

**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 March 31, 2017

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: 001-35669

SHUTTERSTOCK, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

80-0812659

(I.R.S. Employer
Identification No.)

**Shutterstock, Inc.
350 Fifth Avenue, 21st Floor
New York, NY 10118**

(Address of principal executive offices, including zip code)

(646) 710-3417

(Registrant's telephone number, including area code)

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

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

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

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

Class	Outstanding at April 28, 2017
Common Stock, \$0.01 par value per share	34,566,060

Shutterstock, Inc.
FORM 10-Q
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For the Quarterly Period Ended March 31, 2017

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, particularly in the discussions under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. These include statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, new or planned features, products or services, or management strategies) based on our management’s current beliefs and assumptions. These forward-looking statements can be identified by words such as “may”, “will”, “would”, “should”, “could”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “plan” and other similar expressions. However, not all forward-looking statements contain these words. These forward-looking statements involve known and unknown risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed under the caption “Risk Factors” in our most recently filed Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission, or the SEC, on February 27, 2017, and in our consolidated financial statements, related notes, and the other information appearing elsewhere in such report, as well as information appearing in this report on Form 10-Q and our other filings with the SEC. Any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may occur and it is not possible for us to predict them all. We do not intend, and, except as required by law, we undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless the context otherwise indicates, references in this Quarterly Report on Form 10-Q and our other filings with the SEC to the terms “Shutterstock”, “the Company”, “we”, “our” and “us” refer to Shutterstock, Inc. and its subsidiaries. “Shutterstock”, “Bigstock”, “Offset”, “PremiumBeat”, “Rex Features” and “Webdam” are registered trademarks or logos appearing in this Quarterly Report on Form 10-Q and are the property of Shutterstock, Inc. or one of our subsidiaries. All other trademarks, service marks and trade names appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.**

Shutterstock, Inc.
Consolidated Balance Sheets
(In thousands, except par value amount)
(unaudited)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 195,395	\$ 224,190
Short-term investments	54,901	54,972
Accounts receivable, net	37,962	38,107
Prepaid expenses and other current assets	28,047	22,569
Total current assets	316,305	339,838
Property and equipment, net	63,878	56,101
Intangible assets, net	29,930	30,157
Goodwill	49,689	49,271
Deferred tax assets, net	21,772	23,013
Other assets	4,986	3,398
Total assets	\$ 486,560	\$ 501,778
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,699	\$ 7,305
Accrued expenses	32,569	41,106
Contributor royalties payable	23,759	20,473
Deferred revenue	126,812	122,235
Other liabilities	1,298	12,378
Total current liabilities	196,137	203,497
Deferred tax liability, net	2,023	2,147
Other non-current liabilities	12,479	9,438
Total liabilities	210,639	215,082
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$0.01 par value; 200,000 shares authorized; 37,110 and 36,926 shares issued and 34,551 and 34,816 shares outstanding as of March 31, 2017 and December 31, 2016, respectively	371	369
Treasury stock, at cost; 2,559 and 2,110 shares as of March 31, 2017 and December 31, 2016, respectively	(100,027)	(77,567)
Additional paid-in capital	255,408	251,890
Accumulated comprehensive loss	(14,846)	(17,061)
Retained earnings	135,015	129,065
Total stockholders' equity	275,921	286,696
Total liabilities and stockholders' equity	\$ 486,560	\$ 501,778

See Notes to Unaudited Consolidated Financial Statements.

Shutterstock, Inc.
Consolidated Statements of Operations
(In thousands, except for per share data)
(unaudited)

	Three Months Ended March 31,	
	2017	2016
Revenue	\$ 130,224	\$ 116,652
Operating expenses:		
Cost of revenue	52,411	48,063
Sales and marketing	32,503	27,088
Product development	11,044	11,225
General and administrative	23,963	19,454
Total operating expenses	119,921	105,830
Income from operations	10,303	10,822
Other income (expense), net	455	(12)
Income before income taxes	10,758	10,810
Provision for income taxes	4,155	4,677
Net income	\$ 6,603	\$ 6,133
Net income per share:		
Basic	\$ 0.19	\$ 0.17
Diluted	\$ 0.19	\$ 0.17
Weighted average shares outstanding:		
Basic	34,597	35,375
Diluted	35,595	36,099

See Notes to Unaudited Consolidated Financial Statements.

