10-K or our quarterly reports on Form 10-Q, as applicable), for the 12 month period ending at the quarter-end immediately prior to the incurrence of such indebtedness.

The Convertible Notes contain customary covenants, including among others, a prohibition on the disposal (by merger, consolidation, liquidation or otherwise) of all or any part of our business, assets or property, subject to certain exceptions (i.e., sales of inventory in the ordinary course of business, non-exclusive licenses, etc.), and from the date upon which there is a redemption event causing redemption obligations to become principal under the Convertible Notes, restrictions on our ability to make certain payments with respect to its capital stock, subordinated and unsecured indebtedness and, at the option of a holder of a Convertible Note, requirements to deliver certain financial information to the holders at specified intervals, among others.

Upon the occurrence of an event of default under the Convertible Notes, the Noteholders would have the right to accelerate all of our obligations under the Convertible Notes, which obligations will immediately become due and payable. If such acceleration occurs prior to July 19, 2021, the Noteholders will also be entitled to a make-whole premium that provides full yield maintenance as if the Convertible Notes were held for a full three years through that date.

The terms of the Convertible Notes may impact our alternatives to finance its business, which could limit its ability to fund its growth. Further, full acceleration of the Convertible Notes may occur at a time when we are unable to pay all obligations, and thus subjecting us to the risk of liquidation or bankruptcy if such acceleration occurs.

The price of our Common Stock, warrants and units may be volatile.

The price of our Common Stock, warrants and units may fluctuate due to a variety of factors, including:

- developments in our continuing litigation with Oracle;
- actions that may be taken by our holders of Series A Preferred Stock and the Convertible Notes;
- any future equity or debt financing by us;
- our ability to pay cash dividends payable on our Series A Preferred Stock or to effectively service any outstanding debt obligations;
- the announcement of new products or product enhancements by us or our competitors;
- developments concerning intellectual property rights;
- changes in legal, regulatory and enforcement frameworks impacting our products;

- developments in the governmental inquiry instituted in March 2018 and any legal proceedings instituted involving us, if any, from such inquiry;
- variations in our and our competitors' results of operations;
- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances;
- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry
- the level and changes in our year-over-year revenue growth rate;
- the failure of securities analysts to publish research about us, or shortfalls in our results of operations compared to levels forecast by securities analysts;
- any delisting of our Common Stock from Nasdaq Global Market ("Nasdaq") due to any failure to meet listing requirements;
- our Public Warrants and units are quoted on the OTC Pink Current Information Marketplace which is a significantly more limited market than Nasdaq; and
- the general state of the securities market.

These market and industry factors may materially reduce the market price of our Common Stock, regardless of our operating performance.

Our preferred stockholders and certain of our common stockholders can exercise significant control, which could limit your ability to influence the outcome of key transactions, including a change of control.

Based on the number of shares of Common Stock and convertible Series A Preferred Stock outstanding as of September 30, 2019, twelve of our stockholders have aggregate voting power of 81.5% of our outstanding capital stock. As of September 30, 2019, on an as-converted basis, (i) approximately 31.1% of our outstanding voting capital stock is held by Adams Street Partners LLC and certain Adams Street fund limited partnerships ("ASP"), (ii) approximately 16.0% of our outstanding voting capital stock is beneficially owned by Seth Ravin, our Chief Executive Officer, (iii) approximately 9.5% of our outstanding voting capital stock is beneficially owned by GPIC Ltd., and (iv) the remaining holders of our Series A Preferred Stock have aggregate voting power representing approximately 20.6% of our outstanding voting capital stock. Holders of our Series A Preferred Stock are entitled to vote their shares on an as-converted basis on all matters submitted to a vote of stockholders and to convert their shares into Common Stock at any time, which amounts will increase as in-kind dividends are paid through the issuance of additional shares of Series A Preferred Stock. Additionally, holders of our Series A Preferred Stock are required to approve certain matters as a class, voting separately from the Common Stock, such as dividends or distributions on our Common Stock, purchase or redemption of our Common Stock, certain amendments to our Certificate of Incorporation or Certificate of Designations that adversely affect the rights of the preferred stockholders, and authorization of the creation or issuance of any pari passu or senior securities. Our directors and officers or persons affiliated with our directors and officers have aggregate voting power of approximately 57.7% as of September 30, 2019.

