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 June 30, 2020

OR

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

For the transition period from ____________ to ____________

Commission File Number: 001-36384

MAGNITE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-8881738**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12181 Bluff Creek Drive, 4th Floor Los Angeles, CA 90094

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

(310) 207-0272

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 $0.00001 per share	**MGNI**	**Nasdaq Global Select Market**

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 Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of August 6, 2020
Common Stock, $0.00001 par value	**110,250,959**

MAGNITE, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

MAGNITE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)
(unaudited)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 107,490	$ 88,888
Accounts receivable, net	292,433	217,571
Prepaid expenses and other current assets	10,265	6,591
TOTAL CURRENT ASSETS	410,188	313,050
Property and equipment, net	19,704	23,667
Right-of-use lease asset	43,814	21,491
Internal use software development costs, net	17,256	16,053
Intangible assets, net	104,953	11,386
Other assets, non-current	3,403	2,103
Goodwill	157,804	7,370
TOTAL ASSETS	$ 757,122	$ 395,120
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 347,432	$ 259,439
Lease liabilities, current	12,030	7,282
Other current liabilities	2,881	778
TOTAL CURRENT LIABILITIES	362,343	267,499
Lease liabilities, non-current	34,598	15,231
Other liabilities, non-current	2,710	454
TOTAL LIABILITIES	399,651	283,184
Commitments and contingencies (Note 11)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.00001 par value, 10,000 shares authorized at June 30, 2020 and December 31, 2019; 0 shares issued and outstanding at June 30, 2020 and December 31, 2019	—	—
Common stock, $0.00001 par value; 500,000 shares authorized at June 30, 2020 and December 31, 2019; 109,861 and 53,888 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	2	1
Additional paid-in capital	749,959	453,064
Accumulated other comprehensive loss	(2,603)	(45)
Accumulated deficit	(389,887)	(341,084)
TOTAL STOCKHOLDERS' EQUITY	357,471	111,936
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 757,122	$ 395,120

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

MAGNITE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	$ 42,348	$ 37,870	$ 78,643	$ 70,286
Expenses:				
Cost of revenue	21,545	15,085	35,548	30,201
Sales and marketing	20,029	11,519	31,298	22,111
Technology and development	13,063	9,839	23,756	19,555
General and administrative	15,780	10,027	24,907	20,307
Merger and restructuring costs	12,493	—	14,423	—
Total expenses	82,910	46,470	129,932	92,174
Loss from operations	(40,562)	(8,600)	(51,289)	(21,888)
Other (income) expense:				
Interest (income) expense, net	2	(214)	(142)	(407)
Other income	(1,284)	(46)	(1,293)	(188)
Foreign exchange (gain) loss, net	(440)	(143)	(1,138)	158
Total other income, net	(1,722)	(403)	(2,573)	(437)
Loss before income taxes	(38,840)	(8,197)	(48,716)	(21,451)
Provision (benefit) for income taxes	288	84	87	(624)
Net loss	$ (39,128)	$ (8,281)	$ (48,803)	$ (20,827)
Net loss per share:				
Basic and Diluted	$ (0.36)	$ (0.16)	$ (0.60)	$ (0.40)
Weighted average shares used to compute net loss per share:				
Basic and Diluted	108,530	52,358	81,698	51,969

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

MAGNITE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net loss	$ (39,128)	$ (8,281)	$ (48,803)	$ (20,827)
Other comprehensive income (loss):				
Unrealized gain on investments	—	—	—	2
Foreign currency translation adjustments	(1,769)	(128)	(2,558)	(36)
Other comprehensive loss	(1,769)	(128)	(2,558)	(34)
Comprehensive loss	$ (40,897)	$ (8,409)	$ (51,361)	$ (20,861)

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

MAGNITE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2018	51,159	$ 1	$ 433,877	$ (259)	$ (315,606)	$ 118,013
Exercise of common stock options	76	—	251	—	—	251
Restricted stock awards, net	(182)	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	—	—	—	—	—	—
Issuance of common stock related to RSU vesting	1,171	—	—	—	—	—
Shares withheld related to net share settlement	(459)	—	(1,835)	—	—	(1,835)
Stock-based compensation	—	—	4,514	—	—	4,514
Other comprehensive income	—	—	—	94	—	94
Net loss	—	—	—	—	(12,546)	(12,546)
Balance at March 31, 2019	51,765	$ 1	$ 436,807	$ (165)	$ (328,152)	$ 108,491
Exercise of common stock options	79	—	132	—	—	132
Restricted stock awards, net	—	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	118	—	477	—	—	477
Issuance of common stock related to RSU vesting	1,022	—	—	—	—	—
Shares withheld related to net share settlement	—	—	(12)	—	—	(12)
Stock-based compensation	—	—	4,949	—	—	4,949
Other comprehensive income	—	—	—	(128)	—	(128)
Net loss	—	—	—	—	(8,281)	(8,281)
Balance at Balance at June 30, 2019	52,984	$ 1	$ 442,353	$ (293)	$ (336,433)	$ 105,628

	Common Stock										
	Shares	Amount		Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)		Accumulated Deficit		Total Stockholders' Equity	
Balance at December 31, 2019	53,888	$	1	$	453,064	$	(45)	$	(341,084)	$	111,936
Exercise of common stock options	27		—		23				—		23
Restricted stock awards, net	—		—		—		—		—		—
Issuance of common stock related to employee stock purchase plan	—		—		—		—		—		—
Issuance of common stock related to RSU vesting	1,861		—		—		—		—		—
Shares withheld related to net share settlement	(716)		—		(7,485)		—		—		(7,485)
Stock-based compensation	—		—		4,218		—		—		4,218
Other comprehensive loss	—		—		—		(789)		—		(789)
Net loss	—		—		—		—		(9,675)		(9,675)
Balance at March 31, 2020	55,060	$	1	$	449,820	$	(834)	$	(350,759)	$	98,228
Exercise of common stock options	746		—		2,276		—		—		2,276
Issuance of common stock related to employee stock purchase plan	159		—		693		—		—		693
Issuance of common stock related to RSU vesting	1,904		—		—		—		—		—
Shares withheld related to net share settlement	(107)		—		(349)		—		—		(349)
Issuance of common stock associated with the Merger	52,099		1		275,772		—		—		275,773
Exchange of stock options and RSU related to Merger	—		—		11,646		—		—		11,646
Stock-based compensation	—		—		10,101		—		—		10,101
Other comprehensive loss	—		—		—		(1,769)		—		(1,769)
Net loss	—		—		—		—		(39,128)		(39,128)
Balance at Balance at June 30, 2020	109,861		2		749,959		(2,603)		(389,887)		357,471

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

MAGNITE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended	
	June 30, 2020	June 30, 2019
OPERATING ACTIVITIES:		
Net loss	$ (48,803)	$ (20,827)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	22,081	16,814
Stock-based compensation	13,948	9,164
(Gain) loss on disposal of property and equipment	(12)	16
Provision for doubtful accounts	44	966
Accretion of available-for-sale securities	—	24
Non-cash lease expense	(232)	(379)
Unrealized foreign currency gains, net	(2,296)	777
Deferred income taxes	361	(752)
Changes in operating assets and liabilities:		
Accounts receivable	73,728	26,831
Prepaid expenses and other assets	8,716	593
Accounts payable and accrued expenses	(83,193)	(27,567)
Other liabilities	(5,838)	(127)
Net cash (used in) provided by operating activities	(21,496)	5,533
INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,420)	(2,212)
Capitalized internal use software development costs	(4,718)	(4,160)
Cash, cash equivalents and restricted cash acquired in Merger	54,595	—
Maturities of available-for-sale securities	—	7,500
Net cash provided by investing activities	46,457	1,128
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	2,299	383
Proceeds from issuance of common stock under employee stock purchase plan	693	477
Taxes paid related to net share settlement	(7,834)	(1,847)
Net cash used in financing activities	(4,842)	(987)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(265)	(15)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	19,854	5,659
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	88,888	80,452
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	$ 108,742	$ 86,111
SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 306	$ 145
Cash paid for interest	$ 34	$ 25
Capitalized assets financed by accounts payable and accrued expenses	$ 56	$ 118
Capitalized stock-based compensation	$ 371	$ 299
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	$ 162	$ 3,237
Change in restricted cash	$ 1,252	$ —
Common stock and options issued for merger	$ 287,418	$ —

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

MAGNITE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1—Organization and Summary of Significant Accounting Policies

Company Overview

Magnite, Inc., ("Magnite" or the "Company"), formerly known as The Rubicon Project, Inc., was formed and began operations in April 2007. On April 1, 2020, Magnite completed a stock-for-stock merger ("Merger") with Telaria, Inc., ("Telaria"), a leading provider of connected television ("CTV") technology. The Company operates a sell side advertising platform that offers buyers and sellers of digital advertising a single partner for transacting globally across all channels, formats, and auction types.

On June 8, 2020, the Company voluntarily delisted its common stock from the New York Stock Exchange ("NYSE") and commenced listing on The Nasdaq Global Select Market of The Nasdaq Stock Market LLC ("Nasdaq"). On June 30, 2020, the Company changed its name from "The Rubicon Project, Inc." to "Magnite, Inc." In connection with the name change, the Company also changed its ticker symbol from "RUBI" to "MGNI." Magnite has its principal offices in Los Angeles, New York City, London, and Sydney, and additional offices in Europe, Asia, North America, and South America.

The Company provides a technology solution to automate the purchase and sale of digital advertising inventory for buyers and sellers. The Company's platform features applications and services for sellers of digital advertising inventory, or publishers, that own or operate websites, applications, CTV channels, and other digital media properties, to manage and monetize their inventory; applications and services for buyers, including advertisers, agencies, agency trading desks, and demand side platforms, to buy digital advertising inventory; and a transparent, independent marketplace that brings buyers and sellers together and facilitates intelligent decision making and automated transaction execution at scale. The Company's clients include many of the world's leading publishers of websites, CTV channels, mobile applications, and buyers of digital advertising inventory.

Publishers monetize their inventory through the Company's platform by seamlessly connecting to a global market of integrated buyers that transact through real-time bidding, which includes direct sale of premium inventory to a buyer, referred to as private marketplace ("PMP"), and open auction bidding, where buyers bid against each other in a real-time auction for the right to purchase a publisher's inventory, referred to as open marketplace ("OMP"). At the same time, buyers leverage the Company's platform to manage their advertising spending and reach their target audiences, simplify order management and campaign tracking, obtain actionable insights into audiences for their advertising, and access impression-level purchasing from thousands of sellers.

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles, or GAAP, for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for the interim period presented have been included. Operating results for the six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for any future interim period, the year ending December 31, 2020, or for any future year.

The condensed consolidated balance sheet at December 31, 2019 has been derived from the audited financial statements at that date, but does not include all of the disclosures required by GAAP. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2019 included in its 2019 Annual Report on Form 10-K.

There have been no significant changes in the Company's accounting policies from those disclosed in its audited consolidated financial statements and notes thereto for the year ended December 31, 2019 included in its Annual Report on Form 10-K.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. Specifically, this includes amounts reclassified during the six months ended June 30, 2020 to conform to the current presentation for the three months ended June 30, 2020 in the condensed consolidated statements of operations related to merger and restructuring costs.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed financial statements and accompanying footnotes. Due to the economic uncertainty as a result of the COVID-19 pandemic, it has become more difficult to apply certain assumptions and judgments into these estimates. The extent of the impact of COVID-19 pandemic on the Company's operational and financial performance will depend on future developments, which are highly uncertain and cannot be predicted, including but not limited to, the duration and spread of the outbreak, its severity, including any resurgence, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume, as discussed in more detail within Part II, Item 2: "Management's Discussion and Analysis" and Part II, Item 1A: "Risk Factors." During the six months ended June 30, 2020, this uncertainty resulted in a higher level of judgment related to its estimates and assumptions. As of the date of issuance of the condensed consolidated financial statements for the three and six months ended June 30, 2020, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates, judgments, or revise the carrying value of its assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's financial statements.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13—*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). This guidance requires entities to use a current expected credit loss methodology to measure impairments of certain financial assets and to recognize an allowance for its estimate of lifetime expected credit losses. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The guidance was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted ASU 2016-13 as of January 1, 2020. The standard had no material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13—*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), to streamline the disclosure requirements of ASC Topic 820—Fair Value Measurement. ASU 2018 removes certain disclosure requirements, including the valuation process for Level 3 fair value measurements, and adds certain quantitative disclosures around Level 3 fair value measurements. This ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period, with early adoption permitted. The provisions of ASU 2018-13 are required to be adopted retrospectively, with the exception of disclosure of the range and weighted average of significant unobservable inputs used to develop Level 3 measurements, which can be adopted prospectively. The Company adopted ASU 2018-13 as of January 1, 2020. The standard had no material impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-15—*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). ASU 2018-15 was issued to clarify the requirements of ASC 350-40—*Intangibles—Goodwill and Other—Internal-Use Software* ("ASC 350-40"). The ASU clarifies that implementation, setup and other upfront costs related to cloud computing agreements ("CCA") should be accounted for under ASC 350-40. ASC 2018-15 will require companies to capitalize certain costs incurred when purchasing a CCA that is a service. Under the new guidance, companies will apply the same criteria for capitalizing implementation costs in a CCA service as they would for internal-use software. The capitalized implementation costs will generally be expensed over the term of the service arrangement and the related assets will be assessed for impairment using the same model applied to long-lived assets. This ASU is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period, with early adoption permitted. ASU 2018-15 can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company adopted ASU 2018-15 as of January 1, 2020 on a prospective basis. The standard had no material impact on its consolidated financial statements and related disclosures.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12—*Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to general principles in Topic 740 and clarifies and amends existing guidance for clarity and consistent application. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2020 including interim reporting periods within those fiscal years. Early adoption is permitted. The Company is evaluating the impact of adopting this new accounting guidance on its consolidated financial statements and related disclosures, but does not anticipate it will have a material impact.

Note 2—Net Income (Loss) Per Share

The following table presents the basic and diluted net loss per share:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands, except per share data)			
Basic and Diluted EPS:				
Net loss	$ (39,128)	$ (8,281)	$ (48,803)	$ (20,827)
Weighted-average common shares outstanding	108,530	52,369	81,698	52,004
Weighted-average unvested restricted stock	—	(11)	—	(35)
Weighted-average common shares outstanding used to compute net loss per share	108,530	52,358	81,698	51,969
Basic and diluted net loss per share	$ (0.36)	$ (0.16)	$ (0.60)	$ (0.40)

The following weighted-average shares have been excluded from the calculation of diluted net loss per share attributable to common stockholders for each period presented because they are anti-dilutive:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands)		(in thousands)	
Options to purchase common stock	1,999	605	1,619	559
Unvested restricted stock awards	1	5	1	24
Unvested restricted stock units	3,805	3,818	3,892	3,282
Unvested performance stock units	5	—	3	—
ESPP	30	28	45	28
Total shares excluded from net loss per share	5,840	4,456	5,560	3,893

Note 3—Revenues

The Company generates revenue from transactions where it provides a platform for the purchase and sale of digital advertising inventory. The Company also generates revenue from the fee it charges clients for use of its Demand Manager product, which generally is a percentage of the client's advertising spending. The Company provides a technology solution to automate the purchase and sale of digital advertising inventory for buyers and sellers. Digital advertising inventory is created when consumers access sellers' content. Sellers provide digital advertising inventory to the Company's platform in the form of advertising requests, or ad requests. When the Company receives ad requests from sellers, it sends bid requests to buyers, which enable buyers to bid on sellers' digital advertising inventory. Winning bids can create advertising, or paid impressions, for the seller to present to the consumer.

The total volume of spending between buyers and sellers on the Company's platform is referred to as advertising spend. The Company keeps a percentage of that advertising spend as a fee, and remits the remainder to the seller. The fee that the Company retains from the gross advertising spend on its platform is recognized as revenue. The fee earned on each transaction is based on the pre-existing agreement between the Company and the seller and the clearing price of the winning bid. The Company recognizes revenue upon fulfillment of its performance obligation to a client, which occurs at the point in time an ad renders and is counted as a paid impression, subject to an underlying agreement existing with the client and a fixed or determinable transaction price. Performance obligations for all transactions are satisfied, and the corresponding revenue is recognized, at a distinct point in time when an ad renders. The Company does not have arrangements with multiple performance obligations.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in the transaction. In determining whether the Company is acting as the principal or an agent, the Company follows the accounting guidance for principal-agent considerations. Making such determinations involves judgment and is based on an evaluation of the terms of each arrangement, none of which are considered presumptive or determinative.

For substantially all transactions on the Company's platform, the Company reports revenue on a net basis as it does not act as the principal in the purchase and sale of digital advertising inventory because it does not have control of the digital advertising inventory and does not set prices agreed upon within the auction marketplace. However, for certain transactions related to revenue streams acquired in connection with the Merger with Telaria, the Company reports revenue on a gross basis, based primarily on its determination that the Company acts as the primary obligor in the delivery of advertising campaigns for buyers with respect to such transactions. For the three months ended June 30, 2020, revenue reported on a gross basis was less than 2% of total revenue.

The following table presents our revenue by channel for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended				Six Months Ended			
	June 30, 2020		June 30, 2019		June 30, 2020		June 30, 2019	
	(in thousands, except percentages)							
Channel:								
CTV	$ 7,919	19 %	$ —	— %	$ 7,919	10 %	$ —	— %
Desktop	15,271	36	16,588	44	30,567	39	31,809	45
Mobile	19,158	45	21,282	56	40,157	51	38,477	55
Total	$ 42,348	100 %	$ 37,870	100 %	$ 78,643	100 %	$ 70,286	100 %

The following table presents our revenue disaggregated by geographic location, based on the location of the Company's sellers:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands)		(in thousands)	
United States	$ 30,587	$ 25,790	$ 56,120	$ 47,276
International	11,761	12,080	22,523	23,010
Total	$ 42,348	$ 37,870	$ 78,643	$ 70,286

Payment terms are specified in agreements between the Company and the buyers and sellers on its platform. The Company generally bills buyers at the end of each month for the full purchase price of impressions filled in that month. The Company recognizes volume discounts as a reduction of revenue as they are incurred. Specific payment terms may vary by agreement, but are generally seventy-five days or less. The Company's accounts receivable are recorded at the amount of gross billings to buyers, net of allowances for the amounts the Company is responsible to collect. The Company's accounts payable related to amounts due to sellers are recorded at the net amount payable to sellers (see Note 5). Accordingly, both accounts receivable and accounts payable appear large in relation to revenue reported on a net basis.

At June 30, 2020, two buyers accounted for 37% and 10%, respectively, of consolidated accounts receivable. At December 31, 2019, two buyers accounted for 23% and 17%, respectively, of consolidated accounts receivable.

Accounts receivable are recorded at the invoiced amount, are unsecured, and do not bear interest. The allowance for doubtful accounts is reviewed quarterly, requires judgment, and is based on the best estimate of the amount of probable credit losses in existing accounts receivable. The Company reviews the status of the then-outstanding accounts receivable on a customer-by-customer basis, taking into consideration the aging schedule of receivables, its historical collection experience, current information regarding the client, subsequent collection history, and other relevant data, in establishing the allowance for doubtful accounts. Accounts receivable is presented net of an allowance for doubtful accounts of $4.7 million at June 30, 2020, and $3.4 million at December 31, 2019. Accounts receivable are written off against the allowance for doubtful accounts when the Company determines amounts are no longer collectible.

The Company reviews the associated payable to sellers for recovery of buyer receivable allowance and write-offs; in some cases, the Company can reduce the payable to sellers. The reduction of seller payables related to recovery of uncollected buyer receivables is netted against allowance expense. The contra seller payables related to recoveries were $2.2 million and $0.9 million as of June 30, 2020 and December 31, 2019, respectively.

The following is a summary of activity in the allowance for doubtful accounts for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands)		(in thousands)	
Allowance for doubtful accounts, Beginning Balance	$ 3,080	$ 4,530	$ 3,400	$ 1,340
Allowance for doubtful accounts, Merger-assumed	1,033	—	1,033	—
Write-offs	(1,156)	(3,177)	(1,896)	(3,207)
Provision for expected credit losses	1,715	367	2,128	3,587
Recoveries of previous write-offs	—	—	7	—
Allowance for doubtful accounts, June 30	$ 4,672	$ 1,720	$ 4,672	$ 1,720

During the three and six months ended June 30, 2020, the provision for expected credit losses associated with accounts receivable of $1.7 million and $2.1 million was offset by increases of contra seller payables related to recoveries of uncollected buyer receivables of $1.7 million and $2.1 million, respectively, which resulted in an insignificant amount of bad debt expense during the three and six months ended June 30, 2020. During the three and six months ended June 30, 2019, the provision for expected credit losses associated with accounts receivable of $0.4 million and $3.6 million was offset by increases of contra seller payables related to recoveries of uncollected buyer receivables of $0.2 million and $2.6 million, which resulted in bad debt expense during the period of $0.2 million and $1.0 million, respectively.

Note 4—Fair Value Measurements

Recurring Fair Value Measurements

Fair value represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are based on market data obtained from independent sources. The fair value hierarchy is based on the following three levels of inputs, of which the first two are considered observable and the last one is considered unobservable:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs.

The table below sets forth a summary of financial instruments that are measured at fair value on a recurring basis at June 30, 2020:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(in thousands)	
Cash equivalents	$ 3,541	$ 3,541	$ —	$ —

The table below sets forth a summary of financial instruments that are measured at fair value on a recurring basis at December 31, 2019:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(in thousands)	
Cash equivalents	$ 13,501	$ 13,501	$ —	$ —

At June 30, 2020 and December 31, 2019, cash equivalents of $3.5 million and $13.5 million, respectively, consisted of money market funds and commercial paper, with original maturities of three months or less. The carrying amounts of cash equivalents are classified as Level 1 or Level 2 depending on whether or not their fair values are based on quoted market prices for identical securities that are traded in an active market.