Shutterstock, Inc.
Consolidated Statements of Comprehensive Income
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2017	2016
Net income	\$ 6,603	\$ 6,133
Foreign currency translation gain	2,215	1,856
Unrealized gain on investments	—	64
Other comprehensive income	2,215	1,920
Comprehensive income	<u>\$ 8,818</u>	<u>\$ 8,053</u>

See Notes to Unaudited Consolidated Financial Statements.

Shutterstock, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,603	\$ 6,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,956	4,204
Deferred taxes	1,486	1,285
Non-cash equity-based compensation	5,956	7,353
Change in fair value of contingent consideration	—	2,365
Settlement of contingent consideration liability in excess of acquisition-date fair value	(6,255)	—
Bad debt expense	135	1,183
Changes in operating assets and liabilities:		
Accounts receivable	(404)	(7,691)
Prepaid expenses and other current and non-current assets	(5,628)	(3,126)
Accounts payable and other current and non-current liabilities	362	1,898
Contributor royalties payable	3,214	1,103
Deferred revenue	4,760	6,760
Net cash provided by operating activities	\$ 17,185	\$ 21,467
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(13,466)	(7,790)
Investment purchases, net	(1,515)	(7,851)
Acquisition of digital content	(753)	(628)
Security deposit (payment)/release	2	(818)
Net cash used in investing activities	\$ (15,732)	\$ (17,087)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury shares	(24,977)	(27,743)
Proceeds from exercise of stock options	561	1,627
Cash paid related to settlement of employee taxes related to RSU vesting	(3,975)	—
Settlement of contingent consideration liability	(3,745)	—
Net cash (used in) provided by financing activities	\$ (32,136)	\$ (26,116)
Effect of foreign exchange rate changes on cash	1,888	995
Net decrease in cash and cash equivalents	(28,795)	(20,741)
Cash and cash equivalents, beginning of period	224,190	241,304
Cash and cash equivalents, end of period	\$ 195,395	\$ 220,563
Supplemental Disclosure of Cash Information:		
Cash paid for income taxes	\$ 2,148	\$ 4,195

See Notes to Unaudited Consolidated Financial Statements.

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

(1) Summary of Operations and Significant Accounting Policies***Summary of Operations***

Shutterstock, Inc., together with its subsidiaries (collectively, the “Company” or “Shutterstock”), is a global technology company that has created a two-sided marketplace for creative professionals to license content. The Company’s library of creative content includes: (a) digital imagery, which consists of licensed photographs, vectors, illustrations and video clips that customers use in their visual communications, such as websites, digital and print marketing materials, corporate communications, books, publications and video content; and (b) commercial music, which consists of high-quality music tracks and sound effects, and is often used to complement the digital imagery. The Company licenses creative content to its customers. Contributors upload their creative content to the Company’s websites in exchange for royalty payments based on customer download activity. The Company also offers digital asset management services through its cloud-based digital asset management platform. This service provides tools for customers to better manage creative content and brand management assets.

Basis of Presentation

The unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all information and footnotes required by GAAP for complete financial statements.

The interim consolidated balance sheet as of March 31, 2017, the consolidated statements of operations and comprehensive income for the three months ended March 31, 2017 and 2016, and the consolidated statement of cash flows for the three months ended March 31, 2017 and 2016 are unaudited. The consolidated balance sheet as of December 31, 2016, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures required by GAAP. These unaudited interim financial statements have been prepared on a basis consistent with the Company’s annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments necessary to state fairly the Company’s financial position as of March 31, 2017 and its consolidated results of operations, comprehensive income and cash flows for the three months ended March 31, 2017 and 2016. The financial data and the other financial information disclosed in the notes to the financial statements related to these periods are also unaudited. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2017 or for any other future annual or interim period.

These financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2016 included in the Company’s Annual Report on Form 10-K which was filed with the SEC on February 27, 2017. The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain changes in presentation have been made to conform the prior period presentation to current period reporting.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Such estimates include, but are not limited to, the determination of the allowance for doubtful accounts, the assessment of recoverability of property and equipment, the fair value of acquired goodwill and intangible assets, the grant-date fair value of non-cash equity-based compensation, the assessment of recoverability of deferred tax assets and the measurement of certain contingent non-income tax liabilities.