As a result, these stockholders, acting together, have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other stockholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

Future resales of our Common Stock held by our significant stockholders or of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock may cause the market price of our Common Stock to drop significantly.

We registered for resale the shares of Common Stock issued in the Initial Private Placement, the March 2019 Private Placement and the June 2019 Private Placement, and the shares of Common Stock issuable upon conversion of, or issued as dividends upon, the Series A Preferred Stock or Convertible Notes, and are obligated to take certain actions to facilitate the transfer and sale of such shares. Upon such registration, the shares of Common Stock became freely salable. Additional shares of Series A Preferred Stock are authorized for issuance and may be issued in the future, subject to substantively similar rights. The Common Stock issuable upon conversion of our Series A Preferred Stock may represent overhang that may also adversely affect the market price of our Common Stock. Overhang occurs when there is a greater supply of a company's stock in the market than there is demand for that stock. When this happens, the price of our stock will decrease, and any additional shares which stockholders attempt to sell in the market, or the perception that such sales might occur, will only further decrease the share price. If the share volume of our Common Stock cannot absorb converted shares sold by the holders of the Series A Preferred Stock, then the value of our Common Stock will likely decrease.

Any sale of large amounts of our Common Stock on the open market or in privately negotiated transactions could have the effect of increasing the volatility in the price of our Common Stock or putting significant downward pressure on the price of our Common Stock.

Any issuance of Common Stock upon conversion of the Series A Preferred Stock and/or exercise of warrants will cause dilution to existing stockholders and may depress the market price of our Common Stock.

Each share of our Series A Preferred Stock is initially convertible, at the option of the holders, into100 shares of our Common Stock (subject to appropriate adjustment in the event of a stock split, stock dividend, combination or other similar recapitalization) for an aggregate of 15.4 million shares of Common Stock as of September 30, 2019 for the Series A Preferred Stock and is generally convertible at a conversion price equal to the quotient of its liquidation preference and $10.00. The Series A Preferred Stock also has a payment-in-kind dividend that will increase the number of shares of Common Stock into which the Series A Preferred Stock will be convertible while it remains outstanding. We have the right to convert outstanding Series A Preferred Stock into Common Stock after July 19, 2021 if our volume weighted average stock price for at least 30 trading days of the 45 consecutive trading days immediately preceding such conversion is greater than $11.50 per share. We can exercise this right to convert twice per calendar year for a maximum number of shares of Common Stock that has publicly traded over the 60 consecutive trading days prior to the conversion date (less any shares of Common Stock that have been issued pursuant to any such conversion during such 60-day period).

The issuance of Common Stock upon conversion of the Series A Preferred Stock may result in immediate and substantial dilution to the interests of our Common Stock holders since the holders of the Series A Preferred Stock may ultimately receive and sell all of shares issuable in connection with the conversion of such Series A Preferred Stock.

Further, the issuance of Common Stock upon exercise of warrants may result in immediate and substantial dilution to the equity interests of our existing common stockholders and might result in dilution in the tangible net book value of a share of a Common Stock, depending upon the price on which the additional shares are issued.