Note 5—Other Balance Sheet Amounts

Accounts payable and accrued expenses included the following:

	June 30, 2020	December 31, 2019
	(in thousands)	
Accounts payable—seller	$ 329,815	$ 247,891
Accounts payable—trade	7,850	4,822
Accrued employee-related payables	9,767	6,726
Total	$ 347,432	$ 259,439

Restricted cash was $1.3 million at June 30, 2020, which is included in the ending balance of cash, cash equivalents and cash in the condensed consolidated statement of cash flows for the six months ended June 30, 2020. Restricted cash of $0.3 million was included within prepaid and other current assets and $1.0 million was included within other assets, non-current. There was no restricted cash at December 31, 2019.

Note 6—Goodwill and Intangible Assets

The Company's goodwill balance as of June 30, 2020 and December 31, 2019 was $157.8 million and $7.4 million, respectively. The increase during the three and six months ended June 30, 2020 was a result of the merger with Telaria (Note 7).

The Company’s intangible assets as of June 30, 2020 and December 31, 2019 included the following:

	June 30, 2020	December 31, 2019
	(in thousands)	
Amortizable intangible assets:		
Developed technology	$ 77,158	$ 19,658
Customer relationships	37,450	1,650
In-process research and development	8,230	—
Backlog	920	—
Non-compete agreements	70	70
Trademarks	200	20
Total identifiable intangible assets, gross	124,028	21,398
Accumulated amortization—intangible assets:		
Developed technology	(14,390)	(9,823)
Customer relationships	(4,154)	(162)
In-process research and development	—	—
Backlog	(307)	—
Non-compete agreements	(24)	(7)
Trademarks	(200)	(20)
Total accumulated amortization—intangible assets	(19,075)	(10,012)
Total identifiable intangible assets, net	$ 104,953	$ 11,386

Amortization of intangible assets for the three months ended June 30, 2020 and 2019 was $8.0 million and $0.8 million, respectively, and $9.1 million and $1.6 million for the six months ended June 30, 2020 and 2019, respectively. The estimated remaining amortization expense associated with the Company's intangible assets was as follows as of June 30, 2020:

Fiscal Year	Amount (in thousands)
Remaining 2020	$ 15,644
2021	30,772
2022	26,132
2023	13,881
2024	13,697
Thereafter	4,827
Total	$ 104,953

Due to the economic impact associated with the COVID-19 pandemic, the Company performed a qualitative assessment of its long-lived assets and goodwill and concluded based on the Company's assessment of current market capitalization, adequate cash position, and expected future results, that there were no impairment indicators as of June 30, 2020 that would indicate impairment of its long-lived assets, including fixed assets, intangibles, and internal use capitalized software costs, and goodwill.

Note 7—Business Combinations

On April 1, 2020, (the "Acquisition Date"), the Company completed the Merger with Telaria. Upon completion of the Merger, each share of Telaria common stock issued and outstanding was converted into 1.082 shares of Magnite common stock. As a result, the Company issued 52,098,945 shares of Magnite common stock. In connection with the Merger, Magnite also assumed Telaria's 2013 Equity Incentive Plan, as amended; 2008 Stock Plan, as amended; and the ScanScout, Inc. 2009 Equity Incentive Plan, as amended.

As of the Acquisition Date, former holders of Telaria common stock owned approximately 48% and pre-merger holders of Magnite common stock owned approximately 52% of the common stock of the combined company on a fully diluted basis.

The Merger was accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification, referred to as ASC 805, *Business Combinations*. Magnite management determined that Magnite was the acquiror for financial accounting purposes. In identifying Magnite as the accounting acquiror, management considered the structure of the transaction and other actions contemplated by the merger agreement, relative outstanding share ownership and market values, the composition of the combined company's board of directors, the relative size of Magnite and Telaria, and the designation of certain senior management positions of the combined company.

In accordance with ASC 805, the Company recorded the acquisition based on the fair value of the consideration transferred and then allocated the purchase price to the identifiable assets acquired and liabilities assumed based on their respective fair values as of the Acquisition Date. The excess of the value of consideration transferred over the aggregate fair value of those net assets was recorded as goodwill. Any identified definite lived intangible assets will be amortized over their estimated useful lives and any identified intangible assets with indefinite useful lives and goodwill will not be amortized but will be tested for impairment at least annually. All intangible assets and goodwill will be tested for impairment when certain indicators are present. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates, and selection of comparable companies.

Management's purchase price allocation is preliminary and subject to change pending finalization of the valuation, including finalization of tax attributes and tax related liabilities. Under the acquisition method of accounting for business combinations, if the Company identifies changes to acquired deferred tax asset ("DTA") valuation allowances or liabilities related to uncertain tax positions during the measurement period, and they are related to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement-period adjustment, and the Company will record the offset to goodwill. The Company records all other changes to DTA valuation allowances and liabilities related to uncertain tax positions in current- period income tax expense.

For purposes of measuring the estimated fair value, where applicable, of the assets acquired and the liabilities assumed as reflected in the unaudited condensed combined financial information, the Company has applied the guidance in ASC 820, Fair Value Measurement, which establishes a framework for measuring fair value. In accordance with ASC 820, fair value is an exit price and is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Under ASC 805, acquisition-related transaction costs and acquisition-related restructuring charges are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred.

As part of the Merger, existing outstanding restricted stock units of Telaria common stock and stock options to purchase common stock of Telaria were exchanged for 1.082 restricted stock units of the Company and options to purchase the Company's common stock, respectively. The fair value of stock options exchanged on the date of the Merger attributable to pre-acquisition services was recorded as purchase consideration. The fair value of the restricted stock units and stock options exchanged on the date of the Merger attributable to post-acquisition services will be recorded as additional stock-based compensation expense in the Company's consolidated statements of operations over their remaining requisite service (vesting) periods.

The following table summarizes the total purchase consideration (in thousands):

Shares of Magnite common stock	$	274,604
Fair value of stock-based awards exchanged		11,646
Acceleration of single trigger equity awards, converted		1,168
Total purchase consideration	$	287,418

The purchase consideration for the acquisition included 52,008,316 shares of the Company's common stock with a fair value of approximately $274.6 million, based on the Company's stock price as reported on the NYSE on the Acquisition Date. The fair value of stock options and restricted stock units exchanged on the Acquisition Date attributable to pre-acquisition services of approximately $10.4 million and $1.2 million, respectively, have been recorded as purchase consideration. In addition, the Company recorded additional purchase consideration associated with acceleration of 90,629 shares of common stock issued associated with single-trigger equity awards in the amount of $1.2 million.

The fair value of stock options and restricted stock units exchanged on the Acquisition Date attributable to post-acquisition services of $4.7 million and $12.2 million, respectively, will be recorded as additional stock-based compensation expense on the Company's consolidated statement of operations over their remaining requisite service (vesting) periods.

The fair value of the purchase price was allocated to the identifiable assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition as set forth below:

Cash and cash equivalents	$	51,848
Accounts receivable, net		150,924
Prepaid expenses and other current assets		3,190
Property and equipment, net		1,814
Right-of-use lease asset		26,627
Intangible assets		102,650
Restricted cash		2,747
Other assets, non-current		9,628
Deferred tax assets, non-current		103
Goodwill		150,434
Total assets acquired	$	499,965
Accounts payable and accrued expenses		173,643
Lease liabilities - current portion		5,322
Deferred revenue		11
Other current liabilities		9,624
Lease liabilities - non-current portion		23,323
Other liabilities, non-current		624
Total liabilities assumed		212,547
Total purchase price	$	287,418

The Company believes the amount of goodwill resulting from the purchase price allocation is primarily attributable to expected synergies from assembled workforce, an increase in development capabilities, increased offerings to customers, and enhanced opportunities for growth and innovation. Goodwill will not be amortized but instead will be tested for impairment at least annually or more frequently if certain indicators of impairment are present. In the event that goodwill has become impaired, the Company will record an expense for the amount impaired during the quarter in which the determination is made. The goodwill generated in the Merger is not tax deductible.

The following table summarizes the components of the intangible assets and estimated useful lives (dollars in thousands):

			Estimated Useful Life
Technology	$	57,500	5 years
In-process research and development		8,230	4.7 years*
Customer relationships		35,800	2.5 years
Backlog		920	0.75 years
Trademarks		200	0.25 years
Total intangible assets acquired	$	102,650	

* In-process research and development consists of two projects with a weighted-average useful life of 4.7 years. Amortization begins once associated projects are completed and it is determined the projects have alternative future use.

The intangible assets are generally amortized on a straight-line basis, which approximates the pattern in which the economic benefits are consumed, over their estimated useful lives. Amortization of developed technology is included in cost of revenues and the amortization of customer relationships, backlog, and trademarks is included in sales and marketing expenses in the condensed consolidated statement of operations. Once the projects associated with acquired in-process research and development are completed, amortization will be included in cost of revenues in the consolidated statement of operations. The intangible assets generated in the Merger are not tax deductible.

As such, as part of the Merger, deferred tax liabilities of $23.9 million were established related to the acquired intangible assets, which were fully offset by the estimated income tax effect of the partial release of Telaria's valuation allowance. The deferred tax liability was calculated based on an estimated combined tax rate of 23.3%.

The Company recognized approximately $12.5 million and $14.4 million of acquisition related costs during the three and six months ended June 30, 2020, respectively (Note 8). In addition, as part of the Merger, the Company acquired Telaria's U.S. federal NOLs of approximately $126.2 million and state NOLs of approximately $128.0 million. Pursuant to Section 382 of the Internal Revenue Code, Telaria, Inc. underwent an ownership change for tax purposes. As a result, the use of the NOLs will be subject to annual 382 use limitations. The Company believes the ownership change will not impact the Company's ability to utilize substantially all of the NOLs to the extent it generates taxable income that can be offset by such losses.

Unaudited Pro Forma Information

The following table provides unaudited pro forma information as if Telaria had been merged with the Company as of January 1, 2019. The unaudited pro forma information reflects adjustments for additional amortization resulting from the fair value adjustments to assets acquired and liabilities assumed. The pro forma results do not include any anticipated cost synergies or other effects of the integration merged companies. Accordingly, pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition been completed on the dates indicated, nor is it indicative of the future operating results of the combined company.

	Three Months Ended		Six Months Ended			
	June 30, 2019		June 30, 2020		June 30, 2019	
	(in thousands)		(in thousands)			
Pro Forma Revenue	$	56,086	$	93,304	$	102,124
Pro Forma Net Loss	$	9,765	$	67,801	$	26,644
Pro forma net loss per share	$	0.10	$	0.63	$	0.25

During the three months ended June 30, 2020, post-Merger revenue on a stand-alone basis for Telaria was $13.1 million. During the three months ended June 30, 2020, due to the process of integrating the operations of Telaria into the operations of the Company, the determination of Telaria's post-Merger operating results on a standalone basis were impracticable.

Note 8—Merger and Restructuring Costs

Merger and restructuring costs consist primarily of professional services fees and employee termination costs, including stock-based compensation charges, associated with the Merger and resulting restructuring activities.

The following table summarizes merger and restructuring cost activity (in thousands):

	Three Months Ended June 30, 2020 (in thousands)	Six Months Ended June 30, 2020 (in thousands)
Professional Service (investment banking advisory, legal and other professional services)	$ 6,754	$ 8,581
Personnel related (severance and one-time termination benefit costs)	4,539	4,642
Non-cash stock-based compensation (double-trigger acceleration and severance)	1,200	1,200
Total merger and restructuring costs	$ 12,493	$ 14,423

Accrued restructuring costs related to the Merger were $5.1 million at June 30, 2020. Accrued restructuring costs are included within other liabilities on the Company's condensed consolidated balance sheets.

	(in thousands)
Accrued merger and restructuring costs at December 31, 2019	$ —
Restructuring costs, personnel related and non-cash stock-based compensation	5,842
Restructuring costs, Merger assumed loss contracts	3,592
Cash paid for restructuring costs	(3,171)
Non-cash stock-based compensation	(1,200)
Accrued merger and restructuring costs at June 30, 2020	$ 5,063

Note 9—Stock-Based Compensation

The Company’s equity incentive plans provide for the grant of equity awards, including non-statutory or incentive stock options, restricted stock awards ("RSAs"), and restricted stock units ("RSUs"), to the Company's employees, officers, directors, and consultants. The Company's board of directors administers the plans. Outstanding options vest based upon continued service at varying rates, but generally over four years from issuance with 25% vesting after one year of service and the remainder vesting monthly thereafter. RSAs and RSUs vest at varying rates, typically with approximately 25% vesting after approximately one year of service and the remainder vesting semi-annually thereafter, but with certain retention grants vesting 50% on each of the first and second anniversaries of the grant date. Restricted stock units granted in 2020 have approximately 25% of the award vesting after approximately one year of service and the remainder vesting quarterly thereafter. Options, RSAs, and RSUs granted under the plans accelerate under certain circumstances for certain participants upon a change in control, as defined in the governing plan or award agreement. An aggregate of 9,665,082 shares remained available for future grants at June 30, 2020 under the plans.

Stock Options

A summary of stock option activity for the six months ended June 30, 2020 is as follows:

	Shares Under Option	Weighted-Average Exercise Price	Weighted- Average Contractual Life	Aggregate Intrinsic Value
	(in thousands)			(in thousands)
Outstanding at December 31, 2019	4,262	$ 6.82		
Granted	1,098	$ 5.28		
Options assumed in Merger	4,998	$ 3.80		
Exercised	(773)	$ 2.98		
Expired	(92)	$ 12.83		
Forfeited	(113)	$ 4.97		
Outstanding at June 30, 2020	9,380	$ 5.31	5.63 years	$ 20,392
Exercisable at June 30, 2020	5,954	$ 5.59	4.00 years	$ 13,758

The total intrinsic values of options exercised during the six months ended June 30, 2020 was $3.4 million. At June 30, 2020, the Company had unrecognized employee stock-based compensation expense relating to unvested stock options of approximately $9.3 million, which is expected to be recognized over a weighted-average period of 2.7 years. Total fair value of options vested during the six months ended June 30, 2020 was $1.7 million.

The Company estimates the fair value of stock options that contain service and/or performance conditions using the Black-Scholes option pricing model. The grant date fair value of options granted and assumed during the six months ended June 30, 2020 was $3.17 per share. The grant date fair value of options granted during the six months ended June 30, 2020, was $3.20 per share and the fair value of options assumed in the Merger was $3.16 per share.

The weighted-average input assumptions used by the Company were as follows for options granted during the respective periods:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Expected term (in years)	6.3	N/A	6.3	6.1
Risk-free interest rate	0.46 %	N/A	0.46 %	2.51 %
Expected volatility	67 %	N/A	67 %	60 %
Dividend yield	— %	N/A	— %	— %

Restricted Stock Awards

A summary of RSA activity for the six months ended June 30, 2020 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Unvested shares of restricted stock awards outstanding at December 31, 2019	2	$ 13.49
Granted	—	$ —
Canceled	—	$ —
Vested	(2)	$ 13.49
Unvested shares of restricted stock awards outstanding at June 30, 2020	—	$ —

There is no unrecognized stock-based compensation expense for RSAs at June 30, 2020 as they were fully vested.

Restricted Stock Units

A summary of RSU activity for the six months ended June 30, 2020 is as follows:

	Number of Shares		Weighted-Average Grant Date Fair Value
	(in thousands)		
Unvested restricted stock units outstanding at December 31, 2019	8,077	$	4.46
Granted	4,466	$	5.33
Restricted stock units assumed in Merger	2,416	$	5.40
Canceled	(605)	$	5.07
Vested	(3,765)	$	4.05
Unvested restricted stock units outstanding at June 30, 2020	10,589	$	5.15

The weighted-average grant date fair value per share of RSUs granted during the six months ended June 30, 2020 was $5.33. The aggregate fair value of RSUs that vested during the six months ended June 30, 2020 was $29.7 million. At June 30, 2020, the intrinsic value of unvested RSUs was $70.6 million. At June 30, 2020, the Company had unrecognized stock-based compensation expense relating to unvested RSUs of approximately $47.6 million, which is expected to be recognized over a weighted-average period of 2.8 years.

Performance Stock Units

In April 2020, the Company granted the Company's CEO 146,341 restricted stock units that vest based on certain stock price performance metrics with a fair value of $0.9 million. The grant date fair value per share of restricted stock was $6.15, which was estimated using a Monte-Carlo lattice model. During the three and six months ended June 30, 2020, the Company recognized $0.1 million of stock-based compensation related to these performance stock units based on a performance measurement of 65.9%. At June 30, 2020, the Company had unrecognized employee stock-based compensation expense of approximately $0.8 million, which is expected to be recognized over the remaining 2.75 years. Between 0% and 150% of the performance stock units will vest on the third anniversary of its grant date. The compensation expense will not be reversed if the performance metrics are not met.

Employee Stock Purchase Plan

In November 2013, the Company adopted the Company's 2014 Employee Stock Purchase Plan ("ESPP"). The ESPP is designed to enable eligible employees to periodically purchase shares of the Company's common stock at a discount through payroll deductions of up to 10% of their eligible compensation, subject to any plan limitations. At the end of each six-month offering period, employees are able to purchase shares at a price per share equal to 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last trading day of the offering period. Offering periods generally commence and end in May and November of each year.

As of June 30, 2020, the Company has reserved 2,271,459 shares of its common stock for issuance under the ESPP. The ESPP has an evergreen provision pursuant to which the share reserve will automatically increase on January 1st of each year in an amount equal to 1% of the total number of shares of capital stock outstanding on December 31st of the preceding calendar year, although the Company’s board of directors may provide for a lesser increase, or no increase, in any year.

Stock-Based Compensation Expense

Total stock-based compensation expense recorded in the condensed consolidated statements of operations was as follows:

	Three Months Ended				Six Months Ended			
	June 30, 2020		June 30, 2019		June 30, 2020		June 30, 2019	
	(in thousands)				(in thousands)			
Cost of revenue	$	189	$	106	$	290	$	198
Sales and marketing		2,534		1,459		3,619		2,804
Technology and development		2,225		1,166		3,408		2,225
General and administrative		3,743		2,064		5,431		3,937
Restructuring and other exit costs		1,200		—		1,200		—
Total stock-based compensation expense	$	9,891	$	4,795	$	13,948	$	9,164

Note 10—Income Taxes

In determining quarterly provisions for income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date income. The Company's annual estimated effective tax rate differs from the statutory rate primarily as a result of state taxes, foreign taxes, nondeductible stock option expenses, and changes in the Company's valuation allowance.

The Company recorded income tax expense of $0.3 million and $0.1 million for the three months ended June 30, 2020 and 2019, respectively, and an income tax expense of $0.1 million and benefit of $0.6 million for the six months ended June 30, 2020 and 2019, respectively. The tax expense for the three and six months ended June 30, 2020 is primarily the result of the domestic valuation allowance and the tax liability associated with the foreign subsidiaries.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), in response to the COVID-19 pandemic. The CARES Act is meant to infuse negatively affected companies with various tax cash benefits to ease the impact of the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, and net operating loss carryback periods. The Company has determined the tax implications of the CARES Act will not be material. To date the Company has not taken advantage of any relief under the Cares Act. In addition, various foreign jurisdictions where the Company has activity have enacted or are considering enacting a variety of measures that could impact our tax liabilities. The Company is monitoring new legislation and evaluating the potential tax implications of these measures globally.

Due to uncertainty as to the realization of benefits from the Company's domestic and certain international deferred tax assets, including net operating loss carryforwards and research and development tax credits, the Company has a full valuation allowance reserved against such assets. The Company intends to continue to maintain a full valuation allowance on the deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances.

Due to the net operating loss carryforwards, all of the Company's United States federal and a majority of its state returns are open to examination by the Internal Revenue Service and state jurisdictions for all years since inception. The 2017 US Income Tax Return for Telaria, Inc. is under examination by the IRS. The audit is in a preliminary phase and there have been no issues identified through the period ending June 30, 2020. For Canada, the Netherlands, and the United Kingdom, all tax years remain open for examination by the local country tax authorities, for France only 2018 forward are open for examination, for Singapore 2017 and forward are open for examination, for Brazil, New Zealand, and Malaysia 2016 and forward are open for examination, for Australia and Germany 2015 and forward are open for examination, and for Japan 2014 and forward remain open for examination.

Pursuant to Section 382 of the Internal Revenue Code, the Company and Telaria, Inc. both underwent ownership changes for tax purposes (i.e. a more than 50% change in stock ownership in aggregated 5% shareholders) on April 1, 2020 due to the Merger. As a result, the use of our total domestic NOL carryforwards and tax credits generated prior to the ownership change will be subject to annual 382 use limitations. We believe that the ownership change will not impact our ability to utilize substantially all of our NOLs and carryforward credits to the extent we generate taxable income that can be offset by such losses.

There were no material changes to the Company's unrecognized tax benefits in the six months ended June 30, 2020, and the Company does not expect to have any significant changes to unrecognized tax benefits through the end of the fiscal year.

Note 11—Commitments and Contingencies

Commitments

As of June 30, 2020 and December 31, 2019, the Company had $4.3 million and $2.5 million, respectively, of letters of credit associated with office leases available for borrowing, on which there were no outstanding borrowings as of either date. The Company also has operating lease agreements, discussed in more detail in Note 12. In addition, subsequent to June 30, 2020, the Company entered into an agreement for third-party cloud-managed services. As part of the agreement, the Company has a minimum commitment to pay $20.0 million over the course of five years, with no annual minimum commitment.

Guarantees and Indemnification

The Company’s agreements with sellers, buyers, and other third parties typically obligate the Company to provide indemnity and defense for losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally, these indemnity and defense obligations relate to the Company’s own business operations, obligations, and acts or omissions. However, under some circumstances, the Company agrees to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. For example, because the Company’s business interposes the Company between buyers and sellers in various ways, buyers often require the Company to indemnify them against acts and omissions of sellers, and sellers often require the Company to indemnify them against acts and omissions of buyers. In addition, the Company’s agreements with sellers, buyers, and other third parties typically include provisions limiting the Company’s liability to the counterparty, and the counterparty’s liability to the Company. These limits sometimes do not apply to certain liabilities, including indemnity obligations. These indemnity and limitation of liability provisions generally survive termination or expiration of the agreements in which they appear. The Company has also entered into indemnification agreements with its directors, executive officers, and certain other officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No material demands have been made upon the Company to provide indemnification under such agreements and there are no claims that the Company is aware of that could have a material effect on the Company’s condensed consolidated financial statements.