Restricted Cash

The Company’s restricted cash relates to security deposits for its office leases. As of March 31, 2017 and December 31, 2016, the Company had restricted cash of approximately \$2.6 million in other assets that related to the lease for its headquarters in New York City, which expires in 2029. The carrying value of restricted cash approximates fair value.

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Notes to Consolidated Financial Statements
(unaudited)

Allowance for Doubtful Accounts

The Company's accounts receivable consist of customer obligations due under normal trade terms, carried at their face value less an allowance for doubtful accounts, if required. The Company determines its allowance for doubtful accounts based on an evaluation of the aging of its accounts receivable and on a customer-by-customer basis where appropriate. The Company's reserve analysis contemplates the Company's historical loss rate on receivables, specific customer situations and the economic environments in which the Company operates. As of March 31, 2017 and December 31, 2016, the Company's allowance for doubtful accounts was approximately \$5.6 million and \$5.5 million, respectively, which was included as a reduction of accounts receivable.

Deferred Rent

The Company records rent expense on a straight-line basis over the term of the related lease. The difference between the rent expense recognized and the actual payments made in accordance with the lease agreement is recognized as a deferred rent liability on the Company's balance sheet. As of March 31, 2017 and December 31, 2016, the Company had deferred rent of \$10.6 million and \$8.6 million, respectively, which was included in other non-current liabilities.

Chargeback and Sales Refund Allowance

The majority of the Company's customers purchase products by making an electronic payment with a credit card at the time of a transaction. The Company establishes a chargeback allowance and sales refund reserve allowance based on factors surrounding historical credit card chargeback trends, historical sales refund trends and other information. As of both March 31, 2017 and December 31, 2016, the Company's combined allowance for chargebacks and sales refunds was \$0.6 million, which was included in other liabilities.

Recently Adopted Accounting Standard Updates

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employees Share-Based Payment Accounting* ("ASU 2016-09"). This ASU changes how companies account for certain aspects of share-based payment awards to employees, including the requirement for all income tax effects related to settlements of share-based payment awards be reported in earnings as an increase or decrease to income tax expense, providing the Company an accounting policy election to either recognize forfeitures as they occur or record an estimate, and requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows.

The Company adopted ASU 2016-09 on January 1, 2017. All income tax effects related to settlements of share-based payment awards will be reported as an increase or decrease to the provision for income taxes. In addition, starting January 1, 2017, the Company will account for forfeitures as they occur and, as of January 1, 2017, recognized a \$0.7 million reduction to retained earnings as the cumulative effect of the change in accounting principle. The Company adopted the cash flow presentation component of ASU 2016-09 retrospectively, and accordingly, decreased cash flows from operating activities by \$1.5 million and increased cash flows from financing activities by \$1.5 million for the three months ended March 31, 2016.

Recently Issued Accounting Standard Updates

In November 2016, the FASB issued ASU 2016-18, *Statements of Cash Flows (Topic 230): Restricted Cash*, which requires entities to present restricted cash with cash and cash equivalents on the statement of cash flows when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. ASU 2016-18 is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. The Company is evaluating the impact of adopting this new accounting standard on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments*. ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. The ASU is intended 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. Adoption of this guidance is required, prospectively, for annual periods beginning after December 15, 2019, with early adoption permitted for annual periods beginning after December 15, 2018. The Company is evaluating the impact of adopting this new accounting standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that the rights and obligations created by leases with a duration greater than 12 months be recorded as assets and liabilities on the balance sheet of the lessee. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15,

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

2018 and can be applied using a modified retrospective approach for all leases entered into before the effective date. Early adoption is permitted. The Company is evaluating the impact of adopting this new accounting standard on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, and its related amendments, provides a unified model to determine when and how revenue is recognized and requires certain additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from customers. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will be effective for the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. This new guidance may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective). The Company expects to adopt this guidance in the first quarter of fiscal 2018 and apply the modified retrospective approach. The Company is evaluating the impact of adopting this new accounting standard on its financial statements.