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

We have not paid any cash dividends on our Common Stock to date. The payment of any cash dividends on our Common Stock will be dependent upon our revenue, earnings and financial condition from time to time. The payment of any dividends will be within the discretion of our Board of Directors and, in certain circumstances, would require us to obtain the consent of and to pay a corresponding dividend to holders of our shares of Series A Preferred Stock. It is presently expected that except for the cash dividends we are obligated to pay to the holders of our Series A Preferred Stock, we will retain all earnings for use in our business operations and, accordingly, it is not expected that our Board of Directors will declare any dividends on our Common Stock in the foreseeable future. Our ability to declare dividends on our Common Stock may also be limited by the terms of financing and other agreements entered into by us or our subsidiaries from time to time. Therefore, you are not likely to receive any dividends on your Common Stock for the foreseeable future and the success of an investment in shares of our Common Stock will depend upon any future appreciation in its value. Consequently, investors may need to sell all or part of their holdings of our Common Stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. There is no guarantee that shares of our Common Stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

The DGCL and our certificate of incorporation and bylaws and certificate of designations of our Series A Preferred Stock contain certain provisions, including anti-takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our certificate of incorporation and bylaws, and Delaware General Corporation Law (the "DGCL"), contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our Board of Directors and therefore depress the trading price of our Common Stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of our Board of Directors or taking other corporate actions, including effecting changes in our management. Among other things, our certificate of incorporation and bylaws include provisions regarding:

- a classified Board of Directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our Board of Directors;
- the ability of our Board of Directors to issue shares of preferred stock, including “blank check” preferred stock, and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder

approval, which could be used to significantly dilute the ownership of a hostile acquirer, pursuant to which we have issued Series A Preferred Stock entitled to receive a liquidation preference and certain amounts in connection with a change of control of the Company and other similar extraordinary transactions;

- the limitation of the liability of, and the indemnification of our directors and officers;
- the exclusive right of our Board of Directors to elect a director to fill a vacancy created by the expansion of the Board of Directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board of Directors;
- the requirement that directors may only be removed from our Board of Directors for cause;
- a prohibition on common stockholder action by written consent, which forces common stockholder action to be taken at an annual or special meeting of stockholders and could delay the ability of stockholders to force consideration of a stockholder proposal or to take action, including the removal of directors;
- the requirement that a special meeting of stockholders may be called only by our Board of Directors, the chairperson of our Board of Directors, our chief executive officer or our president (in the absence of a chief executive officer), which could delay the ability of stockholders to force consideration of a proposal or to take action, including the removal of directors;
- controlling the procedures for the conduct and scheduling of Board of Directors and stockholder meetings;
- the requirement for the affirmative vote of holders of at least66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend, alter, change or repeal any provision of our certificate of incorporation or our bylaws, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our Board of Directors and also may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our Board of Directors to amend the bylaws, which may allow our Board of Directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our Board of Directors or to propose matters to be acted upon at a stockholders' meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our Board of Directors and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our Board of Directors or management.

In addition, as a Delaware corporation, we are subject to provisions of Delaware law, including Section 203 of the DGCL, which may prohibit certain stockholders holding 15% or more of our outstanding capital stock from engaging in certain business combinations with us for a specified period of time.

Any provision of our certificate of incorporation, bylaws or DGCL that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our Common Stock.

Our bylaws designate a state or federal court located within the State of Delaware as the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, stockholders, employees or agents.

Our bylaws provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for:

- any derivative action or proceeding brought on behalf of us;
- any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers or other employees;
- any action asserting a claim against us or any of our directors, officers or employees arising out of or relating to any provision of the DGCL, our certificate of incorporation or our bylaws; or
- any action asserting a claim against us or any of our directors, officers, stockholders or employees that is governed by the internal affairs doctrine of the Court of Chancery.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial condition. This choice of forum provision does not apply to suits brought to enforce any liability or duty created by the Securities Act or the Exchange Act.

<u>Other Risks Related to our Series A Preferred Stock and Convertible Notes</u>

Our Series A Preferred Stock and related Convertible Notes have rights, preferences and privileges that are not held by, and are preferential to, the rights of our common stockholders, which could adversely affect our liquidity and financial condition, and may result in the interests of the holders of our Series A Preferred Stock and Convertible Notes differing from those of our common stockholders.