Litigation

The Company and its subsidiaries may from time to time be parties to legal or regulatory proceedings, lawsuits and other claims incident to their business activities and to the Company’s status as a public company. Such routine matters may include, among other things, assertions of contract breach or intellectual property infringement, claims for indemnity arising in the course of the Company’s business, regulatory investigations or enforcement proceedings, and claims by persons whose employment has been terminated. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, management is unable to ascertain the ultimate aggregate amount of monetary liability, amounts which may be covered by insurance or recoverable from third parties, or the financial impact with respect to such matters as of June 30, 2020. However, based on management’s knowledge as of June 30, 2020, management believes that the final resolution of these matters known at such date, individually and in the aggregate, will not have a material adverse effect upon the Company’s condensed consolidated financial position, results of operations or cash flows.

Between February 5 and March 16, 2020, nine lawsuits were filed by purported stockholders of Telaria in connection with the merger with Magnite, Inc. Two lawsuits were brought as putative class actions (captioned Sabatini v. Telaria, Inc., et al. and Carter v. Telaria, Inc., et al). Seven lawsuits were brought by the plaintiffs individually (captioned Stein v. Telaria, Inc., et al; Lin v. Telaria, Inc. et al; Melool v. Telaria, Inc., et al; Robinson v. Telaria, Inc., et al; Wu v. Telaria, Inc., et al; Yang v. Telaria, Inc., et al; and Corthell v Telaria, Inc. et al (collectively, the “Complaints”)). The Complaints name as defendants Telaria and each member of its Board of Directors. The Sabatini complaint additionally names Magnite and Madison Merger Corp. ("Merger Sub") as defendants. On March 23, 2020, Telaria and Magnite filed supplemental disclosures to its Definitive Proxy Statement, mooting the Complaints and on April 1, 2020 the Merger was approved by stockholders of Telaria and Magnite. As of June 30, 2020, all of the Complaints have been voluntarily dismissed by plaintiffs.

Employment Contracts

The Company has entered into severance agreements with certain employees and officers. The Company may be required to pay severance and accelerate the vesting of certain equity awards in the event of involuntary terminations.

Note 12—Lease Obligations

For the three months ended June 30, 2020 and 2019, the Company recognized $3.8 million and $1.8 million, respectively, and $5.9 million and $3.6 million during the six months ended June 30, 2020 and 2019, respectively, of lease expense under ASC 842, which included operating lease expenses associated with leases included in the lease liability and ROU asset on the condensed consolidated balance sheet. In addition, for the three months ended June 30, 2020 and 2019, the Company recognized $0.3 million and $0.2 million, respectively, and $0.4 million and $0.4 million during the six months ended June 30, 2020 and 2019, respectively, of lease expense related to short-term leases, and $6.0 million and $3.3 million during the three months ended June 30, 2020 and 2019, respectively, and $8.4 million and $6.4 million during the six months ended June 30, 2020 and 2019, respectively, of variable and cloud-based services related to data centers that are not included in the ROU asset or lease liability balances.

The Company also received rental income of $1.3 million and $46 thousand for real estate leases for which it subleases the property to third parties during the three months ended June 30, 2020 and 2019, respectively, and $1.3 million and $0.2 million for the six months ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, a weighted average discount rate of 5.08% has been applied to the remaining lease payments to calculate the lease liabilities included within the condensed consolidated balance sheet.

The maturity of the Company's lease liabilities were as follows (in thousands):

Fiscal Year		
Remaining 2020	$	7,481
2021		10,847
2022		7,582
2023		7,159
2024		6,740
Thereafter		14,954
Total lease payments (undiscounted)		54,763
Less: imputed interest		(8,135)
Lease liabilities—total (discounted)	$	46,628

In addition to the leases included in these condensed consolidated financial statements, the Company entered into an agreement during the three months ended June 30, 2020, which commenced on July 1, 2020, for a data center, in which the Company has commitments to pay $1.9 million over the course of three years.

Note 13—Debt

In September 2018, the Company amended and restated its loan and security agreement with Silicon Valley Bank ("SVB") (the "Loan Agreement"). The Loan Agreement provides a senior secured revolving credit facility of up to $40.0 million with a maturity date of September 26, 2020. As of June 30, 2020, the amount available for borrowing was $40.0 million. The Company incurred $0.1 million of debt issuance fees that were capitalized and are being amortized over the term of the Loan Agreement.

An unused revolver fee in the amount of 0.15% per annum of the average unused portion of the revolver line is charged and is payable monthly in arrears. The Company may elect for advances to bear interest calculated by reference to prime or LIBOR. If the Company elects LIBOR, amounts outstanding under the amended credit facility bear interest at a rate per annum equal to (a) LIBOR plus 2.50% if a streamline period applies or (b) LIBOR plus 4.00% if a streamline period does not apply. If the Company elects prime, advances bear interest at a rate of (a) prime plus 0.50% if a streamline period applies or (b) prime plus 2.00% if a streamline period does not apply. A streamline period is any period during which an event of default does not exist and the Company's Adjusted Quick Ratio (as defined in the Loan Agreement) is at least 1.05 for each day in the preceding month.

The Loan Agreement is collateralized by security interests in substantially all of the Company's assets. Subject to certain exceptions, the Loan Agreement restricts the Company's ability to, among other things, pay dividends, sell assets, make changes to the nature of the business, engage in mergers or acquisitions, incur, assume or permit to exist, additional indebtedness and guarantees, create or permit to exist, liens, make distributions or redeem or repurchase capital stock, or make other investments, engage in transactions with affiliates, make payments with respect to subordinated debt, and enter into certain transactions without the consent of the financial institution. If a streamline period is not in effect, the Company is required to maintain a lockbox arrangement where clients' payments received in the lockbox will immediately reduce the amounts outstanding on the credit facility.

The Loan Agreement requires the Company to comply with financial covenants, including a minimum Adjusted Quick Ratio and the achievement of certain Adjusted EBITDA targets. On a monthly basis, or quarterly if there were no advances outstanding during the calendar quarter, the Company is required to maintain a minimum Adjusted Quick Ratio of: (i) 1.00 if the trailing six month Adjusted EBITDA is $0 or less, or (ii) 0.90 if the trailing six month Adjusted EBITDA is greater than $0. If the Company's Adjusted Quick Ratio is 1.05 or greater, a streamline period applies. As of June 30, 2020, the Company's Adjusted Quick Ratio was 1.10, which is in compliance with its covenant requirement and is higher than the minimum Adjusted Quick Ratio required to qualify for a streamline period. The Company must also maintain the following trailing twelve month Adjusted EBITDA targets as of the end of each quarter as follows: (1) September 30, 2018 through June 30, 2019 Adjusted EBITDA must be within 20% of the Adjusted EBITDA projections that were delivered to Silicon Valley Bank; (2) September 30, 2019 Adjusted EBITDA of $1 or greater; and (3) December 31, 2019 and thereafter, Adjusted EBITDA of $5.0 million or greater. As of June 30, 2020, the Company was in compliance with the Adjusted EBITDA covenant.

The Loan Agreement also includes customary representations and warranties, affirmative covenants, and events of default, including events of default upon a change of control and material adverse change (as defined in the Loan Agreement). Following an event of default, SVB would be entitled to, among other things, accelerate payment of amounts due under the credit facility and exercise all rights of a secured creditor.

As of June 30, 2020, there were no amounts outstanding under the Loan Agreement. Future availability under the credit facility is dependent on several factors including the available borrowing base and compliance with future covenant requirements.

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

This Quarterly Report on Form 10-Q and related statements by the Company contain forward-looking statements, including statements based upon or relating to our expectations, assumptions, estimates, and projections. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "anticipate," "estimate," "predict," "potential," "plan" or the negative of these terms, and similar expressions. Forward-looking statements may include, but are not limited to, statements concerning the potential impacts of the COVID-19 pandemic on our business operations, financial condition, and results of operations and on the world economy; our anticipated financial performance, including, without limitation, revenue, advertising spend, profitability, net loss, loss per share, and cash flow; anticipated benefits or effects related to the consummation of the merger with Telaria, including estimated synergies and cost savings resulting from the merger; strategic objectives, including focus on header bidding, connected television ("CTV"), mobile, video, Demand Manager, identity solutions, and private marketplace opportunities; investments in our business; development of our technology; industry growth rates for ad-supported CTV and the shift in video consumption from linear TV to CTV; introduction of new offerings; the impact of transparency initiatives we may undertake; the impact of our traffic shaping technology on our business; the effects of our cost reduction initiatives; scope and duration of client relationships; the fees we may charge in the future; business mix and expansion of our CTV, mobile, video and private marketplace offerings; sales growth; client utilization of our offerings; our competitive differentiation; our market share and leadership position in the industry; market conditions, trends, and opportunities; user reach; certain statements regarding future operational performance measures including ad requests, fill rate, paid impressions, average CPM, take rate, and advertising spend; benefits from supply path optimization; and other statements that are not historical facts. These statements are not guarantees of future performance; they reflect our current views with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements. These risks include, but are not limited to:

- *the severity, magnitude, and duration of the COVID-19 pandemic, including impacts of the pandemic and of responses to the pandemic by governments, business and individuals on our operations, personnel, buyers, sellers, and on the global economy and the advertising marketplace;*
- *our ability to successfully integrate the Telaria business and realize the anticipated benefits of the merger;*
- *our ability to grow and to manage our growth effectively;*
- *our ability to develop innovative new technologies and remain a market leader;*
- *our ability to attract and retain buyers and sellers of digital advertising inventory, or publishers, and increase our business with them;*
- *our vulnerability to loss of, or reduction in spending by, buyers;*
- *our reliance on large sources of advertising demand, including demand side platforms ("DSPs") that may have or develop high-risk credit profiles or fail to pay invoices when due, including as a result of general liquidity constraints experienced by buyers from the COVID-19 pandemic, which has caused certain buyers to delay payments or seek revised payment terms;*
- *our ability to maintain and grow a supply of advertising inventory from sellers and to fill the increased inventory;*
- *the effect on the advertising market and our business from difficult economic conditions or uncertainty;*
- *the freedom of buyers and sellers to direct their spending and inventory to competing sources of inventory and demand;*
- *our ability to cause buyers and sellers to use our solution to purchase and sell higher value advertising and to expand the use of our solution by buyers and sellers utilizing evolving digital media platforms, including CTV;*
- *our reliance on large aggregators of advertising inventory, and the concentration of CTV among a small number of large publishers that enjoy significant negotiating leverage;*
- *our ability to introduce new offerings and bring them to market in a timely manner, and otherwise adapt in response to client demands and industry trends, including shifts in linear TV to CTV, digital advertising growth from desktop to mobile channels and other platforms and from display to video formats and the introduction and market acceptance of Demand Manager;*
- *uncertainty of our estimates and expectations associated with new offerings, including CTV, header bidding, private marketplace, mobile, video, Demand Manager, and traffic shaping;*
- *the possibility of lower take rates and the need to grow through increasing the volume and/or value of transactions on our platform and increasing our fill rate;*

- *our vulnerability to the depletion of our cash resources as a result of the adverse impacts of the COVID-19 pandemic, or as we incur additional investments in technology required to support the increased volume of transactions on our exchange and to develop new offerings;*
- *our ability to support our growth objectives with reduced resources from our cost reduction initiatives;*
- *our ability to raise additional capital if needed and/or renew our working capital line of credit;*
- *our limited operating history and history of losses;*
- *our ability to continue to expand into new geographic markets and grow our market share in existing markets;*
- *our ability to adapt effectively to shifts in digital advertising;*
- *increased prevalence of ad-blocking or cookie-blocking technologies and the slow adoption of common identifiers;*
- *the development and use of proprietary identity solutions as a replacement for third party cookies and other identifiers currently used in our platform;*
- *the slowing growth rate of desktop display advertising;*
- *the growing percentage of online and mobile advertising spending captured by owned and operated sites (such as Facebook, Google, and Amazon);*
- *industry growth rates for ad-supported CTV and the shift in video consumption from linear TV to digital mediums such as CTV and over-the-top ("OTT");*
- *the adoption of programmatic advertising by CTV publishers;*
- *the effects, including loss of market share, of increased competition in our market and increasing concentration of advertising spending, including mobile spending, in a small number of very large competitors;*
- *the effects of consolidation in the ad tech industry;*
- *acts of competitors and other third parties that can adversely affect our business;*
- *our ability to differentiate our offerings and compete effectively in a market trending increasingly toward commodification, transparency, and disintermediation;*
- *requests for discounts, fee concessions or revisions, rebates, refunds, favorable payment terms and greater levels of pricing transparency and specificity;*
- *our ability to ensure a high level of brand safety for our clients and to detect "bot" traffic and other fraudulent or malicious activity;*
- *the effects of seasonal trends on our results of operations;*
- *costs associated with defending intellectual property infringement and other claims;*
- *our ability to attract and retain qualified employees and key personnel;*
- *political uncertainty and the ability of the company to attract political advertising spend;*
- *our ability to identify future acquisitions of or investments in complementary companies or technologies and our ability to consummate the acquisitions and integrate such companies or technologies; and*
- *our ability to comply with, and the effect on our business of, evolving legal standards and regulations, particularly concerning data protection and consumer privacy and evolving labor standards.*

We discuss many of these risks and additional factors that could cause actual results to differ materially from those anticipated by our forward-looking statements under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this report and in other filings we have made and will make from time to time with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2019 and subsequent Quarterly Reports on Form 10-Q for 2020. These forward-looking statements represent our estimates and assumptions only as of the date of the report in which they are included. Unless required by federal securities laws, we assume no obligation to update any of these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated, to reflect circumstances or events that occur after the statements are made. Without limiting the foregoing, any guidance we may provide will generally be given only in connection with quarterly and annual earnings announcements, without interim updates, and we may appear at industry conferences or make other public statements without disclosing material nonpublic information in our possession. Given these uncertainties, investors should not place undue reliance on these forward-looking statements.

Investors should read this Quarterly Report on Form 10-Q and the documents that we reference in this report and have filed or will file with the SEC completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

Overview

Magnite, Inc., formerly known as The Rubicon Project, Inc. ("we," or "us"), was formed and began operations in April 2007. On April 1, 2020, we completed a stock-for-stock merger (“Merger”) with Telaria, Inc., (“Telaria”), a leading provider of connected television (“CTV”) technology, creating what we believe is the world’s largest independent sell-side advertising platform, offering a single partner for transacting globally across all channels, formats, and auction types.

We provide a technology solution to automate the purchase and sale of digital advertising inventory. Our platform features applications and services for sellers of digital advertising inventory, or publishers, that own or operate websites, applications, CTV channels, and other digital media properties, to manage and monetize their inventory; applications and services for buyers, including advertisers, agencies, agency trading desks, and demand side platforms ("DSPs"), to buy digital advertising inventory; and a transparent, independent marketplace that brings buyers and sellers together and facilitates intelligent decision making and automated transaction execution at scale. Our clients include many of the world’s leading publishers and buyers of digital advertising inventory. We believe our platform reaches approximately one billion users creating a global, scaled, independent alternative to walled gardens, who both own and sell inventory and maintain control on the demand side.

Digital advertising inventory, or advertising units, can be monetized across multiple channels, including CTV, mobile, and desktop and digital out-of-home, and takes various formats, including video, display, and audio. Publishers monetize their inventory through our platform by seamlessly connecting to a global market of integrated buyers that transact through real-time bidding, which includes direct sale of premium inventory to a buyer, which we refer to as private marketplace ("PMP"), and open auction bidding, where buyers bid against each other in a real-time auction for the right to purchase a publisher’s inventory, which we refer to as open marketplace ("OMP"). Real-time bidding, or programmatic, transactions automate the publishers' sales process and improve workflow capabilities to increase productivity, while increasing revenue opportunities by enabling buyers and publishers to directly communicate and share data to deliver more valuable targeted advertising.

We provide a full suite of tools for publishers to control their advertising business and protect the consumer viewing experience. These controls are particularly important to CTV publishers who need to ensure a TV-like viewing and advertising experience for consumers. For instance, our "ad-pod" feature provides publishers with a tool analogous to commercial breaks in traditional linear television so that they can request and manage several ads at once from different demand sources. Using this tool, publishers can establish business rules such as competitive separation of advertisers to ensure that competing brand ads do not appear during the same commercial break. In addition, we offer audio normalization tools to control for the volume of an ad relative to content, frequency capping to avoid exposing viewers to repetitive ad placements, and creative review so that a publisher can review and approve the ad units being served to its properties.

At the same time, buyers leverage our platform to manage their advertising spending and reach their target audiences, simplify order management and campaign tracking, obtain actionable insights into audiences for their advertising, and access impression-level purchasing from thousands of sellers. Following the Merger, we believe that we will be an essential omni-channel partner for buyers to reach target audiences at scale, optimizing the supply path with industry-leading transparency, robust support for identity solutions and brand-safe premium inventory.

We generate revenue from the use of our platform for the purchase and sale of digital advertising inventory. Digital advertising inventory is created when consumers access sellers' content. Sellers provide digital advertising inventory to our platform in the form of advertising requests, or ad requests. When we receive ad requests from sellers, we send bid requests to buyers, which enable buyers to bid on sellers’ digital advertising inventory. Winning bids can create advertising, or paid impressions, for the seller to present to the consumer. The volume of paid impressions measured as a percentage of ad requests is referred to as fill rate. The price that buyers pay for each thousand paid impressions purchased is measured in units referred to as CPM, or cost per thousand.

The total volume of spending between buyers and sellers on our platform is referred to as advertising spend. We keep a percentage of that advertising spend as a fee, and remit the remainder to the seller. The fee that we retain from the gross advertising spend on our platform is recognized as revenue. The fee earned on each transaction is based on the pre-existing agreement between us and the seller and the clearing price of the winning bid. We also refer to revenue divided by advertising spend as our take rate.

We operate our business on a worldwide basis, with an established operating presence in North America, Australia, and Europe and a developing presence in Asia and South America. Substantially all of our assets are U.S. assets. Our non-U.S. subsidiaries and operations perform primarily sales, marketing, and service functions.

At the closing of the Merger, each share of Telaria common stock issued and outstanding as of the effective time of the Merger was converted into the right to receive 1.082 shares of Magnite common stock. Accordingly, on April 1, 2020, we issued 52,098,945 shares of common stock to the former stockholders of Telaria. On June 8, 2020, we voluntarily delisted our common stock from the New York Stock Exchange ("NYSE") and commenced listing on the Nasdaq Global Select Market of The Nasdaq Stock Market LLC. On June 30, 2020, we changed our name from "The Rubicon Project, Inc." to "Magnite, Inc." In connection with the name change, we also changed our ticker symbol from "RUBI" to "MGNI."

Trends in Our Business

Macroeconomic Factors - COVID-19 Pandemic Impact on the Economy and the Business

The COVID-19 pandemic and resulting global disruptions have affected our business and the businesses of the buyers and sellers with whom we work and have also caused significant economic challenges and volatility in financial markets. Adverse economic conditions and general uncertainty about economic recovery or growth, particularly in North America and Europe, where we do most of our business, has caused a significant number of advertisers to reduce their advertising budgets, in particular with respect to certain categories of advertising that were particularly impacted by the pandemic and resulting stay-at-home orders. Our business depends on the overall demand for advertising and on the economic health of our current and prospective sellers and buyers. If advertisers' overall advertising spend is reduced, our revenue, and results of operations, cash flows, and financial condition will be adversely impacted. The economic health of our current and prospective buyers also impacts the collectability of our accounts receivable. To the extent we are unable to collect our accounts receivable on a timely basis or if buyers face financial difficulties that result in the delay in payment or non-payment of accounts receivable, our working capital could be adversely impacted. Given the current economic environment, mainly impacted by the COVID-19 pandemic worldwide, our liquidity may be severely impacted as we may need additional time to collect from buyers, which will impact our ability to pay sellers. While a significant number of advertisers have reduced their advertising budgets, the amount of ad requests that we process has spiked, as people around the world spend more time at home and in front of internet-connected devices. The increase in ad requests increases our costs, and our infrastructure may not be capable of processing the increased volume of ad requests.

Due to the substantial uncertainties associated with the COVID-19 pandemic, the extent to which the pandemic (and actions taken in response to it by governments, businesses, and individuals) will ultimately impact our business is currently unknown; however, in the short term we have experienced a significant negative effect on our revenue. We experienced some recovery in revenue in the latter half of the second quarter, which has accelerated in the third quarter; however, these trends may not continue as the impact of the COVID-19 pandemic on our business and operations remains uncertain and depends on various factors, including the spread of the virus, public health measures, travel and business restrictions, quarantines, shelter-in-place orders, and shutdowns.

In addition to the United States, we have personnel and operations in England, Canada, France, Australia, New Zealand, Germany, Italy, Japan, Singapore, and Brazil, and each of these countries has been affected by the outbreak and taken measures to try to contain it. Our global workforce maintained a work from home policy for the entirety of the second quarter of 2020 and this expected to continue in the foreseeable future for the majority of our employees. We intend to approach returning to our offices with caution and to prioritize the safety and health of our employees, while following the guidance set by local authorities and our landlords. Prior to returning to work, we expect to institute a number of protective measures and policies. These measures may increase our expenses as we modify our office spaces to accommodate social distancing, provision personal protective equipment, and rollout enhanced communication software to provide messaging to our employees. We believe that our employees have been able to work productively during the time period in which our global offices have been shut down. However, to the extent we have continued extended work from home requirements, or that work patterns are permanently altered, it is unclear how productivity may be impacted in the long-term, and we may have reduced workforce productivity which could increase our costs.

We may utilize a range of financing methods to fund our operations and capital expenditures if needed, and expect to continue to maintain financing flexibility in the current market conditions. However, due to the rapidly evolving global situation, it is not possible to predict whether unanticipated consequences of the COVID-19 pandemic are reasonably likely to materially affect our liquidity and capital resources in the future.