(2) Fair Value Measurements

The following tables present the Company's fair value hierarchy for its assets and liabilities (in thousands):

	As of March 31, 2017			
	Aggregate Fair Value	Level 1	Level 2	Level 3
Assets:				
Money market accounts	\$ 81,753	\$ 81,753	\$ —	\$ —
Commercial paper	\$ 54,901	—	54,901	—
Total assets measured at fair value	\$ 136,654	\$ 81,753	\$ 54,901	\$ —

	As of December 31, 2016			
	Aggregate Fair Value	Level 1	Level 2	Level 3
Assets:				
Money market accounts	\$ 81,623	\$ 81,623	\$ —	\$ —
Commercial paper	\$ 54,972	—	54,972	—
Total assets measured at fair value	\$ 136,595	\$ 81,623	\$ 54,972	\$ —
Liabilities:				
Acquisition related contingent consideration	\$ 10,000	\$ —	\$ —	\$ 10,000
Total liabilities measured at fair value	\$ 10,000	\$ —	\$ —	\$ 10,000

Money Market Accounts

Cash equivalents include money market accounts which are classified as a level 1 measurement based on quoted prices in active markets for identical assets that the Company can access at the measurement date. The total amount of money market accounts included in cash and cash equivalents was \$81.8 million and \$81.6 million as of March 31, 2017 and December 31, 2016, respectively.

Commercial Paper

The Company's short-term investments consist of commercial paper with original maturities of 90 days or less. Commercial paper is classified as a level 2 measurement based on quoted market prices for identical assets, which are subject to infrequent transactions. The total amount of commercial paper included in short-term investments was \$54.9 million and \$55.0 million as of March 31, 2017 and December 31, 2016, respectively.

Acquisition-Related Contingent Consideration

As of December 31, 2016, the settlement amount of the contingent consideration related to the Company's acquisition of PremiumBeat was determined to be \$10.0 million and was included in other liabilities. This contingency was considered a level 3 measurement. No changes in fair value were recorded during the three months ended March 31, 2017. The contingent consideration of \$10.0 million was paid in March 2017, and there was no remaining liability as of March 31, 2017.

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

Other Fair Value Measurements

Cash, accounts receivable, restricted cash, accounts payable, accrued expenses and deferred revenue carrying amounts approximate fair value because of the short-term nature of these instruments. The Company's non-financial assets, which include property and equipment, intangible assets and goodwill, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Company is required to evaluate the non-financial asset for impairment, a resulting asset impairment would require that non-financial assets be recorded at fair value.

(3) Property and Equipment

Property and equipment is summarized as follows (in thousands):

	As of March 31, 2017	As of December 31, 2016
Computer equipment and software	\$ 74,911	\$ 63,711
Furniture and fixtures	3,982	3,434
Leasehold improvements	22,592	20,944
Property and equipment	101,485	88,089
Less accumulated depreciation	(37,607)	(31,988)
Property and equipment, net	<u>\$ 63,878</u>	<u>\$ 56,101</u>

Depreciation expense related to property and equipment was \$5.6 million and \$3.0 million for the three months ended March 31, 2017 and 2016, respectively. Depreciation expense is included in cost of revenue and general and administrative expense based on the nature of the asset being depreciated.

Capitalized Internal-Use Software

The Company capitalized costs related to the development of internal-use software of \$6.7 million and \$2.8 million for the three months ended March 31, 2017 and 2016, respectively. Capitalized amounts are included as a component of property and equipment under computer equipment and software.

The portion of total depreciation expense related to capitalized internal-use software was \$2.1 million and \$0.5 million for the three months ended March 31, 2017 and 2016, respectively. Depreciation expense related to capitalized internal-use software is included in cost of revenue and general and administrative expense.

As of March 31, 2017 and December 31, 2016, the Company had capitalized internal-use software of \$24.9 million and \$20.3 million, respectively, net of accumulated depreciation, which was included in property and equipment, net.

(4) Goodwill and Intangible Assets**Goodwill**

The Company's goodwill balance is attributable to its Bigstock, Editorial, Music and Webdam reporting units and is tested for impairment at least annually on October 1 or upon a triggering event. Bigstock, Music and Editorial are included in the Company's "Content Business" reporting segment while Webdam is included in the non-reportable "Other Category". The following table summarizes the changes in the Company's goodwill balance by reportable and non-reportable segments through March 31, 2017 (in thousands):

	Consolidated	Content Business	Other Category
Balance as of December 31, 2016	\$ 49,271	\$ 40,508	\$ 8,763
Foreign currency translation adjustment	418	418	—
Balance as of March 31, 2017	<u>\$ 49,689</u>	<u>\$ 40,926</u>	<u>\$ 8,763</u>

No triggering events were identified during the three months ended March 31, 2017.