In the event of our liquidation, dissolution or the winding up of our affairs, the holders of our Series A Preferred Stock have the right to receive a liquidation preference (the "Liquidation Preference") entitling them to be paid out of our assets generally available for distribution to our equity holders, before any payment may be made to holders of any other class or series of capital stock, in an amount equal to the greater of (i) $1,000 plus accrued but unpaid dividends and (ii) the per share amount of all cash, securities and other property to be distributed in respect of the Common Stock such holder would have been entitled to receive for its Series A Preferred Stock on an as-converted basis. In the event of a liquidation, dissolution or winding up of our affairs prior to July 19, 2021, the holders of Series A Preferred Stock are entitled to a make-whole premium that provides them with full yield maintenance as if the shares of Series A Preferred Stock were held for a full three years through that date. To the extent principal amounts become outstanding under our Convertible Notes, such notes are entitled to similar preferential amounts upon such events.

In addition, the holders of our Series A Preferred Stock are entitled to (i) Cash Dividends of10.0% per annum payable quarterly in arrears, and (ii) PIK Dividends of 3.0% per annum. The PIK dividend is accrued quarterly in arrears for the first five years following the issuance of the Series A Preferred Stock and thereafter all Dividends accruing on such Series A Preferred Stock will be payable in cash at a rate of 13.0% per annum. To the extent principal amounts become outstanding under our Convertible Notes, such Convertible Notes are entitled to substantially the same payments in the form of interest (in lieu of dividends) payments.

Further, the holders of our Series A Preferred Stock also have redemption rights upon the occurrence of certain events upon which obligations in respect of the Series A Preferred Stock become principal amounts under the Convertible Notes. Specifically, the Series A Preferred Stock is mandatorily redeemable, upon the election by the holders of a majority of the then-outstanding shares of Series A Preferred Stock, on or after July 19, 2023 at a redemption price per share equal to the sum of (i) the Liquidation Preference per share plus (ii) an amount per share equal to accrued but unpaid dividends not previously added to the Liquidation Preference on such share of Series A Preferred Stock (the "Redemption Amount"). Any and all then-outstanding liquidation value of the Series A Preferred Stock plus any capitalized or unpaid accrued Dividends not previously included in the Liquidation Preference (the "Redemption Amount") will be repaid in full in cash on such redemption date or satisfied in the form of obligations under the Convertible Notes issued concurrently with the issuance of the Series A Preferred Stock to collateralize amounts, if any, that may become payable by us pursuant to certain redemption provisions of the shares of Series A Preferred Stock. The Series A Preferred Stock will also become mandatorily redeemable by the holders at any time upon the reasonable determination of the holders of a majority of the Series A Preferred Stock then outstanding of the occurrence of a Material Adverse Effect or upon a Material Litigation Effect (as such terms are defined in the Certificate of Designations for the Series A Preferred Stock), with the Redemption Amounts automatically becoming payment obligations pursuant to the Convertible Notes with a concurrent cancellation of the shares of the Series A Preferred Stock.

Finally, prior to or on July 19, 2021, we will have the right to redeem up to$80.0 million of shares of the Series A Preferred Stock for cash amounts equal to the Redemption Amount which would include a make-whole premium that provides the holders thereof with full yield maintenance as if the Series A Preferred Stock was held for three years after the initial issuance of the Series A Preferred Stock through that date, subject to certain conditions and limitations. After such time, we will have the right to redeem shares of Series A Preferred Stock for a cash per share amount equal to the Redemption Amount subject to certain conditions.

These Dividend and Redemption Amount payment obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of Series A Preferred Stock could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights described above could also result in divergent interests between the holders of shares of Series A Preferred Stock or Convertible Notes and the holders of our Common Stock.

Our ability to pay Cash Dividends on the Series A Preferred Stock may be limited under Delaware law or we may not have sufficient cash to pay Dividends to the holders of our Series A Preferred Stock or pay our redemption obligations (and potential Convertible Note payments) due upon the occurrence of a redemption event.