There can be no assurance that any decrease in sales resulting from the COVID-19 pandemic will be offset by increased sales in subsequent periods, or that our recently observed partial revenue recovery will continue or will be sustainable over the longer term. The full magnitude of the impact of the COVID-19 pandemic on our business and operations remains uncertain and depends on various factors, including the spread of the virus, public health measures, travel and business restrictions, quarantines, shelter-in-place orders, and shutdowns. Refer to Part II, Item 1A: "Risk Factors" for additional information related to this risk factor.

CTV, Mobile, and Desktop Trends

Publishers use our technology to monetize their content across all digital channels, including CTV, mobile and desktop. Each of these channels has its own industry growth rate, with CTV and mobile projected to continue to grow steadily, while desktop growth flattens. Prior to the COVID-19 pandemic, MAGNA had estimated compound annual growth rates from 2019 to 2023 for mobile and desktop at 22% and 1%, respectively, and over the same period, eMarketer projected CTV to grow at a 19% compound annual growth rate.

Following the Merger, we expect CTV to be a significant driver of our revenue growth. CTV refers to the viewing of digital content on internet connected televisions, including through stand-alone streaming devices, gaming consoles and smart TV operating systems.

CTV viewership is growing rapidly. A June 2020 study from Leichtman Research Group found that 80 percent of TV-owning households in the U.S. have at least one internet-connected TV device. The adoption of CTV has disrupted the traditional linear TV distribution model, as eMarketer estimates that approximately 50 million people in the U.S. have "cut-the-cord" (i.e., canceled a pay TV service and continue without it) as of the end of 2019, with approximately 34% of US households not reachable through traditional TV. This disruption has created new options for consumers and new economic opportunities for content publishers to compete with traditional linear TV.

Despite the growth in CTV viewership, the CTV advertising market, in particular programmatic advertising, is still in its early stages. Historically, the largest streaming applications have been subscription-based. Moreover, CTV publishers with ad-supported models have been slower to adopt programmatic solutions compared to desktop and mobile publishers due to a variety of technical and business reasons. CTV inventory tends to be concentrated among larger publishers who often have their own direct sales forces and manage a number of media properties. Many of these publishers have backgrounds in cable or broadcast television and have limited experience with online advertising. For these publishers, it is extremely important to protect the quality of the viewer experience, to maintain brand goodwill and ensure that online advertising efforts do not create sales channel conflicts with their other media properties or otherwise detract from their direct sales efforts. In this regard, programmatic advertising presents a number of potential challenges, including the ability to ensure that ads are brand safe, comply with business rules around competitive separation, are not overly repetitive, are played at the appropriate volume, do not cause delays in load-time of content and can accommodate spikes in video consumption around landmark live events.

Our platform was built to solve these challenges with features such as ad-podding, frequency capping, dynamic live insertion, audio normalization and creative review. In addition, we have invested significant time and resources cultivating relationships with CTV publishers. The sales cycle for these publishers tends to be longer and often involves a competitive process, as these publishers tend to work with fewer partners than digital and mobile publishers. In order to deepen our relationships with CTV partners, our sales engineers often serve a consultative role within a client's sales organization to help establish best practices and evangelize the benefits of programmatic CTV, and for certain larger CTV publishers, we may build custom features or functionality to help drive deeper adoption. For the foregoing reasons, we believe we compete favorably for CTV inventory and believe that we will be able to grow CTV revenue faster than industry growth rates.

As the number of CTV channels continues to proliferate, we believe that ad-supported models or hybrid models that rely on a combination of subscription fees and advertising revenue will continue to gain traction. Furthermore, as the CTV market continues to mature, we believe that a greater percentage of CTV advertising inventory will be sold programmatically, similar to trends that occurred in desktop and mobile. Although we expect the COVID-19 pandemic to cause temporary headwinds relating to demand challenges, we believe that the pandemic and resulting shelter-in-place orders have the potential to accelerate these long-term CTV trends. With people spending more time at home, we have seen a large increase in viewership on CTV. This increase in viewership has the potential to create long-term changes in viewing habits. At the same time, macroeconomic challenges are driving consumers away from pay subscriptions towards ad supported models. Prolonged macroeconomic challenges may also lead CTV advertisers and publishers to more readily embrace programmatic advertising as they look to create economic efficiencies and reduce costs.

We believe that as streaming continues to become mainstream and ad supported models become more prevalent, brand advertisers looking to engage with streaming viewers will continue to shift their budgets from linear to CTV. This inventory is highly sought after, as it combines a traditional TV-like viewing experience with the significant advantage of digital advertising, including the ability to target audiences and measure performance in real-time.

Due primarily to the impact of the COVID-19 pandemic, revenue from our mobile and desktop channels decreased year-over-year during the three months ended June 30, 2020. In future periods, we expect our mobile business will grow at a higher rate than desktop, consistent with industry trends and our historical results. Our mobile business consists of two components, mobile web and mobile applications. Initially our mobile business consisted primarily of mobile web, which is similar to our desktop business, but our mobile application business is the growth driver behind our mobile business, and prior to the coronavirus pandemic showed growth rates in excess of industry projections. Lower industry growth rates in desktop will make growth of desktop revenue more challenging; however, in future periods we believe we will be able to grow our desktop business in excess of industry projections by capturing market share through Supply Path Optimization ("SPO") and expansion of publisher relationships.

For the three months ended June 30, 2020, mobile, desktop and CTV represented 45%, 36%, and 19% of our revenue, respectively. Due to the higher growth rates for CTV and mobile, we expect our desktop business to decline as an overall percentage of our revenue. However, we expect our traditional desktop display business to continue to represent a significant part of our revenue in the near term. Therefore, the mix of our desktop display business will continue to have a significant effect on our growth rate until our advertising spend mix has shifted more fully to growth areas.

Supply Path Optimization

SPO refers to efforts by buyers to consolidate the number of vendors they work with to find the most effective and cost-efficient paths to procure media. This practice emerged in 2018 and continues to gain momentum. SPO is important to buyers because it can increase the proportion of their advertising ultimately spent on working media, with the goal of increasing return on their advertising spending, and can help them gain efficiencies by reducing the number of vendors they work with in a complex ecosystem. There are a number of criteria that buyers use to evaluate supply partners, including transparency, cost, quality and breadth of inventory, access to unique inventory and to CTV inventory, privacy standards, brand safety standards, including compliance with ads.txt and similar industry standards, and fraudulent traffic prevention policies. We believe we are well positioned to benefit from supply path optimization in the long run as a result of our transparency, our pricing tools, which reduce the overall cost of working with us, our broad inventory supply across all channels and formats, buyer tools such as traffic shaping, and our brand safety measures. Our SPO positioning was further enhanced by the Merger with Telaria, which operates a leading sell-side video monetization platform built specifically for CTV, with strong research and development capabilities, differentiated technology and premium partner relationships. Following the combination, we offer buyers a single omni-channel partner to reach target audiences globally across all channels, including CTV, mobile, desktop, and digital out-of-home, and formats, including video, display, and audio. We believe the COVID-19 pandemic, and the resulting economic downturn, has the potential to accelerate SPO as buyers and publishers seek to work with established, trusted partners who have a strong balance sheet during times of uncertainty.

We believe that benefits from successful outcomes in the SPO process could drive meaningful increases of ad spend across our platform. In order to achieve increased ad spend, we may negotiate discounts to our seller fees with agencies and advertisers, and we have increasingly been receiving requests from buyers for discounts, rebates, or similar incentives in order to move more advertising spending to our platform. We believe that because our business has many fixed costs, increases in ad spend volume create opportunity to disproportionately improve net income, even with increased seller fee discounts. However, our results could be negatively impacted if our advertising spend increases and cost leverage is not adequate to compensate for discounted fees.

Impact of Header Bidding

Header bidding is a programmatic technique where publishers offer inventory to multiple ad exchanges, such as Magnite, at the same time. Header bidding has been rapidly adopted in recent years in the desktop and mobile channels, and while the rise and rapid adoption of header bidding increased revenue for sellers, it also created new challenges. Managing multiple exchanges on the page is technically complex, and in the early days of header bidding this complexity was exacerbated by the lack of independent technology standards. In 2017, we began to address these issues through our support of Prebid, a free and open source suite of software products designed by advertising community developers to enable publishers to implement header bidding on their websites and from within their apps. Despite Prebid’s adoption by a number of the world’s largest sellers, deploying and customizing it still requires dedicated technical resources. In the second quarter of 2019, we announced the beta program for Demand Manager. Demand Manager helps sellers effectively monetize their advertising inventory through configuration tools and analytics to make it easier to deploy, configure, and optimize Prebid-based header bidding solutions. In October 2019, we acquired RTK.io, a provider of header bidding solutions, to complement and further bolster our Demand Manager technology. We believe that adoption of these tools will further strengthen our relationship with sellers and contribute to our future revenue growth. We charge sellers a fee for Demand Manager that is based on all of the sellers’ advertising spending managed through Demand Manager, whether the actual inventory monetization runs through our exchange or otherwise.

Privacy Regulation and Identification Solutions

Our business is highly susceptible to emerging privacy regulations and oversight concerning the collection, use and sharing of data. Data protection authorities in a number of territories have expressed a desire to focus on the advertising technology ecosystem. In particular, this scrutiny has focused on the use of technology (including "cookies") to collect or aggregate information about Internet users’ online browsing activity. Because we, and our clients, rely upon large volumes of such data, it is essential that we monitor developments in this area domestically and globally, and engage in responsible privacy practices.

The use of and transfer of personal data in EU member states is currently governed by the General Data Protection Regulation (the "GDPR"). The GDPR sets out higher potential liabilities for certain data protection violations and establishes significant new regulatory requirements resulting in a greater compliance burden for us in the course of delivering our solution in the European Union. While data protection authorities have started to clarify certain requirements under GDPR, significant uncertainty remains as to how the regulation will be applied and enforced.

In addition to the GDPR, a number of new privacy regulations will or have already come into effect in 2020. The California legislature passed the California Consumer Privacy Act ("CCPA") in 2018, which became effective January 1, 2020. This regulation imposes new obligations on businesses that handle the personal information of California residents. The obligations imposed require us to maintain ongoing significant resources for compliance purposes. Certain requirements remain unclear due to ambiguities in the drafting of or incomplete guidance. Adding to the uncertainty facing the ad tech industry, a new initiative slated for California's November ballot, titled the California Privacy Rights Act ("CPRA"), would impose additional notice and opt out obligations on the digital advertising space. If the CPRA passes (as it is widely expected to do), it will cause us to incur additional compliance costs and may impose additional restrictions on us and on our industry partners. These ambiguities and resulting impact on our business will need to be resolved over time. In addition, other privacy bills have been introduced at both the state and federal level. Certain international territories are also imposing new or expanded privacy obligations. In the coming years, we expect further consumer privacy regulation worldwide.

Until prevailing compliance practices standardize, the impact of worldwide privacy regulations on our business and, consequently, our revenue could be negatively impacted.

In addition to privacy regulations restricting the collection of data through identifiers (such as cookies), other industry participants in the advertising technology ecosystem have taken or may take action to eliminate or restrict the use of cookies and other identifiers. For instance, Google has announced plans to fully eliminate the use of third-party cookies, while Apple has further restricted the use of mobile identifiers on its devices. It is possible that these companies may rely on proprietary algorithms or statistical methods to track web users without cookies, or may utilize log-in credentials entered by users into other web properties owned by these companies, such as their digital email services, to track web usage, including usage across multiple devices, without cookies. Alternatively, such companies may build different and potentially proprietary user tracking methods into their widely-used web browsers and mobile operating systems.

While these new identification solutions will likely provide some level of consistency and compatibility with our platform, they are unreleased and unproven, and will require substantial development and commercial changes for us to support. There is also further risk that the changes will disproportionately benefit the owners of these platforms or the large walled gardens that have access to large amounts of first party data. To prepare for these risks, we are actively working with publishers to develop solutions that could leverage their first party data. We are also leading efforts through prebid.org, with industry support, to create standardized open identity solutions that ensure a smooth transition to a cookieless environment, and offer an alternative to proprietary solutions. Prebid.org is an independent organization designed to ensure and promote fair, transparent, and efficient header bidding across the industry.

We support privacy initiatives and believe they will be beneficial to consumers' confidence in advertising, which will ultimately be positive for the advertising ecosystem in the long term. In the short term, however, these changes could create some variability in our revenue across certain buyers or sellers, depending on the timing of changes and developed solutions. As the largest independent supply side platform, we believe we are well positioned to take a leadership position in driving open identity solutions that will benefit buyers and sellers on our platform.

Merger Costs Synergies and Expense Reduction Initiatives

In connection with the Merger, which closed on April 1, 2020, we previously announced expected annual run rate cost synergies to exceed $20 million, with expected areas of synergy to include duplicative public company costs, vendor rationalization, overlapping general and administrative costs, and other operational streamlining. As a result of these efforts, we reduced our headcount by approximately 8% of our combined workforce during the second quarter of 2020 and expect some additional reductions for individuals involved in integration and transition activities later in the year. Given the timing in implementing these synergies and the impact of one-time severance and other costs, the majority of the cost reductions will not be realized until late 2020 but should be fully realized in early 2021.

In addition, given the significant impact resulting from the COVID-19 pandemic, we have taken additional short-term actions, including compensation reductions, a hiring freeze, and deferment of certain capital expenditures; and, as expected, we will have lower costs from marketing events and travel. We expect that the timing of the temporary reductions will benefit us immediately and remain in place until such time we see a sustainable recovery in revenue.

Components of Our Results of Operations

We report our financial results as one operating segment. Our consolidated operating results are regularly reviewed by our chief operating decision maker, principally to make decisions about how we allocate our resources and to measure our consolidated operating performance.

Revenue

We generate revenue from the purchase and sale of digital advertising inventory through our platform. We also generate revenue from the fee we charge clients for use of our Demand Manager product, which generally is a percentage of the client's advertising spending on any advertising marketplace. We recognize revenue upon the fulfillment of our contractual obligations in connection with a completed transaction, subject to satisfying all other revenue recognition criteria. For substantially all transactions executed through our platform, we act as an agent on behalf of the publisher that is monetizing its inventory, and revenue is recognized net of any advertising inventory costs that we remit to publishers. With respect to certain revenue streams acquired in connection with the Merger with Telaria, we report revenue on a gross basis, based primarily on our determination that the Company acts as the primary obligor in the delivery of advertising campaigns for our buyer clients with respect to such transactions. The revenue that we recognized on a gross basis was less than 2% of total revenue during the three months ended June 30, 2020. Our revenue recognition policies are discussed in more detail in Note 3 of the accompanying Notes to the Condensed Consolidated Financial Statements.

Expenses

We classify our expenses into the following categories:

Cost of Revenue. Our cost of revenue consists primarily of data center costs, bandwidth costs, ad protection costs, depreciation and maintenance expense of hardware supporting our revenue-producing platform, amortization of software costs for the development of our revenue-producing platform, amortization expense associated with acquired developed technologies, personnel costs, facilities-related costs, and cloud computing costs. Personnel costs included in cost of revenue include salaries, bonuses, and stock-based compensation, and are primarily attributable to personnel in our network operations group who support our platform. We capitalize costs associated with software that is developed or obtained for internal use and amortize the costs associated with our revenue-producing platform in cost of revenue over their estimated useful lives. We amortize acquired developed technologies over their estimated useful lives.

Sales and Marketing. Our sales and marketing expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, as well as marketing expenses such as brand marketing, travel expenses, trade shows and marketing materials, professional services, and amortization expense associated with client relationships and backlog from our business acquisitions, and to a lesser extent, facilities-related costs and depreciation and amortization. Our sales organization focuses on increasing the adoption of our solution by existing and new buyers and sellers. We amortize acquired intangibles associated with client relationships and backlog from our business acquisitions over their estimated useful lives.

Technology and Development. Our technology and development expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, as well as professional services associated with the ongoing development and maintenance of our solution, and to a lesser extent, facilities-related costs and depreciation and amortization. These expenses include costs incurred in the development, implementation, and maintenance of internal use software, including platform and related infrastructure. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with internal use software development that qualifies for capitalization, which are then recorded as internal use software development costs, net, on our consolidated balance sheets. We amortize internal use software development costs that relate to our revenue-producing activities on our platform to cost of revenue and amortize other internal use software development costs to technology and development costs or general and administrative expenses, depending on the nature of the related project. We amortize acquired intangibles associated with technology and development functions from our business acquisitions over their estimated useful lives.

General and Administrative. Our general and administrative expenses consist primarily of personnel costs, including salaries, bonuses, and stock-based compensation, associated with our executive, finance, legal, human resources, compliance, and other administrative personnel, as well as accounting and legal professional services fees, facilities-related costs and depreciation and amortization, and other corporate-related expenses. General and administrative expenses also include amortization of internal use software development costs and acquired intangible assets from our business acquisitions over their estimated useful lives that relate to general and administrative functions.

Merger and Restructuring Costs. Our merger and restructuring costs consist primarily of professional services fees associated with the Merger and employee termination costs, including stock-based compensation charges, associated with the Merger and restructuring activities.

Other (Income), Expense

Interest (Income) Expense, Net. Interest income consists of interest earned on our cash equivalents and marketable securities. Interest expense is mainly related to our credit facility.

Other Income. Other income consists primarily of rental income from commercial office space we hold under lease and have sublet to other tenants.

Foreign Currency Exchange (Gain) Loss, Net. Foreign currency exchange (gain) loss, net consists primarily of gains and losses on foreign currency transactions. We have foreign currency exposure related to our accounts receivable and accounts payable that are denominated in currencies other than the U.S. Dollar, principally the British Pound and the Euro.

Provision (Benefit) for Income Taxes

We are subject to income taxes in the U.S. (federal and state) and numerous foreign jurisdictions. Tax laws, regulations, administrative practices, principles, and interpretations in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain. Our effective tax rates could be affected by numerous factors, such as changes in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, including earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, losses incurred in jurisdictions for which we are not able to realize related tax benefits, the applicability of special tax regimes, changes in foreign currency exchange rates, changes in our stock price, changes in our deferred tax assets and liabilities and their valuation, changes in the laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions.

Results of Operations

The following table sets forth our condensed consolidated results of operations:

	Three Months Ended			Six Months Ended		
	June 30, 2020	June 30, 2019	Change %	June 30, 2020	June 30, 2019	Change %
	(in thousands)			(in thousands)		
Revenue	$ 42,348	$ 37,870	12 %	$ 78,643	$ 70,286	12 %
Expenses [(1)(2)]:						
Cost of revenue	21,545	15,085	43 %	35,548	30,201	18 %
Sales and marketing	20,029	11,519	74 %	31,298	22,111	42 %
Technology and development	13,063	9,839	33 %	23,756	19,555	21 %
General and administrative	15,780	10,027	57 %	24,907	20,307	23 %
Merger and restructuring costs	12,493	—	100 %	14,423	—	100 %
Total expenses	82,910	46,470	78 %	129,932	92,174	41 %
Loss from operations	(40,562)	(8,600)	(372) %	(51,289)	(21,888)	(134) %
Other income, net	(1,722)	(403)	327 %	(2,573)	(437)	489 %
Loss before income taxes	(38,840)	(8,197)	(374) %	(48,716)	(21,451)	(127) %
Provision (benefit) for income taxes	288	84	243 %	87	(624)	(114) %
Net loss	$ (39,128)	$ (8,281)	(373) %	$ (48,803)	$ (20,827)	(134) %

(1) Stock-based compensation expense included in our expenses was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands)		(in thousands)	
Cost of revenue	$ 189	$ 106	$ 290	$ 198
Sales and marketing	2,534	1,459	3,619	2,804
Technology and development	2,225	1,166	3,408	2,225
General and administrative	3,743	2,064	5,431	3,937
Merger and restructuring costs	1,200	—	1,200	—
Total stock-based compensation expense	$ 9,891	$ 4,795	$ 13,948	$ 9,164

(2) Depreciation and amortization expense included in our expenses was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands)		(in thousands)	
Cost of revenue	$ 9,817	$ 7,758	$ 16,828	$ 15,803
Sales and marketing	4,365	113	4,645	238
Technology and development	97	178	197	374
General and administrative	278	125	411	399
Total depreciation and amortization expense	$ 14,557	$ 8,174	$ 22,081	$ 16,814

The following table sets forth our condensed consolidated results of operations for the specified periods as a percentage of our revenue for those periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	51	40	45	43
Sales and marketing	47	30	40	31
Technology and development	31	26	30	28
General and administrative	37	27	32	29
Merger and restructuring costs	30	—	18	—
Total expenses	196	123	165	131
Loss from operations	(96)	(23)	(65)	(31)
Other income, net	(5)	(1)	(3)	—
Loss before income taxes	(91)	(22)	(62)	(31)
Provision (benefit) for income taxes	1	—	—	(1)
Net loss	(92) %	(22) %	(62) %	(30) %

Comparison of the Three and Six Months Ended June 30, 2020 and 2019

Revenue

Revenue increased $4.5 million, or 12%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019. Our revenue growth was driven primarily by the Merger, completed on April 1, 2020, which contributed $13.1 million in revenue during the three months ended June 30, 2020. Excluding the impact of the Merger, our revenue decreased 23%, primarily due to the impact of the COVID-19 pandemic, which led to an overall decrease in advertiser demand.

For the six months ended June 30, 2020, revenue increased $8.4 million, or 12%, compared to the prior year period, primarily due to the Merger. Excluding the impact of the Merger, our revenue decreased 7%, primarily due to the impact of the COVID-19 pandemic.

Revenue is impacted by shifts in the mix of advertising spend by transaction type and channel, changes in the fees we charge for our services, and other factors such as changes in the market, our execution of the business, and competition. In addition, an increase in PMP transactions as a percentage of the transactions on our platform could also result in reduced revenue, if not offset by increased volume, because PMP transactions can carry lower fees than OMP transactions. We expect the percentage of PMP transactions to increase following the Merger since CTV is largely transacted through PMP. Industry dynamics are challenging due to market and competitive pressures and make it difficult to predict the near-term effect of our growth initiatives.