Shutterstock, Inc.
Notes to Consolidated Financial Statements
(unaudited)

Intangible Assets

Intangible assets consisted of the following as of March 31, 2017 and December 31, 2016 (in thousands):

	As of March 31, 2017		Weighted Average Life (Years)	As of December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization		Gross Carrying Amount	Accumulated Amortization
Amortizing intangible assets:					
Customer relationships	\$ 16,904	\$ (4,906)	9	\$ 16,712	\$ (4,344)
Trade name	6,773	(2,289)	7	6,677	(2,030)
Developed technology	3,264	(2,185)	4	3,224	(1,934)
Contributor content	13,812	(1,745)	11	12,958	(1,386)
Patents	259	(56)	18	227	(52)
Domain name	160	(61)	12	160	(55)
Total	\$ 41,172	\$ (11,242)		\$ 39,958	\$ (9,801)

Amortization expense was \$1.3 million and \$1.2 million for the three months ended March 31, 2017 and 2016, respectively. The Company determined that there was no indication of impairment of the intangible assets for any period presented. Estimated amortization expense for the next five years is: \$4.1 million for the remaining nine months of 2017, \$4.6 million in 2018, \$4.4 million in 2019, \$3.8 million in 2020, \$3.3 million in 2021, \$2.5 million in 2022 and \$7.3 million thereafter.

(5) Accrued Expenses

Accrued expenses consist of the following (in thousands):

	As of March 31, 2017	As of December 31, 2016
Compensation	\$ 9,454	\$ 13,732
Non-income taxes	5,419	7,383
Royalty tax withholdings	7,094	6,921
Other expenses	10,602	13,070
Total accrued expenses	\$ 32,569	\$ 41,106

(6) Commitments and Contingencies

The Company leases facilities under agreements accounted for as operating leases. Rental expense for operating leases was \$2.1 million and \$1.6 million for the three months ended March 31, 2017 and 2016, respectively. Some leases have defined escalating rent provisions, which are expensed over the term of the related lease on a straight-line basis commencing with the date of possession. Any rent allowance or abatement is netted in this calculation. All leases require payment of real estate taxes and operating expense increases.

In 2016, the Company's lease for its office facility in New York City was amended to, among other things, provide for the lease of approximately 25,000 square feet of additional office space and extend the term of the lease. In connection with the underlying lease agreement, the Company entered into a letter of credit as a security deposit for the leased facilities, which was increased to \$2.6 million in connection with the 2016 amendment. The letter of credit was collateralized by \$2.6 million of cash as of March 31, 2017, which is recorded as restricted cash and is included in other assets in the consolidated balance sheet. As amended, the lease is scheduled to expire in 2029 and aggregate future minimum payments under the amended lease are approximately \$81.9 million.

Other Commitments

On October 20, 2016, the Company entered into a multi-part transaction with an unrelated third-party contributor (the "Transaction Party"). The transaction included three primary components: (a) a revolving credit facility pursuant to which the Company would be obligated to lend up to \$4.6 million under certain conditions, (the "Facility") to the Transaction Party. The Facility has a term of five years and requires the Transaction Party to make quarterly payments of principal to the Company

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(unaudited)

beginning on the fourth anniversary of the Facility. The Facility bears interest at 10.0%, with all interest payments deferred until maturity, and the entire unpaid balance of principal and accrued interest due upon maturity; (b) the Company will be the exclusive distributor of the Transaction Party's content in certain markets subject to certain limitations; and (c) the Company, at its option, may acquire the Transaction Party at any time after the third anniversary of the Facility or match any third-party acquisition offer with respect to the Transaction Party at any time until the fifth anniversary of the Facility.

On March 27, 2017, the Facility was amended to reduce the maximum lending amount to \$3.0 million. Simultaneously, the Company invested \$1.6 million in a convertible note issued by the Transaction Party which matures on October 20, 2021. The convertible note bears interest at 10%, with all interest payments deferred until maturity, and the entire unpaid balance of principal and accrued interest due upon maturity. The principal amount of the convertible notes and any accrued and unpaid interest may be converted into equity of the Transaction Party at the Company's option on the maturity date, or earlier upon certain events.

As of March 31, 2017, there have been no borrowings under the Facility.