Under the DGCL, our Board of Directors may only declare and pay cash dividends on shares of our capital stock out of our statutory "surplus" (which is the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. However, even if we are permitted under Delaware law to declare and pay Cash Dividends on the Series A Preferred Stock, we may not have sufficient cash to declare and pay Dividends in cash on the shares of Series A Preferred Stock or pay the Redemption Amounts due upon the occurrence of certain redemption events, causing there to be outstanding obligations under the Convertible Notes. The Convertible Notes contain customary restrictions on our ability to, among other things, make certain restricted payments with respect to our capital stock, subordinated indebtedness and unsecured indebtedness, consummate certain mergers, consolidations or dissolutions and make certain dispositions, subject to specific exclusions. The Convertible Notes also include customary obligations in respect of inspection, reporting, preservation of the security interest and indemnification.

Upon the occurrence of an Event of Default (as defined in the Convertible Notes), the holders of such Convertible Notes will have the right to accelerate all of our obligations thereunder, and such obligations will become immediately due and payable. In addition, if such acceleration occurs prior to July 19, 2021, the holders will also have the right to receive a make-whole premium thereunder.

If the indebtedness under the Convertible Notes were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full and we could be forced into bankruptcy or liquidation.

There is no market for the Series A Preferred Stock or Convertible Notes and their value will be directly affected by the market price of our Common Stock, which may be volatile.

The Series A Preferred Stock has no established trading market and is not listed on any securities exchange, and we have no intention to list the Series A Preferred Stock on any securities exchange. Additionally, the Convertible Notes issued in respect of the redemption obligations for the Series A Preferred Stock are only transferable with the related shares of Series A Preferred Stock until certain events occur. To the extent that a secondary market for the Series A Preferred Stock develops, we believe that the market price of the Series A Preferred Stock will be significantly affected by the market price of our Common Stock. We cannot predict how shares of our Common Stock will trade in the future. The trading price of our Common Stock has been and is likely to continue to be volatile. The risk factors described elsewhere or incorporated by reference herein may cause the price of our Common Stock to fluctuate. In addition, the stock market has experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of affected companies. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. These broad market fluctuations may adversely affect the market prices of our Common Stock, and, in turn, the value of the Series A Preferred Stock and Convertible Notes.

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

There were no sales of unregistered shares of the Company's securities during the quarter. The Company issued PIK Dividends as disclosed in Note 5 in satisfaction of the Company's obligations as previously disclosed by the Company.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
31.1†	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).				
31.2†	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).				
32.1†	Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.				
32.2†	Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.				
101.INS†	XBRL Instance Document				
101.SCH†	XBRL Taxonomy Extension Schema				
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase				
101.DEF†	XBRL Taxonomy Extension Definition Linkbase				
101.LAB†	XBRL Taxonomy Extension Label Linkbase				
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase				

* Previously filed and incorporated herein by reference.
† Filed herewith.

SIGNATURES

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

	RIMINI STREET, INC.
Date: November 7, 2019	/s/ Seth A. Ravin
	Name: Seth A. Ravin Title: Chief Executive Officer (Principal Executive Officer)
Date: November 7, 2019	/s/ Thomas B. Sabol
	Name: Thomas B. Sabol Title: Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Seth A. Ravin, certify that:

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

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

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

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

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

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

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

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

Date: November 7, 2019

/s/ Seth A. Ravin

Seth A. Ravin
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas B. Sabol, certify that:

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2019

/s/ Thomas B. Sabol

Thomas B. Sabol
Title: Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Seth A. Ravin, Chief Executive Officer of Rimini Street, Inc. (the “Company”), certify, that, to the best of my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2019	By:	/s/ Seth A. Ravin
		Seth A. Ravin
		Title: Chief Executive Officer
		(Principal Executive Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Thomas B. Sabol, Chief Financial Officer of Rimini Street, Inc. (the "Company"), certify, that, to the best of my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2019	By:	/s/ Thomas B. Sabol
		Thomas B. Sabol
		Title: Chief Financial Officer
		(Principal Financial Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.