As a result of the Merger, we expect revenue to increase in 2020 compared to 2019, specifically related to CTV. However, these increases have been tempered, and may be partially offset in the future, by reductions in revenue resulting from the economic impact of the COVID-19 pandemic. We experienced some recovery in revenue in the latter half of the second quarter, which has accelerated in the third quarter; however, these trends may not continue as the impact of the COVID-19 pandemic on our business and operations remains uncertain and depends on various factors, including the spread of the virus, public health measures, travel and business restrictions, quarantines, shelter-in-place orders, and shutdowns. There can be no assurance that any decrease in sales resulting from the COVID-19 pandemic will be offset by increased sales in subsequent periods in the year. Although the full magnitude of the impact of the COVID-19 pandemic on our business and operations remains uncertain, the continued spread of COVID-19, the imposition of related public health measures, and travel and business restrictions will adversely impact the combined company’s forecasted business, financial condition, operating results and cash flows. Refer to Part II, Item 1A: "Risk Factors" for additional information related to this risk factor and the impact it may have on our business.

Cost of Revenue

Cost of revenue increased $6.5 million or 43% for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, primarily due to the Merger. Cost of revenue increased by $3.2 million in data and bandwidth expenses, $2.1 million in depreciation and amortization, and $0.6 million in personnel costs during the three months ended June 30, 2020 compared to the same period in the prior year.

For the six months ended June 30, 2020, cost of revenue increased $5.3 million, or 18%, compared to the prior year period primarily due to the Merger. Cost of revenue increased by $2.7 million in data and bandwidth expenses, $1.0 million in depreciation and amortization, and $0.9 million in personnel costs during the three months ended June 30, 2020 compared to the same period in the prior year.

We expect cost of revenue to be higher in 2020 compared to 2019 in absolute dollars due to the increased amortization of intangible assets resulting from the Merger in addition to increased expenses as we continue to expand select data center operations to cloud service providers to accelerate innovation and gain efficiencies, and to support the growth of our business. These increases will be partially offset by a decrease in cost of revenue in the remainder of the year associated with merger synergies and our expense reduction initiatives. For details surrounding our expense reduction initiatives, refer to "Merger Costs Synergies and Expense Reduction Initiatives" discussed above.

Cost of revenue may fluctuate from quarter to quarter and period to period, on an absolute dollar basis and as a percentage of revenue, depending on revenue levels and the volume of transactions we process supporting those revenues, and the timing and amounts of depreciation and amortization of equipment and software.

Sales and Marketing

Sales and marketing expenses increased $8.5 million, or 74%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, primarily due to the Merger and associated increases in headcount and the amortization of acquired intangibles and other assets. Sales and marketing expenses increased by $5.9 million related to personnel expenses and by $4.3 million related to depreciation and amortization associated with the Merger.

For the six months ended June 30, 2020, sales and marketing expenses increased $9.2 million, or 42%, compared to the prior year period for the same reasons above. Sales and marketing expenses increased by $6.3 million related to personnel expenses and by $4.4 million related to depreciation and amortization associated with the Merger.

Sales and marketing expense increases during the three and six months ended June 30, 2020 compared to the prior year periods were partially offset by decreases in travel and industry events due to the impact of the COVID-19 pandemic.

We expect sales and marketing expenses to increase in 2020 compared to 2019 in absolute dollars as a result of the Merger, primarily due to additional headcount. These increases will be partially offset by a decrease in sales and marketing expenses in the remainder of the year associated with merger synergies and our expense reduction initiatives. For details surrounding our expense reduction initiatives, refer to "Merger Costs Synergies and Expense Reduction Initiatives" discussed above.

Sales and marketing expenses may fluctuate quarter to quarter and period to period, on an absolute dollar basis and as a percentage of revenue, based on revenue levels, the timing of our investments and seasonality in our industry and business.

Technology and Development

Technology and development expenses increased $3.2 million, or 33%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, due to an increase of $3.4 million in personnel costs as a result of the increased headcount associated with the Merger.

For the six months ended June 30, 2020, technology and development expenses increased $4.2 million, or 21%, compared to the prior year period, due to an increase of $4.3 million in personnel costs primarily for the same reasons above.

We expect technology and development expenses to continue to increase in 2020 compared to 2019 in absolute dollars as a result of the Merger, primarily due to additional headcount. These increases will be partially offset by a decrease in technology and development expenses in the remainder of the year associated with merger synergies and our expense reduction initiatives. For details surrounding our expense reduction initiatives, refer to "Merger Costs Synergies and Expense Reduction Initiatives" discussed above.

The timing and amount of our capitalized development and enhancement projects may affect the amount of development costs expensed in any given period. As a percentage of revenue, technology and development expense may fluctuate from quarter to quarter and period to period based on revenue levels, the timing and amounts of technology and development efforts, the timing and the rate of the amortization of capitalized projects and the timing and amounts of future capitalized internal use software development costs.

General and Administrative

General and administrative expenses increased by $5.8 million, or 57%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, primarily due to increases of $3.5 million in personnel expenses, $2.0 million in facilities related expenses, and $0.7 million in professional services primarily associated with the Merger.

For the six months ended June 30, 2020, general and administrative expenses increased $4.6 million, or 23%, compared to the prior year period, primarily due to increases of $3.5 million in personnel expenses, $1.9 million in facilities related expenses, and $0.7 million in professional services for the same reasons above. The increase was partially offset by a decrease of $0.9 million related to bad debt.

We expect general and administrative expenses to continue to increase in 2020 compared to 2019 in absolute dollars as a result of the Merger, primarily due to the additional headcount. These increases will be partially offset by a decrease in general and administrative expenses in the remainder of the year associated with merger synergies and our expense reduction initiatives. For details surrounding our expense reduction initiatives, refer to "Merger Costs Synergies and Expense Reduction Initiatives" discussed above.

General and administrative expenses may fluctuate from quarter to quarter and period to period based on the timing and amounts of expenditures in our general and administrative functions as they vary in scope and scale over periods. Such fluctuations may not be directly proportional to changes in revenue.

Merger and Restructuring Costs

We incurred merger and restructuring costs of $12.5 million and $14.4 million during the three and six months ended June 30, 2020, respectively. These costs included professional fees of $6.8 million and $8.6 million related to investment banking advisory, legal, and other professional services fees, one-time cash-based employee termination benefit costs of $4.5 million and $4.6 million, and non-cash stock-based compensation expense associated with double-trigger accelerations and severance benefits of $1.2 million and $1.2 million during the three and six months ended June 30, 2020, respectively. There were no merger and restructuring costs incurred during the three and six months ended June 30, 2019.

Other Income, Net

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands)		(in thousands)	
Interest (income) expense, net	$ 2	$ (214)	$ (142)	$ (407)
Other income	(1,284)	(46)	(1,293)	(188)
Foreign exchange (gain) loss, net	(440)	(143)	(1,138)	158
Total other income, net	$ (1,722)	$ (403)	$ (2,573)	$ (437)

Other income increased by $1.2 million and $1.1 million during the three and six months ended June 30, 2020, respectively, compared to the same periods in prior year, primarily due to rental income from commercial office space we hold under lease and have sublet to other tenants.

Foreign exchange (gain) loss, net is impacted by movements in exchange rates and the amount of foreign currency-denominated receivables and payables, which are impacted by our billings to buyers and payments to sellers. During the three and six months ended June 30, 2020, the net foreign exchange gain was primarily attributable to the currency movements between the British Pound, Australian Dollar, and the Euro relative to the U.S. Dollar.

Provision (Benefit) for Income Taxes

We recorded an income tax expense of $0.3 million and $0.1 million for the three and six months ended June 30, 2020, respectively, and an income tax expense of $0.1 million and benefit of $0.6 million for the three and six months ended June 30, 2019, respectively. The tax expense for the three and six months ended June 30, 2020 is primarily the result of the domestic valuation allowance and the tax liability associated with the foreign subsidiaries.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, marketable securities, cash generated from operations, and our credit facility with Silicon Valley Bank ("SVB"). As of June 30, 2020, we had cash and cash equivalents of $107.5 million, of which $17.7 million was held in foreign currency cash accounts. Our cash and marketable securities balances are affected by our results of operations, the timing of capital expenditures which are typically greater in the second half of the year, and by changes in our working capital, particularly changes in accounts receivable and accounts payable. The timing of cash receipts from buyers and payments to sellers can significantly impact our cash flows from operating activities and our liquidity for, and within, any period presented. Our collection and payment cycle can vary from period to period depending upon various circumstances, including seasonality, and may be negatively impacted as a result of COVID-19.

In September 2018, we amended and restated our loan and security agreement with SVB (the "Loan Agreement"). The Loan Agreement provides a senior secured revolving credit facility of up to $40.0 million with a maturity date of September 26, 2020. Pursuant to the Loan Agreement, we are required to comply with financial covenants. While we are currently in compliance with these covenants, this could change in the future depending on our operating results.

As of June 30, 2020, we had no amounts outstanding under our Loan Agreement with SVB. Future availability under the credit facility is dependent on several factors including the available borrowing base and compliance with future covenant requirements. See Note 13 of "Notes to Condensed Consolidated Financial Statements" for additional information regarding the Loan Agreement.

Our ability to renew our existing credit facility, which matures in September 2020, or to enter into a new credit facility to replace or supplement the existing facility may be limited due to various factors, including the status of our business, global credit market conditions, and perceptions of our business or industry by sources of financing. In particular, it may be difficult to renew or replace our existing credit facility if we are not able to demonstrate a path to consistently produce positive cash flow. In addition, even if credit is available, lenders may seek more restrictive covenants and higher interest rates that may reduce our borrowing capacity, increase our costs, and reduce our operating flexibility.

We believe our existing cash and cash equivalents and investment balances will be sufficient to meet our working capital requirements for at least the next twelve months from the issuance of our financial statements. However, there are multiple factors that could impact our cash balances in the future. For example, we typically collect from buyers in advance of payments to sellers, and our collection and payment cycle can vary from period to period depending upon various circumstances, including seasonality. Some buyers have been demanding longer terms to pay us later, and some sellers have been demanding shorter terms to collect from us earlier. If we accept these terms, more of our cash will be required to fund our payment cycle and therefore not be available for other uses. In addition, in the event a buyer defaults on payment, we may still be required to pay sellers for the inventory purchased even if we are unable to collect from buyers. These challenges have been exacerbated by the COVID-19 pandemic and resulting economic impact, as many of our buyers are experiencing financial difficulties and liquidity constraints. In certain cases, buyers have been unable to timely make payments and we have agreed to revised payment schedules. To date, these actions have not had a material negative impact on our cash flow or liquidity. At June 30, 2020, two buyers accounted for 37% and 10%, respectively, of consolidated accounts receivable. The future capital requirements and the adequacy of available funds will depend on many factors, including the duration and severity of the COVID-19 pandemic and its impact on buyers and sellers and the factors and those set forth in Part II, Item 1A: "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019, Part II, Item 1A: "Risk Factors" of our Quarterly Report on Form 10-Q for the period ended March 31, 2020, and in Part II, Item 1A of this Form 10-Q.

In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by incurring indebtedness, we will be subject to increased fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors. Due to the economic uncertainty caused by the COVID-19 pandemic, the debt and equity markets have become less predictable and obtaining financing on favorable terms and at favorable rates has become more difficult.

An inability to raise additional capital could adversely affect our ability to achieve our business objectives. In addition, if our operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be adversely affected.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended	
	June 30, 2020	June 30, 2019
	(in thousands)	
Cash flows (used in) provided by operating activities	$ (21,496)	$ 5,533
Cash flows provided by investing activities	46,457	1,128
Cash flows used in financing activities	(4,842)	(987)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(265)	(15)
Change in cash, cash equivalents and restricted cash	$ 19,854	$ 5,659

Operating Activities

Our cash flows from operating activities are primarily driven by revenues generated from advertising activity, offset by the cash costs of operations, and significantly influenced by increases or decreases in receipts from buyers and related payments to sellers. Our future cash flows will be diminished if we cannot increase our revenue levels and manage costs appropriately. Cash flows from operating activities have been further affected by changes in our working capital, particularly changes in accounts receivable and accounts payable. The timing of cash receipts from buyers and payments to sellers can significantly impact our cash flows from operating activities for any period presented.

For the six months ended June 30, 2020, net cash used in operating activities was $21.5 million compared to net cash provided by operating activities of $5.5 million for the six months ended June 30, 2019. Our operating activities included our net losses of $48.8 million and $20.8 million for the six months ended June 30, 2020 and 2019, respectively, which were offset by non-cash adjustments of $33.9 million and $26.6 million, respectively. In the six months ended June, 30 2020, cash used in operating activities was increased by a net decrease in our working capital of $6.6 million. Net cash provided by operating activities for the six months ended June 30, 2019 was decreased by a net decrease in our working capital of $0.3 million. The net changes in working capital for both periods are primarily due to the timing of cash receipts from buyers and the timing of payments to sellers.

We believe that cash flows from operations will continue to be negatively impacted by our ongoing net losses and working capital needs.

Investing Activities

Our primary investing activities have consisted of investments in, and maturities of, available-for-sale securities, purchases of property and equipment, and capital expenditures to develop our internal use software in support of creating and enhancing our technology infrastructure. Purchases of property and equipment and investments in internal use software development may vary from period-to-period due to the timing of the expansion of our operations, changes to headcount, and the cycles of our internal use software development. As we execute on our strategy to be a high volume, low cost advertising exchange, we are developing solutions to manage the growth of our digital advertising inventory volume more efficiently. We anticipate investment in internal use software development to slightly increase compared to past years' investment levels as we continue to innovate new solutions on our platform. As the business continues to grow, we expect our investment in property and equipment to slightly increase compared to 2019. Historically, a majority of our purchases in property and equipment have occurred in the latter half of the year in preparation for the peak volumes of the fourth quarter and early in the first quarter of the following year. We expect those trends to continue, with higher levels of property and equipment spend in the latter half of this year compared to the first half of the year.

During the six months ended June 30, 2020 and 2019, our investing activities provided net cash of $46.5 million and net cash of $1.1 million, respectively. During the six months ended June 30, 2020 and 2019, we used cash for purchases of property and equipment of $3.4 million and $2.2 million, respectively, and used cash for investments in our internally developed software of $4.7 million and $4.2 million, respectively. The cash provided by investing activity for the six months ended June 30, 2020 included $54.6 million of cash and restricted cash acquired as part of the merger with Telaria. For the six months ended June 30, 2019, we had cash inflows from net maturities of investments in available-for-sale securities of $7.5 million.

Financing Activities

Our financing activities consisted of transactions related to the issuance of our common stock under our equity plans.

For the six months ended June 30, 2020 and 2019, we used net cash of $4.8 million and $1.0 million, respectively, for financing activities. Cash outflows from financing activities for the six months ended June 30, 2020 and 2019 included payments of $7.8 million and $1.8 million, respectively, for income tax deposits paid in respect of vesting of stock-based compensation awards that were reimbursed by the award recipients through surrender of shares.

Off-Balance Sheet Arrangements

We do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We did not have any other off-balance sheet arrangements at June 30, 2020 other than the short-term operating leases and the indemnification agreements described below.

Contractual Obligations and Known Future Cash Requirements

Our principal commitments consist of leases for our various office facilities, including our corporate headquarters in Los Angeles, California, and operating lease agreements including data centers that expire at various times through 2030. At June 30, 2020, expected future commitments relating to operating leases associated with leases included in the lease liability and ROU asset on the condensed consolidated balance sheet were $54.8 million. See Note 12 of "Notes to Condensed Consolidated Financial Statements" for our lease commitment for each of the next five years and thereafter. In certain cases, the terms of the lease agreements provide for rental payments on a graduated basis. During the three months ended June 30, 2020 and 2019, we received rental income from subleases of $1.3 million and $46.2 thousand, respectively, and $1.3 million and $0.2 million during the six months ended June 30, 2020 and 2019, respectively. In addition, subsequent to June 30, 2020, we entered into an agreement for third-party cloud-managed services. As part of the agreement, we have a minimum commitment to pay $20.0 million over the course of five years, with no annual minimum commitment.

There were no significant changes to our unrecognized tax benefits in the six months ended June 30, 2020 and we do not expect to have any significant changes to unrecognized tax benefits through December 31, 2020.

In the ordinary course of business, we enter into agreements with sellers, buyers, and other third parties pursuant to which we agree to indemnify buyers, sellers, vendors, lessors, business partners, lenders, stockholders, and other parties with respect to certain matters, including, but not limited to, losses resulting from claims of intellectual property infringement, damages to property or persons, business losses, or other liabilities. Generally, these indemnity and defense obligations relate to our own business operations, obligations, and acts or omissions. However, under some circumstances, we agree to indemnify and defend contract counterparties against losses resulting from their own business operations, obligations, and acts or omissions, or the business operations, obligations, and acts or omissions of third parties. These indemnity provisions generally survive termination or expiration of the agreements in which they appear. In addition, we have entered into indemnification agreements with our directors, executive officers and certain other officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the following assumptions and estimates have the greatest potential impact on our condensed consolidated financial statements: (i) the determination of revenue recognition as net versus gross in our revenue arrangements, (ii) internal-use software development costs, (iii) intangible asset and goodwill impairment analysis, (iv) assumptions used in the valuation models to determine the fair value of stock options and stock-based compensation expense, (v) the assumptions used in the valuation of acquired assets and liabilities in business combinations, and (vi) income taxes, including the realization of tax assets and estimates of tax liabilities. There have been no significant changes in our accounting policies from those disclosed in our audited consolidated financial statements and notes thereto for the year ended December 31, 2019 included in our Annual Report on Form 10-K.

Our revenue recognition policy is further described below, which is consistent with the policy included in our Annual Report referenced above.

Revenue Recognition

We generate revenue from transactions where we provide a platform for the purchase and sale of digital advertising inventory. We also generate revenue from the fee we charge clients for use of our Demand Manager product, which generally is a percentage of the client's advertising spending on any advertising marketplace. Our advertising automation solution is a marketplace that includes sellers of inventory (providers of websites, mobile applications, CTV channels and other digital media properties, and their representatives) and buyers of inventory (including advertisers, agencies, agency trading desks, and demand-side platforms). This solution incorporates proprietary machine-learning algorithms, sophisticated data processing, high-volume storage, detailed analytics capabilities, and a distributed infrastructure. Together, these features form the basis for our automated advertising solution that brings buyers and sellers together and facilitates intelligent decision-making and automated transaction execution for the digital advertising inventory managed on our platform. Digital advertising inventory is created when consumers access sellers' content. Sellers provide digital advertising inventory to our platform in the form of advertising requests, or ad requests. When we receive ad requests from sellers, we send bid requests to buyers, which enable buyers to bid on sellers' digital advertising inventory. Winning bids can create advertising, or paid impressions, for the seller to present to the consumer.

The total volume of spending between buyers and sellers on our platform is referred to as advertising spend. We keep a percentage of that advertising spend as a fee, and remit the remainder to the seller. The fee that we retain from the gross advertising spend on our platform is recognized as revenue. The fee earned on each transaction is based on the pre-existing agreement we have with the seller and the clearing price of the winning bid. We recognize revenue upon fulfillment of our performance obligation to a client, which occurs at the point in time an ad renders and is counted as a paid impression, subject to a contract existing with the client and a fixed or determinable transaction price. Performance obligations for all transactions are satisfied, and the corresponding revenue is recognized, at a distinct point in time; we have no arrangements with multiple performance obligations. We consider the following when determining if a contract exists (i) contract approval by all parties, (ii) identification of each party's rights regarding the goods or services to be transferred, (iii) specified payment terms, (iv) commercial substance of the contract, and (v) collectability of substantially all of the consideration is probable.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether we are acting as the principal or an agent in the transaction. In determining whether we are acting as the principal or an agent, we followed the accounting guidance for principal-agent considerations. Making such determinations involves judgment and is based on an evaluation of the terms of each arrangement, none of which are considered presumptive or determinative.

For substantially all transactions on our platform, we have determined that we do not act as the principal in the purchase and sale of digital advertising inventory because we are not the primary obligor and do not set prices agreed upon within the auction marketplace, and therefore we report revenue on a net basis. However, for certain transactions related to revenue streams acquired in connection with the Merger with Telaria, we report revenue on a gross basis, based primarily on our determination that we act as the primary obligor in the delivery of advertising campaigns for buyers with respect to such transactions.

Recently Issued Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 1 "Organization and Summary of Significant Accounting Policies" to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate, foreign exchange, and inflation risks. The risks below may be further exacerbated by the effects of the COVID-19 pandemic on global macroeconomic and market conditions.

Interest Rate Fluctuation Risk

Our cash and cash equivalents consist of cash and money market funds. Our investments consist of repurchase agreements, U.S. government agency debt, and U.S. treasury debt. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash, cash equivalents, and investments have a relatively short maturity, our portfolio's fair value is relatively insensitive to interest rate changes. Our line of credit is at variable interest rates. We had no amounts outstanding under our credit facility at June 30, 2020. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy relative to our overall objectives.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and expenses denominated in currencies other than the U.S. Dollar, principally British Pounds, Euros and Australian Dollars. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income (loss) as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances and intercompany balances that are denominated in currencies other than the U.S. Dollar. The effect of an immediate 10% adverse change in foreign exchange rates on foreign-denominated accounts at June 30, 2020, including intercompany balances, would result in a foreign currency loss of approximately $1.7 million. In the event our non-U.S. Dollar denominated sales and expenses increase, our operating results may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations.

Inflation Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives of ensuring that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. There is no assurance that our disclosure controls and procedures will operate effectively under all circumstances. Based upon the evaluation described above, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2020, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as noted below.

During the quarter ended June 30, 2020, we completed the Merger with Telaria. See Note 7 of "Notes to Condensed Consolidated Financial Statements" for more information. We are currently integrating Telaria into our operations and internal control processes. As we complete this integration, we are analyzing, evaluating, and where necessary, making changes in control and procedures related to the Telaria business, which we expect to complete within one year after the date of acquisition. Pursuant to the SEC’s guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of our assessment of the effectiveness of our internal controls over financial reporting at December 31, 2020 may exclude Telaria to the extent that they are not yet integrated into our internal controls environment.

Inherent Limitations on Effectiveness of Controls

Management recognizes that a control system, no matter how well designed 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 that management is required to apply its judgment in evaluating the benefits of possible controls and procedures 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 or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a 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 controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We and our subsidiaries may from time to time be parties to legal or regulatory proceedings, lawsuits and other claims incident to our business activities and to our status as a public company. Such routine matters may include, among other things, assertions of contract breach or intellectual property infringement, claims for indemnity arising in the course of our business, regulatory investigations or enforcement proceedings, and claims by persons whose employment has been terminated. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability, amounts which may be covered by insurance or recoverable from third parties, or the financial impact with respect to such matters as of June 30, 2020. However, based on our knowledge as of June 30, 2020, we believe that the final resolution of such matters pending at the time of this report, individually and in the aggregate, will not have a material adverse effect upon our condensed consolidated financial position, results of operations or cash flows.

Between February 5 and March 16, 2020, nine lawsuits were filed by purported stockholders of Telaria in connection with the merger with Magnite, Inc. (the "Merger"). Two lawsuits were brought as putative class actions (captioned Sabatini v. Telaria, Inc., et al. and Carter v. Telaria, Inc., et al). Seven lawsuits were brought by the plaintiffs individually (captioned Stein v. Telaria, Inc., et al; Lin v. Telaria, Inc. et al; Melool v. Telaria, Inc., et al; Robinson v. Telaria, Inc., et al; Wu v. Telaria, Inc., et al; Yang v. Telaria, Inc., et al; and Corthell v Telaria, Inc. et al (collectively, the “Complaints”)). The Complaints name as defendants Telaria and each member of its Board of Directors. The Sabatini complaint additionally names Magnite, Inc. ("Magnite") and Madison Merger Corp. ("Merger Sub") as defendants. On March 23, 2020, Telaria and Magnite filed supplemental disclosures to its Definitive Proxy Statement, mooting the Complaints, and on April 1, 2020 the Merger was approved by stockholders of Telaria and Magnite. As of June 30, 2020, all of the Complaints have been voluntarily dismissed by the plaintiffs.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. We describe risks associated with our business below and in Part I, Item 1A: "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019 and in Part II, Item 1A" "Risk Factors" of our Quarterly Report on Form 10-Q for the period ended March 31, 2020 (the "Risk Factors"). Each of the risks described in our Risk Factors may be relevant to decisions regarding an investment in or ownership of our stock. The occurrence of any such risks could have a significant adverse effect on our reputation, business, financial condition, revenue, results of operations, growth, or ability to accomplish our strategic objectives, and could cause the trading price of our common stock to decline. You should carefully consider such risks and the other information contained in this report, including our condensed consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, before making investment decisions related to our common stock.

The following risk factors supplement the Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2019 and in our Quarterly Report on Form 10-Q for the period ended March 31, 2020. The following disclosures do not address all risks that may be important to you as a Magnite stockholder.

The recent COVID-19 pandemic and spread of COVID-19 has impacted and may have material adverse effects on our business, financial position, results of operations and/or cash flows.

Our business has been impacted and may be materially adversely impacted by the effects of the COVID-19 pandemic.The strain of the coronavirus identified in China in late 2019 has globally spread throughout other areas such as Asia, Europe, the Middle East, and North America and has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders, and shutdowns. In addition to the United States, we have personnel and operations in England, Canada, France, Australia, New Zealand, Germany, Italy, Japan, Singapore, and Brazil, and each of these countries has been affected by the outbreak and taken measures to try to contain it. These measures have impacted and may further impact our workforce and operations, and the operations of our sellers and buyers.

The COVID-19 pandemic has in the short-run and may over the longer term adversely affect the economies and financial markets of many countries, and resulted in an economic downturn. Adverse economic conditions and general uncertainty about economic recovery or growth, particularly in North America and Europe, where we conduct most of our business, has caused advertisers to significantly reduce their advertising budgets. Our business depends on the overall demand for advertising and on the economic health of our current and prospective sellers and buyers. As a result of advertisers significantly reducing their overall advertising spending, our revenue and results of operations have been directly affected. In addition, because people around the world are spending more time at home and in front of internet-connected devices, the amount of ad requests that we processes has spiked, and our infrastructure may not be capable of processing the increased volume of ad requests at cost-efficient levels.

There can be no assurance that any decrease in sales resulting from the COVID-19 pandemic and responses of governments, individuals, and businesses will be offset by increased sales in subsequent periods. The degree to which the COVID-19 pandemic and responses thereto impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, including any resurgence, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Although the full magnitude of the impact of the COVID-19 pandemic on our business and operations remains uncertain, the spread of COVID-19 and the imposition of related public health measures and travel and business restrictions has and is expected to continue to adversely impact our forecasted business, financial condition, operating results and cash flows.

In addition, additional or unforeseen effects from the COVID-19 pandemic and the resulting economic distress could implicate or amplify many of the other risks discussed herein and in Part II, Item 1A: “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019 and in Part II, Item 1A: "Risk Factors" of our Quarterly Report on Form 10-Q for the period ended March 31, 2020.

We rely on technological intermediaries such as DSPs to purchase advertising on behalf of advertisers. Such buyers have or may develop high-risk credit profiles or pay slowly, which may result in credit risk to us or require additional working capital to fund our accounts payable. These risks will be heightened as a result of the COVID-19 pandemic and resulting economic downturn.

Generally, we invoice and collect from buyers the full purchase price for impressions they have purchased, retain our fees, and remit the balance to sellers. However, in some cases, are required or may choose to pay sellers for impressions delivered before we have collected, or even if we are unable to collect, from the buyer of those impressions. In the past, certain buyers have sought to slow their payments to us or been forced into filing for bankruptcy protection, resulting in bad debt. These challenges have been exacerbated by the COVID-19 pandemic and resulting economic impact, as many of our buyers are experiencing financial difficulties and liquidity constraints. In certain cases, buyers have been unable to timely make payments and we have agreed to revised payment schedules. To date, these actions have not had a material negative impact on our cash flow or liquidity. However, prolonged economic downturn may lead additional buyers to slow or default on payments or in some cases seek bankruptcy protection.

There can be no assurances that we will not experience bad debt in the future, and write-offs for bad debt could have a materially negative effect on our results of operations for the periods in which the write-offs occur. If our cash collections are significantly diminished as a result of these dynamics, our revenue and/or cash flow could be adversely affected and we may need to use working capital to fund our accounts payable pending collection from the buyers. This may result in additional costs and cause us to forgo or defer other more productive uses of that working capital.

If CTV advertising spend grows more slowly than we expect our operating results and growth prospects could be harmed.

The growth of our platform is dependent, in part, on the continued growth in CTV advertising spend. Growth in the CTV advertising market is dependent on a number of factors, including the pace of cord-cutting (the replacement of tradition cable or broadcast TV for CTV and OTT applications), the continued proliferation of digital content and CTV providers, the adoption of ad-supported models by CTV publishers in lieu of, or in addition to, subscription models, and an acceleration in the shift of ad dollars from traditional linear TV to CTV to keep pace with changing viewership habits. If the market for ad-supported CTV develops more slowly than we expect or fails to develop as a result of these or other factors, our operating results and growth prospects could be harmed.

If CTV publishers fail to adopt programmatic advertising solutions, or adopt such solutions more slowly that we expect, our operating and growth prospects could be harmed.

As online video advertising has continued to scale and evolve, the amount of online video advertising being bought and sold programmatically has increased dramatically. Despite the opportunities created by programmatic advertising, CTV publishers have been slower to adopt programmatic solutions compared to desktop and mobile video publishers. Many CTV publishers have backgrounds in cable or broadcast television and have limited experience with digital advertising, and in particular programmatic advertising. For these publishers, it is extremely important to protect the quality of the viewer experience to maintain brand goodwill and ensure that online advertising efforts do not create sales channel conflicts or otherwise detract from their direct sales force. In this regard, programmatic advertising presents a number of potential challenges, including the ability to ensure that ads are brand safe, comply with business rules around competitive separation, are not overly repetitive, are played at the appropriate volume and do not cause delays in load-time of content. Our platform was designed to address these challenges and we have invested significant time and resources cultivating relationships with CTV publishers to establish best practices and evangelize the benefits of programmatic CTV.

While we believe that programmatic advertising will continue to grow as a percentage of overall CTV advertising, there can be no assurances that CTV publishers will adopt programmatic solutions or the speed at which they may adopt such solutions. Any such failure or delay in adoption could negatively impact our finance results and growth prospects.

We may not be able to maintain or increase access to the CTV advertising inventory monetized through platform on terms acceptable to us.

Our success requires us to maintain and expand our access to premium video advertising inventory. We do not own or control the video ad inventory upon which our business depends and do not own or create content. Publishers are generally not required to offer a specified level of inventory on our platform, and we cannot be assured that any publisher will continue to make their ad inventory available on our platform. Publishers may seek to change the terms on which they offer inventory on our platform, including with respect to pricing, or may elect to make advertising inventory available to our competitors who offer more favorable economic terms. Furthermore, publishers may enter into exclusive relationships with our competitors, which preclude us from offering their inventory.

These risks are particularly pronounced with CTV publishers. CTV inventory is highly sought after, and unlike desktop or mobile advertising, which may come from disparate sources, CTV inventory tends to be concentrated on a smaller number of larger publishers that enjoy significant negotiating leverage. This dynamic has been exacerbated by consolidation in the industry, as a number of digital-first CTV publishers have been acquired by larger established television and media brands. In some instances, consolidation may result in the loss of business with an existing client. For example, if an acquiror has a preferred relationship with one of our competitors or has a proprietary solution. As a result of this concentration, the loss of a CTV client may result in a significant decrease in the amount of CTV inventory available through our platform. Any decrease in our ability to access CTV inventory could negatively impact our results, as we view CTV revenue as a key differentiator and driver for our growth.

The purchase price allocation for any acquisition we complete is generally not finalized until one year after the closing of the acquisition, and any final adjustment to the valuation could have a material change on what is reported as the fair value assigned to the assets and liabilities.

The final purchase price allocation for any acquisition we complete depends upon the finalization of asset and liability valuations, among other things. The valuation studies necessary to estimate the fair values of acquired assets and assumed liabilities and the related allocation of purchase price generally are not finalized until one year after the closing of the acquisition. Initially, we allocate the total estimated purchase price to the acquired assets and assumed liabilities based on preliminary estimates of their fair values. The final determination of these fair values is subsequently determined based upon the actual net tangible and intangible assets that existed on the closing date of the acquisition. Any final adjustment could change the fair values assigned to the assets and liabilities, resulting in a change to our consolidated financial statements, including a change to goodwill. Such change could be material.

Recent rulings from the Court of Justice of the European Union invalidated the EU-US Privacy Shield as a lawful means for transferring personal data from the European Union to the United States; this introduces increased uncertainty and may require us to change our EU data practices and/or rely on an alternative legally sufficient compliance measure.

The GDPR generally prohibits the transfer of personal data of EU subjects outside of the European Union, unless a lawful data transfer solution has been implemented or a data transfer derogation applies. On July 16, 2020, in a case known as Schrems II, the Court of Justice of the European Union (“CJEU”) ruled on the validity of two of the primary data transfer solutions. The first method, EU-US Privacy Shield operated by the US Department of Commerce, was declared invalid as a legal mechanism to transfer data from Europe to the US. As a result, despite the fact that we have certified our compliance to the EU-US Privacy Shield, our customers may no longer rely on this mechanism as a lawful means to transfer European data to us in the US. For the time being, the Department of Commerce continues to operate the EU-US Privacy Shield however and, if we fail to comply with the Privacy Shield requirements, we risk investigation and sanction by US regulatory authorities, including the Federal Trade Commission. Such investigation could cost us significant time and resources, and could potentially result in fines, criminal prosecution, or other penalties.

The second mechanism, Standard Contractual Clauses ("SCCs"), an alternative transfer measure that we also offer to our EU customers for extra-EU data transfers, was upheld as a valid legal mechanism for transnational data transfer. However, the ruling requires that European organizations seeking to rely on the SCCs to export data out of the European Union to ensure the data is protected to a standard that is "essentially equivalent" to that in the European Union including, where necessary, by taking "supplementary measures" to protect the data. It remains unclear what "supplementary measures" must be taken to allow the lawful transfer of personal data to the United States, and it is possible that EU data protection authorities may determine that there are no supplementary measures that can legitimize EU-US data transfers. For the time being, we will rely on SCCs for EU-US transfers of EU personal data and explore what "supplementary measures" it can implement to protect EU personal data that is transferred to us in the United States.

We may also need to restructure our data export practices as a result of Brexit. At the end of this year, European Union law will cease to apply to the United Kingdom ("UK"). This means that data may not be able to flow freely between the EU and the UK and our UK subsidiaries may have to enter into the SCCs, and implement "supplementary measures" both with customers and other group entities, in order to ensure the continuing flow of data to and from the UK subsidiary. We would likely need to restructure our transfers of European data via another European subsidiary and have such entity enter into the SCCs with other group entities and implement "supplementary measures" to ensure the continuing flow of data from the EU to the United States. In the event that use of the SCCs is subsequently invalidated as a solution for data transfers to the United States, European clients may be more inclined to work with businesses that do not rely on such compliance mechanisms to ensure legal and regulatory compliance, such as EU-based companies or other competitors that do not need to transfer personal data to the United States in order to avoid the above-identified risks and legal issues.

We are subject to regulation with respect to political advertising, which lacks clarity and uniformity.

We are subject to regulation with respect to political advertising activities, which are governed by various federal and state laws in the U.S., and national and provincial laws worldwide. Online political advertising laws are rapidly evolving and in certain jurisdictions we have compliance requirements with respect to political ads delivered on our platform. In some jurisdictions we may determine not to serve political advertisements due to uncertainty around these requirements and potential burdens of compliance. In addition, our publishers may impose restrictions on receiving political advertising. The lack of uniformity and increasing compliance requirements around political advertising may adversely impact the amount of political advertising spent through our platform, increase our operating and compliance costs, and subject us to potential liability from regulatory agencies.

There are no additional material changes to the Risk Factors of which we are currently aware; but our Risk Factors cannot anticipate and fully address all possible risks of investing in our common stock, the risks of investing in our common stock may change over time, and additional risks and uncertainties that we are not aware of, or that we do not consider to be material, may emerge. Accordingly, you are advised to consider additional sources of information and exercise your own judgment in addition to the information we provide.

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

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds

Not Applicable.

(c) Purchases of Equity Securities by the Company and Affiliated Purchasers

We currently have no publicly announced repurchase plan or program.

Upon vesting of most restricted stock units or stock awards, we are required to deposit statutory employee withholding taxes on behalf of the holders of the vested awards. As reimbursement for these tax deposits, we have the option to withhold from shares otherwise issuable upon vesting a portion of those shares with a fair market value equal to the amount of the deposits we paid. Withholding of shares in this manner is accounted for as a repurchase of common stock. During the three months ended June 30, 2020, we repurchased 107,194 shares of common stock.

Item 6. Exhibits

Number	Description
3.1	Certificate of Amendment to the Sixth Amended and Restated Certificate of Incorporation of Magnite, Inc., dated June 30, 2020 (incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on form 8-K filed with the Commission on June 30, 2020).
3.2	Second Amended and Restated Bylaws of The Rubicon Project, Inc., dated April 1, 2020 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on April 1, 2020).
3.3	Third Amended and Restated Bylaws of The Rubicon, Inc., dated June 8, 2020 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on June 11, 2020).
3.4	Fourth Amended and Restated Bylaws of Magnite, Inc., dated June 30, 2020 (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Commission on June 30, 2020).
10.1+*	Employment Offer Letter, by and between, Magnite, Inc. and Mark Zagorski, dated April 1, 2020.
10.2+*	Letter Agreement, by and between Magnite, Inc. and Blima Tuller, dated May 20, 2020.
10.3+*	Severance and Vesting Acceleration Agreement, dated April 1, 2020, by and between Aaron Saltz and the Magnite, Inc.
21.1*	List of Subsidiaries
31.1*	Certification of Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*[1]	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.ins *	Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.sch *	XBRL Taxonomy Schema Linkbase Document
101.cal *	XBRL Taxonomy Calculation Linkbase Document
101.def *	XBRL Taxonomy Definition Linkbase Document
101.lab *	XBRL Taxonomy Label Linkbase Document
101.pre *	XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

+ Indicates a management contract or compensatory plan or arrangement.

[1] The information in this exhibit is furnished and deemed not filed with the Securities and Exchange Commission for purposes of section 18 of the Exchange Act of 1934, as amended (the "Exchange Act"), and is not to be incorporated by reference into any filing of Magnite, Inc. under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

MAGNITE, INC. (Registrant)

/s/ David Day

David Day

Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

Date August 10, 2020

April 1, 2020

Mark Zagorski

Dear Mark:

The Rubicon Project, Inc. ("***Rubicon***") is pleased to offer you continued employment on the terms set forth herein, subject to the closing of the transactions contemplated by that certain Agreement and Plan of Merger between Rubicon, Telaria, Inc. ("***Telaria***") and certain other parties thereto (the "***Merger Agreement***"), as a result of which, Telaria will become a wholly-owned subsidiary of Rubicon (the "***Merger***").

1. **Start Date**. Your employment with Rubicon will start on the date of the closing (the "***Closing***") of the Merger, if it shall occur (such date, the "***Closing Date***"). If the Merger Agreement terminates for any reason before the Merger becomes effective, all of the provisions of this letter agreement (the "Agreement") will terminate and be of no force or effect and Rubicon shall have no liability of any kind hereunder.

2. **Position**. Your title will be President and Chief Operating Officer and you will be responsible for overseeing Rubicon's CTV business unit and certain aspects relating to the integration of Telaria's and Rubicon's respective businesses. You will report to Rubicon's Chief Executive Officer. This is a full-time position.

3. **Cash Compensation**. Rubicon will pay you a salary at the rate of $515,000 per year, payable in accordance with Rubicon's standard payroll schedule. In addition, you will be eligible to receive the following cash bonuses:

(a) An annual incentive bonus for each calendar year of Rubicon based on the achievement of performance criteria as determined by Rubicon's Board of Directors or Compensation Committee. Your target annual bonus will be equal to $500,000. Any bonus for a fiscal year will be paid by the later of (i) 2½ months after the close of that fiscal year or (ii) completion of the Company's audited financial statements for such fiscal year, but only if you are still employed by Rubicon at the time of payment (subject to Section 5(a) below). For 2020, your target annual bonus will be split as follows: (i) for the first-half of calendar year 2020, your target bonus will be $250,000 based on the achievement of Telaria performance objectives (the "***First Half 2020 Bonus***"); and (ii) for the second-half of calendar year 2020, your target bonus will be $250,000 based on performance targets established by the Rubicon Compensation Committee (the "***Second Half 2020 Bonus***"). Any earned incentive compensation payments for (i) the First Half 2020 Bonus will be paid when Rubicon generally pays first-half bonuses for executives; and (ii) the Second Half 2020 Bonus will be paid by the later of (i) March 15, 2021 or (ii) completion of the Company's audited financial statements for 2020, but, in each case, only if you are still employed by Rubicon at the time of payment (subject to Section 5(a) below);

(b) Rubicon shall cause Telaria to pay a bonus equal to $125,000 on the Closing Date, to the extent not already paid by Telaria on or prior to the Closing Date;

(c) A bonus equal to $125,000 payable on the date that is the six-month anniversary of the Closing Date, subject to your continuous employment through such date (subject to Section 5(a) below) (the "***Six Month Bonus***"); and

(d) A bonus equal to the product of (i) the difference between your weekly salary prior to the Closing, based on an annualized base salary of $494,000, and your weekly salary following Closing, based on annualized base salary of $515,000 and (ii) the number of weeks in calendar year 2020 prior to the Closing, payable on the first payroll date following the Closing Date.

4. **Equity Compensation**. In connection with the Closing, Rubicon will grant you restricted stock units over a number of shares of Rubicon common stock with a fair market value equal to $600,000, determined based on the average trading price of Rubicon's common stock over the 20 day period ending on March 30, 2020 (the "***Rubicon RSU Grant***"). 100% of the restricted stock units subject to the Rubicon RSU Grant will vest and settle on the date that is the six-month anniversary of the Closing Date, provided you remain continuously employed by Rubicon on such date (subject to Section 5(a) below).

5. **Severance**.

(a) If Rubicon terminates your employment for any reason other than for Cause (as defined below), death or Disability (as defined below), or you resign from your employment with Rubicon for Good Reason (as defined below) (each such event, an "***Involuntary Separation***"), or if you resign your employment with Rubicon before the date that is the 12 month anniversary of the Closing Date (a "***Voluntary Resignation***" and together with an Involuntary Separation, a "***Qualified Separation***"), subject to the terms of this Agreement (including satisfaction of the Release Requirement) and your continued compliance with your Confidentiality and Invention Assignment Agreement (the "***CIAA***") entered into between you and Telaria, which you hereby acknowledge will apply to Rubicon in addition to Telaria from and after the Closing by operation of the Merger and any other similar agreement entered into between you and Rubicon, and provided such Qualified Separation constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "***Separation from Service***"), then you will be entitled to the following benefits:

(1) salary continuation payments at a rate equal to your base salary, at the rate in effect on the date of your Separation from Service, for the Severance Period;

(2) if you are subject to an Involuntary Separation on or prior to June 30, 2020, a pro-rata portion of the target First Half 2020 Bonus, determined by multiplying the target First Half 2020 Bonus by a fraction, the numerator of which equals the number of days elapsed beginning January 1, 2020

through and including the date of your termination and the denominator of which equals 182. If you are subject to a Qualified Separation after June 30, 2020, then you will be entitled to the earned but unpaid First Half 2020 Bonus amount (if any);

(3) if you are subject to a Qualified Separation after June 30, 2020 and on or prior to December 31, 2020, a pro-rata portion of the target Second Half 2020 Bonus, determined by multiplying the target Second Half 2020 Bonus by a fraction, the numerator of which equals the number of days elapsed beginning July 1, 2020 through and including the date of your termination and the denominator of which equals 184. If you are subject to a Qualified Separation after December 31, 2020, then you will be entitled to the earned but unpaid Second Half 2020 Bonus amount (if any);

(4) for calendar year 2021 and beyond, a pro-rata portion of your target annual bonus for the year in which your termination occurs, determined by (x) multiplying your target bonus for the full calendar year in which your termination occurs by a fraction, the numerator of which equals the number of days elapsed during the calendar year in which your termination occurs through and including the date of your termination and the denominator of which equals 365 and (y) subtracting the amount of any portion of your performance-bonus paid to you for such calendar year prior to your date of termination, plus any earned but unpaid bonus amounts from prior periods;

(5) only if you are subject to an Involuntary Separation on or prior to the date that is the six-month anniversary of the Closing Date, the entire amount of the Six Month Bonus. If you are subject to a Qualified Separation after the date that is the six-month anniversary of the Closing Date, then you will be entitled to the unpaid portion of the Six Month Bonus (if any);

(6) Rubicon will reimburse you for your monthly premium under COBRA for you and your eligible dependents until the earliest of (A) the end of the final month of the Severance Period, (B) the expiration of your continuation coverage under COBRA or (C) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, Notwithstanding the foregoing, if Rubicon's making payments under this clause (vi) would violate the nondiscrimination rules applicable to non-grandfathered plans under the Affordable Care Act (the "***ACA***"), or result in the imposition of penalties under the ACA and the related regulations and guidance promulgated thereunder), Rubicon will continue to pay to you each month during the Severance Period a taxable payment in an amount that Rubicon was paying on behalf of you and your eligible dependents with respect to Rubicon's health insurance plans in which you and your eligible dependents were participants as of the date of your Separation From Service;

(7) if such Qualified Separation occurs on or before the date that is the 12 month anniversary of the Closing Date, 100% of the then-unvested portion of any stock option or restricted stock unit award that was issued to you by Telaria (and assumed by Rubicon in the Merger) shall vest as of the Release Effective Date; and

(8) only if you are subject to an Involuntary Separation prior to the date that is the six-month anniversary of the Closing Date, 100% of the restricted stock units subject to the Rubicon RSU Grant shall vest as of the Release Effective Date.

(b) The salary continuation payments described in Section 5(a)(i) above will be paid in accordance with Rubicon's standard payroll procedures and will commence on the 60th day following the Separation from Service (provided the Release Requirement has been met) (the "***Severance Start Date***"), and once they commence will be retroactive to the date of your Separation from Service. The severance payments described in Section 5(a)(ii)-(v) above, as applicable, will be paid in full in accordance with Rubicon's standard payroll procedures on the first payroll date following the Severance Start Date (provided the Release Requirement has been met). In addition to the above, to the extent required to comply with Section 409A and the applicable regulations and guidance issued thereunder, if the applicable time period for you to execute (and not revoke) the applicable Release spans two calendar years, payment of the applicable severance benefits shall not commence until the beginning of the second calendar year.

(c) You will not be entitled to any of the benefits described above unless you (i) have returned all Rubicon property in your possession, including (without limitation) copies of documents that belong to Rubicon and files stored on your computer(s) that contain information belonging to Rubicon and (ii) have satisfied the following release requirement (the "***Release Requirement***"): execute and return to Rubicon a general release substantially in the form attached hereto as Exhibit A of all claims that you may have against Rubicon or persons affiliated with Rubicon (the "***Release***"). You must execute and return the release on or before the date specified by Rubicon in the prescribed form (the "***Release Deadline***"), and permit the Release to become effective and irrevocable in accordance with its terms (such effective date of the Release, the "***Release Effective Date***"). If you fail to return the release on or before the Release Deadline, or if you revoke the release, then you will not be entitled to the benefits described above. You acknowledge and agree that if you resign without Good Reason (other than a Voluntary Resignation) or if Rubicon terminates your employment for Cause, you will not be eligible to receive any of the benefits described above.

(d) It is intended that all of the severance payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A. For purposes of Code Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A2(b)(2)(iii)), your right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if you are deemed by Rubicon at the time of your Separation from Service to be a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with Rubicon are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to you prior to the earliest of (i) the expiration of the six-month and one day period measured from the date of your Separation from Service with Rubicon, (ii) the date of your death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 5(d) shall be paid in a lump sum to you, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred.

(e) Definitions. For purposes of this Agreement, the following definitions will apply:

(1) "***Cause***" shall mean: (A) your unauthorized use or disclosure of Rubicon's confidential information or trade secrets, which use or disclosure causes material harm to Rubicon; (B) your breach of any material representation or warranty contained in this offer letter or any material breach of any other written agreement between you and Rubicon that remains uncured for thirty (30) days following written notice of such material breach; (C) your material failure to comply with Rubicon's written policies or rules that remains uncured for thirty (30) days following written notice of such material breach; (D) except with respect to driving violations, your conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State thereof; (E) your gross negligence or willful misconduct in the performance of your duties; (F) your continuing unwillingness to perform lawful, material assigned duties after receiving written notification of such failure from the Board and a thirty (30) day opportunity to cure; or (G) your failure to cooperate in good faith with a governmental or internal investigation of Rubicon or its directors, officers or employees, if Rubicon has requested your cooperation. It is understood that a termination of your employment resulting from your death or Disability shall not constitute termination for "Cause."

(2) "***Disability***" shall mean any physical incapacity or mental incompetence as a result of which you are unable to perform the essential functions of your job for an aggregate of 180 days, whether or not consecutive, during any calendar year, and which cannot be reasonably accommodated by Rubicon without undue hardship.

(3) "***Good Reason***" means that you resign after one of the following conditions has come into existence after the date hereof without your consent: (A) a material diminution in your duties, authorities or responsibilities; (B) a material reduction in your base salary or bonus opportunity; (C) receipt of notice that your principal workplace will be relocated more than 30 miles that also increases your one-way commute by at least 30 miles; or (D) the willful breach by Rubicon of a material provision of this Agreement or any other agreement with you. A condition will not be considered "Good Reason" unless you give Rubicon written notice of the condition within 90 days after the condition comes into existence, Rubicon fails to remedy the condition within 30 days after receiving your written notice and you resign within 30 days thereafter.

(4) "***Involuntary Separation***" has the meaning set forth in Section 5.

(5) "***Qualified Separation***" has the meaning set forth in Section 5.

(6) "***Severance Period***" means twelve months.

(7) "***Voluntary Separation***" has the meaning set forth in Section 5.

6. **Employee Benefits**. As a regular employee of Rubicon, you will be eligible to participate in a number of company-sponsored benefits in accordance with the terms and provisions thereof as may be in effect from time to time. In addition, you will be entitled to participate in Rubicon's vacation policy, as in effect from time to time.

7. **Employment Relationship**. Employment with Rubicon is for no specific period of time. Your employment with Rubicon will be "at will," meaning that either you or Rubicon may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and Rubicon on this term. Although your job duties, title, compensation and benefits, as well as Rubicon's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of Rubicon (other than you).

8. **Withholding Taxes**. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

9. **Interpretation, Amendment and Enforcement**. This Agreement supersedes and replaces any prior agreements, representations or understandings (whether written, oral, implied or otherwise) between you and Rubicon or Telaria and constitute the complete agreement between you and Rubicon regarding the subject matter set forth herein; provided that you shall continue to be bound by the terms of your CIIA. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of Rubicon.

The remainder of this page is intentionally left blank.

Very truly yours,

The Rubicon Project, Inc.

By: /s/ Michael Barrett

Title: Chief Executive Officer

I have read and accept this employment offer:

/s/ Mark Zagorski

Signature of **Mark Zagorski**

Dated: March 31, 2020

EXHIBIT A

GENERAL RELEASE

May 20, 2020

Blima Tuller

By Email

Dear Blima

This letter (the "**Agreement**") confirms the agreement between you and The Rubicon Project, Inc. (the "**Company**") regarding your continued employment and provision of services to the Company.

1. **Transition Period**. Subject to the terms and conditions of this Agreement, the parties intend that you will continue to serve as the Company's Chief Accounting Officer through June 1, 2020. From June 1, 2020 through August 15, 2020, it is intended that you will continue to be employed as a full-time employee of the Company reporting to the Chief Financial Officer. During the period from the date hereof through August 15, 2020 (the "**Transition Period**"), your duties will be (i) ensuring knowledge transfer with respect to the finance function, (ii) supporting the Telaria accounting integration as project lead, including executing and further refining identified transition/integration activities, with an emphasis on closing timing and revenue processes and (iii) assisting on other time sensitive matters in your area of expertise, as reasonably requested by the Chief Financial Officer or the Interim Chief Accounting Officer from time to time. During the Transition Period, you will work normal business hours, and you agree to cooperate in all material respects with the Company in all reasonable matters relating to the transition of your work and responsibilities. Your employment with the Company will terminate on August 15, 2020 (the "**Employment Separation Date**"). Upon the Employment Separation Date, the Company will pay to you all accrued but unpaid base salary and any accrued but unused vacation or other paid time off. If the Company terminates your employment without Cause prior to the Employment Separation Date, it will continue to make all payments that would have been made to you during the Transition Period and the Consultancy Period (defined below), plus Section 4 shall become applicable. "**Cause**" shall have the meaning set forth in the Executive Severance and Accelerated Vesting Agreement between you and the Company, dated June 29, 2017. If you voluntarily terminate your employment prior to the Employment Separation Date, you acknowledge and agree that you will not be entitled to receive the payments and benefits that would have been made to you under the Severance section below.

2. **Compensation During the Transition Period**. During the Transition Period, the Company will continue to pay you, in accordance with its standard payroll procedures, your base salary (as in effect immediately prior to the date of this Agreement) through the Employment Separation Date. For the period from April 1, 2020 through June 30, 2020, in lieu of a bonus as earned under the current provisions of the plan the Company shall make a payment to you in the amount of $32,033.63 which shall be paid to you on or prior to August 15, 2020. In addition, the Company shall pay or reimburse you the legal fees reasonably incurred by you to enter into this Agreement up to $5,000. You will also continue to receive employee benefits as described in Section 5 below. You will not be eligible to receive any further equity-based grants or awards.

3. **Post Separation Assistance**. For the period from Employment Separation Date through November 15, 2020 (the "**Consultancy Period**"), you agree to lend the benefit of your expertise and institutional knowledge by making yourself reasonably available by phone and/or email for no more than 5 hours per week. If mutually agreed upon between you and the interim CAO or CFO, additional consulting projects (to be defined) beyond the five-hour weekly commitment may be undertaken during the Consultancy Period at a $350 hourly rate. To the extent that additional consulting projects are undertaken and exceed 40 hours/month, the period of time for which the Company would pay for your monthly COBRA premium shall be extended by one additional month for each qualifying month worked. You acknowledge and agree that if you resign prior to August 15, 2020, the Company shall not be required to engage you as a consultant or pay any consultancy fees. As a consultant, your relationship with the Company will be that of an independent contractor and you will be bound by the independent contractor terms and conditions set forth on Annex A, which are incorporated herein.

4. **Severance**. Subject to your compliance with the terms of this Agreement through the Transition Period and the Consultancy Period (including satisfaction of the Release Requirement) , you will be entitled to the following severance benefits:

(a) Three monthly payments equal to $28,474.33 per each (which is the equivalent of your monthly base salary as in effect immediately prior to the date of this Agreement), to be paid on September 15, October 15 and November 15;

(b) A lump sum severance payment of $85,423 (three months of base salary, as in effect immediately prior to the date of this Agreement) to be paid on or as soon as practicable following November 15;

(c) Once you cease to be covered as an active employee under the Company's health plan, subject to your valid election in accordance with COBRA, the Company shall pay for your monthly premium under COBRA for you and your eligible dependents for a period of six months, or, if earlier, until the date when you commence substantially equivalent health insurance coverage in connection with new employment or self-employment;

(d) as soon as practicable following the Release Effective Date, the Company will pay you a pro-rated portion of your target bonus for the third quarter of 2020, in the amount of $16,017; and

(e) as of the Release Effective Date, all outstanding options to purchase the Company's common stock and any restricted stock units or other equity interests held by you shall become 100% vested.

You will not be entitled to any of the benefits described above unless you have satisfied the following release requirement (the "**Release Requirement**"): execute and return to Rubicon a general release substantially in the form attached hereto as Annex B (the "**Release**"). You must execute and return the Release on or after your Employment Separation Date and on or before the date specified in the prescribed form (the "**Release Deadline**"), and permit the Release to become effective and irrevocable in accordance with its terms (such effective date of the Release, the "**Release Effective Date**"). If you fail to return the Release on or before the Release Deadline, or if you revoke the Release, then you will not be entitled to the benefits described above.

Notwithstanding any obligation to return Company property as of the Employment Separation Date, you may keep your computer; provided that at the end of the Consultancy Period all files that contain information belonging to the Company must be removed from such computer.

5. **Employee Benefits**. During the Transition Period you will be eligible to continue to participate in company-sponsored benefits in accordance with the terms and provisions thereof as may be in effect from time to time. Your group medical insurance benefits as an active employee will end on the final day of the calendar month that includes the Employee Separation Date. Following the cessation of benefits, you will become eligible to enroll in health care continuation benefits under COBRA. During the Consultancy Period, you will be treated as in independent contractor and not as an employee and thus will not be entitled to participate in any company-sponsored benefits or plans (other than pursuant to a valid election in accordance with COBRA).

6. **Non-Disparagement.** You agree not to make any oral or written statement, that is intended to disparage or to damage the reputations of the Company or its affiliates or any of their officers, directors, agents or employees, products or services. The Company agrees not to make, and to cause its officers not to make, any oral or written statement that is intended to disparage you or to damage your business reputation. However, nothing in this Agreement prohibits either party from (i) providing truthful testimony in response to any court or arbitral order or subpoena, or (ii) making truthful reports, or providing truthful responses, to any government, administrative or regulatory agency.

7. **Confidentiality of Agreement.** You agree to keep the existence and terms of this Agreement in strictest confidence. Except as required by law or to the extent disclosed by the Company in any public filing, you will not reveal the existence or terms of this Agreement to anyone except your immediate family, your attorney, and your financial advisors (all of whom must also agree to keep the information completely confidential). This confidentiality provision will not prevent you from providing this information in a court or arbitration proceeding undertaken to enforce the terms of this Agreement.

8. **Withholding Taxes**. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

9. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the state of California, without regard to its conflicts of law principles.

10. **Modifications.** This Agreement may not be modified, amended, altered or supplemented except by (i) a written agreement executed by you and an authorized representative of the Company, or (ii) by a court of competent jurisdiction. No term or condition of this Agreement is waived simply because a party does not insist on its performance or chooses not to prosecute its breach. This entire Agreement will remain in full force and effect as if no breach or failure of performance had occurred.

11. **Severability.** If any provision of this Agreement is held to be invalid, void or unenforceable, the remaining provisions shall remain in full force and effect.

12. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart will effectively bind the undersigning party and have the same force and effect as an original. Either

party may execute this Agreement by (i) signing in the designated space below and delivering this Agreement via fax or e-mail (via PDF format) to the other party, or (ii) following the steps of a program such as DocuSign or EchoSign (as initiated by the Company). Any such signature will be deemed an original, binding signature.

13. **Complete Agreement and Understanding of Obligations.** This Agreement reflects the entire agreement between you and the Company (or its Affiliates) regarding the matters it covers, and it supersedes any prior agreements or offers (written or verbal) related to these same matters. For the avoidance of doubt, this Agreement shall render null and void the Executive Severance and Vesting Acceleration Agreement, dated June 29, 2017, between you and the Company. The Intellectual Property Assignment and Confidential Information Agreement and Mutual Pre-Dispute Arbitration Agreement with the Company entered into in connection with your commencement of employment will remain in full force and effect. You represent and agree that your decision to execute this Agreement has been made (i) voluntarily, with a full understanding of its contents, obligations, and binding effect; (ii) without any undue influence or pressure by the Company or its Affiliates; and (iii) after you have had the opportunity to consult with legal counsel of your choosing. The Company, its officers, employees, and counsel do not make any representations, promises, or warranties, express or implied, to you regarding the meaning or effect of this Agreement, including (without limitation) representations regarding (a) the taxability of any payments made to you under this Agreement, and (b) the nature, extent, and duration of your rights and claims under this Agreement, and you acknowledge that you are not executing this Agreement in reliance on any Company representative. No counsel for, or on behalf of, the Company or its Affiliates has provided any legal advice or made any representations or promises to you in connection with this Agreement or the termination of your employment. Rather, you represent and agree that you are relying solely upon your own judgment, belief, and knowledge, and on the advice and recommendation of independently selected counsel (if any). You agree that (1) you shall indemnify and hold the Company harmless from any Claims for taxes, penalties and/or interest by any government tax authority for income taxes owed by you that arise from Release Benefit (as defined in Annex B), and (2) you shall submit all amounts owed pursuant to such indemnification obligation within a reasonable time after written notification from the Company.

Very truly yours,

The Rubicon Project, Inc.

By: /s/ David Day

Title: Chief Financial Officer

I have read and accept the terms and conditions of this Agreement:

/s/ Blima Tuller

Signature of **Blima Tuller**
Dated: May 20, 2020

ANNEX A

CONSULTING TERMS AND CONDITIONS

The following Terms and Conditions Shall Apply to your ("Consultant") provision of Consulting Services ("Services")

No Exclusivity. The relationship between the Company and Contractor is non-exclusive; Contractor may provide services to third parties, and the Company may engage or hire others to perform any role, including as related to or duplicative of the Services.

Work Product**.** All data, analyses, reports, program code (both source and object), designs, inventions, works of authorship, trademarks, patents and copyrights, and other documents or subject matter that are conceived, invented, written, prepared, procured or produced by Contractor in the provision of Services, or relating to or capable of being used in those aspects of the business of the Company in relation to which Contractor provides the Services, are referred to as "**Work Product**." All Work Product shall constitute a work made for hire. Work Product shall not contain any open source software code without the express prior written permission of the Company. All right, title and interest in and to the Work Product and all copyright and other intellectual property rights therein shall immediately vest in, and remain the sole and exclusive property of, the Company. Contractor hereby assigns to the Company, with full title guarantee, all of the right, title and interest, including the entire copyright and other intellectual property rights, in the Work Product, in the United States of America and throughout the world, and any and all renewals and extensions of each such copyright and other intellectual property right that may be secured under the laws now or hereafter pertaining; and Contractor shall at the Company's request and expense execute all documents and perform such other acts as may be reasonably required to perfect the Company's rights and to secure all appropriate forms of protection for and defend and enforce such rights. If the Company is unable, after reasonable effort, to secure Contractor's signature or other action, whether because of physical or mental incapacity or for any other reason, Contractor hereby irrevocably designates and appoints the Company as Contractor's duly authorized agent and attorney-in-fact, to act for and on behalf of Contractor and in Contractor's stead to execute any such document and take any other such action to secure the rights and title to the Work Product.

Independent Contractor; Taxes. Contractor is as an independent contractor to the Company. Nothing shall be construed or applied to create a partnership or joint venture, or an employer/employee, master/servant or agency relationship. Contractor is fully responsible for all persons and entities Contractor employs or retains. Contractor shall have no authority to commit the Company in any manner, and Contractor will not make any representation to the contrary. Contractor will not hold himself, herself or itself out as being an officer, employee, or agent of the Company. Contractor will be responsible for the payment when due of all federal, state, local or foreign taxes and all social and pension obligations payable in any jurisdiction with respect to the services performed and all amounts paid to Contractor under this Agreement including without limitation any unemployment insurance tax, federal, state and local income taxes, federal Social Security (FICA) payments, and disability insurance taxes payable in any jurisdiction; provided that, if the Company remits any such taxes, Contractor will immediately reimburse the Company therefor. Contractor is not entitled to any employment rights or benefits from the Company, including, without limitation, equity awards, workers' compensation, disability insurance, retirement or 401(k) plan, medical reimbursement or other fringe benefit plan, overtime pay, unemployment compensation, or vacation or sick pay.

ANNEX B

GENERAL RELEASE

EXECUTIVE SEVERANCE AND VESTING ACCELERATION AGREEMENT

THIS EXECUTIVE SEVERANCE AND VESTING ACCELERATION AGREEMENT (this “***Agreement***”), dated as of April 1, 2020, is entered into by and between The Rubicon Project, Inc. (the “***Company***”) and Aaron Saltz (“***Executive***”).

The Company (or Telaria, Inc (“***Telaria***”)) and Executive are currently, or are expected to become, parties to:

(i) an Employment Letter or Offer Letter setting forth terms of Executive’s employment with the Company (the “***Employment Letter***”);

(ii) an Offer Letter with Telaria setting forth the terms of Executive’s employment with Telaria (the “***Telaria Offer Letter***”) prior to the closing (“***Closing***”) of the merger by and between the Company and Telaria (the “***Merger***”); and

(iii) Grant Notices or other documents documenting the issuance of Stock Options or other equity awards by Company or Telaria to Executive (the “***Equity Agreements***”)

The undersigned desire to enter into this Agreement to set forth the terms by which Executive would receive certain accelerated vesting and severance pay under certain circumstances in connection with a termination of Executive’s employment. With respect to any severance benefits and change in control protection, including as relates to the acceleration of equity, this Agreement supersedes the Employment Letter, Telaria Offer Letter and Equity Agreements, and any other contracts between Executive and the Company (or Telaria) or policies of the Company (or Telaria) (collectively with the Employment Letter, Telaria Offer Letter and Equity Agreements, the “***Existing Documents***”) as set forth below.

1. Certain Defined Terms. As used herein:

(a) “***Base Salary***” means Executive’s then-current base salary.

(b) “***Cause***” means the occurrence of one or more of the following:

(i) Executive’s refusal to materially perform Executive’s duties and responsibilities, or to devote substantially all of Executive’s normal business time to the business and affairs of the Company or its successor (except in the case of Disability);

(ii) Executive’s material misappropriation of the Company’s or its successor’s funds or property;

(iii) Executive’s conviction of, or plea of guilty to or admission of, a felony;

(iv) Executive’s willful misconduct or gross negligence which materially injures or could reasonably be expected to materially injure the reputation, business or business relationships of the Company, its successor or their respective affiliates; or

(v) Executive’s material breach of any material provision of any written agreement between Executive and the Company or its successor.

Notwithstanding the foregoing, in no event shall Executive's termination be for "***Cause***" unless (1) an event or circumstance set forth in clauses (i) through (v) shall have occurred and the Company or its successor provides Executive with written notice thereof within thirty days after it first has knowledge of the occurrence or existence of any such event or circumstance, which notice specifically identifies the event or circumstance that it believes constitutes Cause, and (2) to the extent correctable, Executive fails to correct the circumstance or event so identified within thirty days after receipt of such notice.

(c) "***Code***" means Internal Revenue Code of 1986, as amended and "***Section 409A***" and "***Section 280G***" refer to Sections 409A and 280G of the Code.

(d) "***Date of Termination***" means the date of the Separation of Service.

(e) "***Disability***" means Executive is "disabled" within the meaning of Section 409A.

(f) "***Good Reason***" means the occurrence of any one or more of the following events:

(i) the Company or its successor relocates Executive's principal place of employment to a location that increases Executive's one-way commute by more than twenty miles;

(ii) a material reduction in Executive's cash compensation (including Executive's base salary and/or performance-related bonuses targets, but excluding discretionary bonuses (if any)); or

(iii) Executive's position, duties, or reporting relationship are materially and adversely changed, resulting in a position of materially less stature or responsibility; provided, that a change in Executive's title alone will not constitute "***Good Reason***" unless there is also a material and adverse change in Executive's position, duties, or reporting relationship. Without limiting other instances of material reduction in Executive's position, duties, or reporting relationship, a material reduction of Executive's position, duties, or reporting relationship is deemed to occur if (i) Executive no longer reports to the Chief Executive Officer of the Company or its successor, or (ii) following a Sale Transaction Executive's position and duties with the successor acquirer result in materially less stature or responsibility.

Notwithstanding the foregoing, Executive's termination shall not constitute a termination for "***Good Reason***" as a result of any event in (i)-(iii) above unless (1) Executive first provides the Company or its successor with written notice thereof within ninety days after the occurrence of such event, (2) to the extent correctable, the Company or its successor fails to cure the circumstance or event so identified within thirty days after receipt of such notice, and (3) Executive designates an effective date for Executive's termination for Good Reason no later than thirty days after the expiration of the Company's cure period, subject to any extension of such effective date requested by the Company or its successor and agreed by Executive.

(g) "***Involuntary Termination***" means a termination of Executive's employment by the Company without Cause or by Executive for Good Reason.

(h) "***Qualified Resignation***" means that Executive has delivered a notice of resignation to the Company within 13 months from the Closing, which designates an effective date of resignation not less than 30 days and not more than 45 days from the delivery of the notice, and Executive actually resigns on such date. The Company may waive such notice period, or any portion thereof, in its sole discretion and designate an earlier date of termination, in which case such termination shall be deemed a Qualified Resignation (and not an Involuntary Termination). In addition, the Company and Executive may mutually agree to extend the effective date of the resignation.

(i) "***Sale Transaction***" means a Change in Control as defined in the Company's 2014 Equity Incentive Plan or any successor plan, as well as: (i) the Company shall sell, lease, transfer, convey, or otherwise dispose of, in any single transaction or series of related transactions, all or substantially all of the assets or intellectual property of the Company and its subsidiaries, taken as a whole (except where such sale, lease, transfer, conveyance or disposition is to a wholly owned subsidiary of the Company), or the sale or disposition, whether by merger or otherwise, of one or more of the Company's subsidiaries if all or substantially all of the assets or intellectual property of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries (except where such sale or other disposition is to the Company or another of the Company's wholly-owned subsidiaries); (ii) upon a transaction or series of related transactions to which the Company is a party in which a majority of the Company's voting power is transferred (other than a transaction or series of related transactions solely for bona fide equity financing purposes in which cash is received by the Company or any successor, in which indebtedness of the Company is cancelled or converted or in which both cash is received and indebtedness is cancelled or converted); or (iii) upon a merger, consolidation or similar transaction or series of transactions in which the Company or a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger, consolidation or similar transaction or series of transactions, other than a merger or consolidation in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted or exchanged for shares of capital stock which represent, immediately following such merger or consolidation, a majority of the voting power of the surviving or resulting corporation or other entity (or the parent corporation or other entity of such surviving or resulting corporation or other entity). For the avoidance of doubt, the Merger shall not constitute a Sale Transaction under this Agreement.

(j) "***Separation of Service***" means a "separation of service" from the Company within the meaning of Section 409A.

(k) "***Target Bonus***" means, for any given year, the amount that would be paid if Executive earned 100% of the sum of his then current on-target performance-based bonuses.

(l) "***Telaria Equity Interest***" means any equity interests granted by Telaria prior to the Closing, which were converted to Company equity interests at Closing.

2. Payments and Vesting Acceleration Upon Involuntary Termination.

(a) Accrued Obligations. In the event that Executive's employment under this Agreement terminates for any reason, upon such termination, the Company will pay to Executive in a single lump sum payment on the Date of Termination (as defined below), or for items (iii) and (iv) below, such later date as may be permitted by applicable law, the aggregate amount of (i) any earned but unpaid Base Salary, (ii) any accrued, but unused vacation (if any), (iii) unreimbursed business expenses incurred prior to the Date of Termination that that are reimbursable in accordance with applicable Company policies, and (iv) any earned but unpaid incentive bonus or commission payments (together, the "***Accrued Obligations***"). Vested or earned benefits under any employee benefit plan shall be governed by the terms and conditions of the applicable plans except as expressly set forth herein.

(b) Involuntary Termination Outside of a Sale Transaction. Subject to Section 3, in the event of an Involuntary Termination prior to and not in connection with the consummation of a Sale Transaction, Executive will be entitled, upon Executive's Separation from Service, to the payments and benefits set forth in this Section 2(b):

(i)Salary Severance. The Company shall pay to Executive an amount equal to (x) if the Involuntary Termination occurs within 13 months of the Closing, 12 months of Executive's Base Salary or (ii) if the Involuntary Termination occurs more than 13 months from the Closing, six months of Executive's Base Salary, in each case, payable in substantially equal monthly installments in accordance with the Company's normal payroll practices during the six or 12 month period, as applicable, from the Date of Termination (the "***Salary Severance***"), *provided*, *however*, that no payments under this Section 2(b)(i) shall be made prior to the Company's first regularly scheduled payroll date occurring on or after the 60th day following the Date of Termination (the "***First Payment Date***") and any amounts that would otherwise have been paid pursuant to this Section 2(b)(i) prior to the First Payment Date shall instead be paid on the First Payment Date (without interest thereon) and once they commence will be retroactive to the date of your Involuntary Termination.

(ii)Pro-Rated Bonus. The Company shall pay to Executive a pro-rated portion of the Target Bonus for the year in which the Date of Termination occurs, determined by (i) multiplying Executive's Target Bonus for the full calendar year in which the Date of Termination occurs by a fraction, the numerator of which equals the number of days elapsed during the calendar year in which the Date of Termination occurs through and including the Date of Termination and the denominator of which equals 365 and (ii) subtracting the amount of any portion of Executive's performance-bonus for the calendar year in which the Date of Termination occurs that is paid to Executive prior to the Date of Termination (the "***Pro-Rated Bonus***"). The Pro-Rated Bonus shall be payable in a single lump-sum payment on the First Payment Date, without regard to any performance conditions or requirements.

(iii)Months Health Benefits. During the applicable Salary Severance period or, if earlier, the date on which Executive becomes eligible for coverage under a subsequent employer's group health plan (in any case, the "***COBRA Period***"), subject to Executive's valid election to continue healthcare coverage under Section 4980B of the Code and the regulation thereunder, the Company shall, in its sole discretion, either (A) provide to Executive (and Executive's dependents to the extent covered under the Company's group health plan at the time of termination), at the Company's expense, or (B) reimburse Executive for, coverage under its group health plan at the same levels in effect on the Date of Termination; *provided*, *however*, that if (I) any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the continuation coverage period to be, exempt from the application of Section 409A under Treasury Regulation Section 1.409A-1(a)(5), (II) the Company is otherwise unable to continue to cover Executive (or Executive's dependents if applicable) under its group health plans, or (III) the Company cannot provide the benefit without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then, in any such case, a taxable payment in an amount equal to each remaining Company obligation shall thereafter be paid to Executive in substantially equal monthly installments over the COBRA Period (or remaining portion thereof).

(iv)6 Months Vesting Acceleration and Exercise Term Extension.

(1) **Vesting Acceleration**. All outstanding options to purchase Company common stock and any restricted stock, restricted stock units or other equity interest in the Company (each separate award is an "***Equity Interest***") held by Executive as of the Date of Termination

that are described in subsections (1) and (2) below shall become vested and exercisable on the First Payment Date (or upon a Sale Transaction, if earlier).

(a) Any Equity Interest that would have otherwise vested in accordance with its terms, absent termination of employment, during the 183-day period immediately following the Date of Termination (the "***Acceleration Period***").

(b) With respect to each Equity Interest that vests less frequently than monthly and/or has not already passed, as of the end of the Acceleration Period, any vesting cliff imposed on such Equity Interest, the product of (A) the number of shares of such Equity Interest that would have vested, absent termination of employment, on the first vesting date scheduled to occur after the Acceleration Period, and (B) the quotient obtained by dividing (X) the total number of calendar days between (i) the immediately preceding vesting date for such Equity Interest, even if such immediately preceding vesting date occurs during the Acceleration Period or (ii) the vesting commencement date of such Equity Interest if no vesting date will have occurred by the end of the Acceleration Period, and the end of Acceleration Period, by (Y) the total number of calendar days between (i) the immediately preceding vesting date for such Equity Interest, even if such immediately preceding vesting date occurs during the Acceleration Period or (ii) the vesting commencement date of such Equity Interest if no vesting date will have occurred by the end of the Acceleration Period, and the vesting date first occurring after the Acceleration Period.

(2) **Extension of Exercise Term**. The term during which Executive may exercise any stock option or other exercisable Equity Interest shall be extended until the earlier of the first anniversary of the Date of Termination or the expiration date that would apply to such stock option or other exercisable Equity Interest had Executive remained employed with the Company.

(v)Acceleration of Telaria Equity Awards. In the event the Involuntary Termination occurs within 13 months of the Closing, all Telaria Equity Interests held by Executive shall become vested and exercisable on the First Payment Date (or upon a Sale Transaction, if earlier) and shall remain exercisable for the period set forth in Section 2(b)(iv)(B) above.

(c) Involuntary Termination In Connection With or Following a Sale Transaction. Subject to Section 3, in the event of an Involuntary Termination that occurs in connection with or following the consummation of a Sale Transaction, Executive will be entitled to all of the payments and benefits set forth in Section 2(b) above on the terms and conditions provided therein, except that:

(i)Salary Severance. The Salary Severance shall equal 12 months of Executive's Base Salary, payable over the 12 months following the Date of Termination in accordance with Section 2(b)(i) above;

(ii)Months Health Benefits. The COBRA Period shall continue for a period of 12 months following the Date of Termination or, if earlier, the date on which Executive becomes eligible for coverage under a subsequent employer's group health plan; and

(iii)Full Vesting Acceleration. All of Executive's Equity Interests (including the Telaria Equity Interests) shall vest in full effective upon the Involuntary Termination, and shall remain exercisable for the period set forth in Section 2(b)(iv)(B) above.

(d) Qualified Resignation. Subject to Section 3, in the event of a Qualified Resignation, Executive will be entitled, upon Executive's Separation from Service, to the payments and benefits set forth in Section 2(b) above on the terms and conditions provided therein (other than Section 2(b)(iv)(A), which shall not apply) to same extent as if Executive had incurred an Involuntary Termination. Notwithstanding the foregoing or anything in Section 2(b)(ii) to the contrary, in the event you incur a Qualified Resignation following June 30, 2020 and prior to December 31, 2020, you will only be entitled to receive a pro-rated portion of your second-half bonus and not any portion of your first-half bonus, unless actually earned in accordance with the terms of such first-half plan.

(e) Death or Disability. If Executive's employment is terminated for Death or Disability prior to the consummation of a Sale Transaction, Executive will be entitled to all of the payments and benefits set forth in Section 2(b) above on the terms and conditions provided therein. If Executive's employment is terminated as a result of Death or Disability following the consummation of a Sale Transaction, Executive will be entitled to all of the payments and benefits set forth in Section 2(c) above on the terms and conditions provided therein.

(f) Other Terminations. If Executive's employment is terminated for any reason not described in Sections 2(b), (c), (d) or (e) above including, without limitation, due to a termination of Executive's employment by the Company for Cause or a resignation by Executive without Good Reason or that is not a Qualified Resignation, the Company will pay Executive only the Accrued Obligations.

(g) No Other Payments. Except to the extent required by law, the Company shall not be obligated to pay Executive any other amounts upon termination of Employee's employment for any reason except as set forth in this Section 2.

3. Conditions to Severance and Vesting. As a condition to Executive's right to receive any payments or benefits under Section 2 hereof:

(a) Release. Executive shall execute and deliver to the Company a release agreement in substantially the form attached hereto as Exhibit A (the "***Release***") within twenty-one days (or such longer period of time as may be required by applicable law in order to make it enforceable) following the Date of Termination and that Executive not revoke such Release during any applicable revocation period. The form of the Release may be modified as needed to reflect changes in applicable law or regulations that are needed to provide a legally enforceable and binding release of the scope contemplated by the Release at the time of execution.

(b) Intellectual Property Assignment and Confidential Information Agreement. Executive shall acknowledge in writing, and honor, Executive's obligations under the Intellectual Property Assignment and Confidential Information Agreement executed by Executive in favor of the Company (or any other agreement providing for confidentiality or the assignment of intellectual property).

(c) Recoupment of Benefits. In the event of any material breach by Executive of any term of this Agreement or the Release that is not cured within 30 days of receipt by Executive from the Company or its successor of written notice of such breach and demand for cure, without limiting any other remedy available to the Company, the Company shall have the right to (i) terminate any payments or benefits provided for herein; and (ii) recoup any sums previously paid, or the benefits of any vesting acceleration or Equity Interest term extension provided for, hereunder.

4. Certain Tax Matters.

(a) Six-Month Delay. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits, including without limitation any severance payments under Section 2 hereof, shall be paid to Executive during the six month period following Executive's Separation from Service if the Company determines that paying such amounts at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six-month period (or such earlier date upon which such amount can be paid under Section 409A of the Code without resulting in a prohibited distribution, including as a result of Executive's death), the Company shall pay Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to Executive during such period (without interest).

(b) 280G - Best Results.

(i)Best Results Provision. If a Sale Transaction occurs and any payments or benefits received (or to be received) by Executive whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement ("***Payments***") constitute "parachute payments" as defined in Section 280G(b)(2) of the Code ("***Parachute Payments***") and are subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***") and the net after-tax amount of any such Parachute Payments, taking into account the Excise Tax, is less than the net after-tax amount if the Payments were three times Executive's "base amount" (as defined in Section 280G(b)(3) of the Code) less $1.00, then the Parachute Payments shall be reduced to an amount equal to three times Executive's base amount less $1.00. If a reduction in Parachute Payments to three times Executive's base amount less $1.00 is necessary pursuant to the preceding sentence, the reduction will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards; and (3) reduction of employee benefits.

(ii) All calculations and analysis required by Section 4(b) shall be performed in a manner consistent with this Section 4(b)(ii) by an independent, nationally recognized accounting firm (the "***Independent Advisors***") selected by the Company and reasonably acceptable to Executive. For purposes of determining whether and the extent to which any Payments are Parachute Payments and/or would be subject to the Excise Tax, (1) no portion of the Payments the receipt or enjoyment of which Executive shall have waived at such time and in such manner so as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account; (2) no portion of the Payments shall be taken into account which, in the written opinion of the Independent Advisors, does not constitute a Parachute Payment" (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Payments shall be taken into account which, in the written opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation; and (3) the value of any non-cash benefit or any deferred payment or benefit included in the Payments shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

(c) Section 409A.

(i) To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulations or other such guidance that may be issued after the Effective Date (collectively, "***Section 409A***"). Notwithstanding any provision of this Agreement to the contrary, in the event that following the Effective Date, the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A, the Company may adopt such amendments to this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other actions that the Company determines are necessary or appropriate to preserve the intended tax treatment of the compensation and benefits payable hereunder, including without limitation actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A, *provided, however,* that this Section 4(c) does not, and shall not be construed so as to, create any obligation on the part of the Company to adopt any such amendments, policies or procedures or to take any other such actions or to create any liability on the part of the Company for any failure to do so.

(ii) Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A.

(d) **Modification of Incentive Stock Options**. Executive acknowledges that, to the extent any of Executive's Equity Interests were intended to be, and qualified as, an "incentive stock option" within the meaning of Section 422 of the Code, the vesting acceleration and extension of exercise term benefits provided to Executive pursuant to this Agreement will result in the entire grant losing "incentive stock option" status within the meaning of Section 422 of the Code and therefore being treated as a non-statutory stock option.

5. **At-Will**. Nothing herein shall be deemed to affect the "at-will" nature of Executive's employment. Accordingly, Executive's employment with the Company may be terminated at any time, with or without cause or notice, and without any severance payment or similar obligation except to the extent set forth herein. The "at will" nature of Executive's employment cannot be changed by an oral agreement and can only be changed by a written agreement, executed by the Company, expressly providing therefor.

6. **Miscellaneous**.

(a) **Effect on Existing Documents**. This Agreement shall supersede the Existing Documents with respect to the subject matter hereof. You hereby release the Company and Telaria from any provisions with respect to severance set forth in the Telaria Offer Letter. The Existing Documents shall otherwise remain in full force and effect with respect to any subject matter not covered by this Agreement. You shall continue to remain bound by the Confidentiality and Invention Assignment Agreement executed between you and Telaria, which has been assumed by the Company.

(b) **Successors.** This Agreement is personal to Executive and, without the prior written consent of the Company, shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) **Notice.** For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered either personally, by reputable overnight courier or by United States certified or registered mail, return receipt requested, postage prepaid, addressed (i) if to Executive at Executive's last known address evidenced on the Company's payroll records; and (ii) if to the Company, at the Company's principal executive offices, attention Head of Human Resources and General Counsel or, in each case, or to such other address as any party may have furnished to the other in writing in accordance with this Agreement, except that notices of change of address shall be effective only upon receipt.

(d) **Withholding**. All payments hereunder will be subject to any required withholding of federal, state and local taxes pursuant to any applicable law or regulation and the Company shall be entitled to withhold any and all such taxes from amounts payable hereunder.

(e) **Amendment; Waiver; Survival**. No provisions of this Agreement may be amended, modified, or waived unless agreed to in writing and signed by Executive and by a duly authorized officer of the Company. No waiver by either party of any breach by the other party of any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The respective rights and obligations of the parties under this Agreement shall survive Executive's termination of employment and the termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations. For avoidance of doubt, the provisions of this Agreement shall govern all future equity awards made to Executive unless the agreements for such future Awards specifically reference and waive this Section 6(e).

(f) **Governing Law and Venue**. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles. The sole and exclusive venue for any actions filed with a court shall be the state or federal courts located in Los Angeles, California shall have exclusive jurisdiction and venue over all controversies in connection with this Agreement.

(g) **Validity**. The invalidity or unenforceability of any provision or provisions of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

(h) **Counterparts**. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

(i) **Section Headings**. The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and will not affect its interpretation.

(j) **Entire Agreement**. This Agreement sets forth the final and entire agreement of the parties with respect to the subject matter hereof and, subject to Section 6(a), supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by the Company and Executive, or any representative of the Company or Executive, with respect to the subject matter hereof.

(k) **Further Assurances**. The parties hereby agree, without further consideration, to execute and deliver such other instruments and to take such other action as may reasonably be required to effectuate the terms and provisions of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Executive Severance and Vesting Acceleration Agreement effective the date first above written.

THE COMPANY:

The Rubicon Project, Inc.

By: /s/ David Day

Name: David Day

Title: Chief Financial Officer

EXECUTIVE

/s/ Aaron Saltz

Aaron Saltz

EXHIBIT A

RELEASE AGREEMENT

List of Subsidiaries

Magnite CTV, Inc.
The Rubicon Project Australia PTY Limited
Rubicon Project Servicos De Internet Ltda
The Rubicon Project SARL
The Rubicon Project GmbH
Rubicon Project S.R.L.
Rubicon Project K.K.
The Rubicon Project Netherlands B.V.
The Rubicon Project Singapore Pte Ltd.
The Rubicon Project Limited
The Rubicon Project Canco, Inc.
RTK GmbH
RTK.io Inc.
Rubicon Project Apex, Inc.
5 Moon Media LLC
Rubicon Project Bell, Inc.
Rubicon Project Unlatch, Inc.
Rubicon Project Hopper, Inc.
Rubicon Project Daylight, Inc.
Project Daylight, LLC
The Rubicon Project Canada ULC
Telaria Ltd.
Telaria Holdings Pty Ltd
Telaria Pty Ltd
Telaria (Singapore) Pte Ltd
Telaria SDN. BHD.
Magnite CTV (NZ) Limited
Telaria Brazil Publicidade Ltda.
Telaria SAS
SlimCut Media Canada Inc.
ScanScout, Inc.
Tremor Video Canada, Inc.
Transpera, Inc.

Exhibit 31.1

Certification of Principal Executive Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael Barrett, certify that:

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

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

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

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

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

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

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

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

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

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

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

Signature: /s/ Michael Barrett

Michael Barrett
President and Chief Executive Officer
(Principal Executive Officer)

Date August 10, 2020

Exhibit 32

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), Michael Barrett, President and Chief Executive Officer (Principal Executive Officer) of The Rubicon Project, Inc. (the "Company"), and David Day, Chief Financial Officer (Principal Financial Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, to which this certification is attached as Exhibit 32 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date August 10, 2020

/s/ Michael Barrett

Michael Barrett
President and Chief Executive Officer
(Principal Executive Officer)

/s/ David Day

David Day
Chief Financial Officer
(Principal Financial Officer)

The foregoing certifications are being furnished pursuant to 13 U.S.C. Section 1350. They are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

Exhibit 31.2

Certification of Principal Financial Officer
pursuant to
Exchange Act Rules 13a-14(a) and 15d-14(a),
as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, David Day, certify that:

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

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

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

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

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

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

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

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

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

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

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

Signature: /s/ David Day

David Day
Chief Financial Officer
(Principal Financial Officer)

Date August 10, 2020