Other Obligations

As of March 31, 2017, the Company had other obligations in the amount of approximately \$36.8 million, which consisted primarily of minimum royalty guarantees and unconditional purchase obligations related to contracts for infrastructure and other business services. As of March 31, 2017, the Company's other obligations for the remainder of 2017 and for the years ending December 31, 2018, 2019 and 2020 were approximately \$8.7 million, \$12.0 million, \$9.0 million and \$7.1 million, respectively.

Legal Matters

From time to time, the Company may become party to litigation in the ordinary course of business, including direct claims brought by or against the Company with respect to intellectual property, contracts, employment and other matters, as well as claims brought against the Company's customers for whom the Company has a contractual indemnification obligation. The Company assesses the likelihood of any adverse judgments or outcomes with respect to these matters and determines loss contingency assessments on a gross basis after assessing the probability of incurrence of a loss and whether a loss is reasonably estimable. In addition, the Company considers other relevant factors that could impact its ability to reasonably estimate a loss. A determination of the amount of reserves required, if any, for these contingencies is made after analyzing each matter. The Company reviews reserves, if any, at least quarterly and may change the amount of any such reserve in the future due to new developments or changes in strategy in handling these matters. Although the results of litigation and threats of litigation, investigations and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these matters will not have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors. The Company currently has no material active litigation matters and, as such, no material reserves related to litigation.

Indemnification and Employment Agreements

In the ordinary course of business, the Company enters into contractual agreements under which it agrees to provide indemnification of varying scope and terms to customers with respect to certain matters, including, but not limited to, losses arising out of the breach of the Company's intellectual property warranties for damages to the customer directly attributable to the Company's breach. The Company is not responsible for any damages, costs, or losses to the extent such damages, costs or losses arise as a result of any modifications made by the customer, or the context in which an image is used. The Company's license agreements generally cap indemnification obligations at amounts ranging from \$10,000 to \$250,000, with exceptions for certain products for which the Company's indemnification obligations are uncapped. As of March 31, 2017, the Company had recorded no material liabilities related to indemnification obligations in accordance with the authoritative guidance for loss contingencies. Additionally, the Company believes that it has the appropriate insurance coverage in place to adequately cover such indemnification obligations, if necessary.

Pursuant to the Company's charter documents and separate written indemnification agreements, the Company has certain indemnification obligations to its executive officers, certain employees and directors, as well as certain former officers and directors.

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The Company has also entered into employment agreements with its executive officers and certain employees. These agreements specify various employment-related matters, including annual compensation, performance incentive bonuses, and severance benefits in the event of termination with or without cause and in the event of a change in control.

(7) Stockholders' Equity and Equity-Based Compensation

Stockholders' Equity

Common Stock

During the three months ended March 31, 2017, the Company issued approximately 184,000 shares of common stock, related primarily to the exercise of stock options and the vesting of restricted stock units ("RSUs").

Treasury Stock

In October 2015, the Company's Board of Directors approved a share repurchase program, pursuant to which the Company is authorized to purchase up to \$100 million of its common stock. In February 2017, the Company's Board of Directors approved an increase to the share repurchase program, pursuant to which the Company is authorized to repurchase up to an additional \$100 million of its outstanding common stock. The Company expects to fund future repurchases through a combination of cash on hand, cash generated by operations and future financing transactions, if needed. Accordingly, the Company's share repurchase program is subject to the Company having available cash to fund repurchases. Under the program, the Company is authorized to purchase shares from time to time through open market purchases or privately negotiated transactions at prevailing prices as permitted by securities laws and other legal requirements, and subject to market conditions and other factors.

During the three months ended March 31, 2017, the Company repurchased approximately 449,000 shares of its common stock under the share repurchase program at an average per-share cost of approximately \$50.04. As of March 31, 2017, the Company had \$100.0 million remaining for purchases under the share repurchase program.

Equity-Based Compensation

The Company recognizes stock-based compensation expense for all share-based payment awards including employee stock options and RSUs granted under the 2012 Omnibus Equity Incentive Plan and sales of shares of common stock under the 2012 Employee Stock Purchase Plan (the "2012 ESPP") based on each award's fair value on the grant date.

The following table summarizes non-cash equity-based compensation expense, net of forfeitures, by financial statement line item included in the accompanying consolidated statements of operations for the three months ended March 31, 2017 and 2016 (in thousands):

	Three Months Ended March 31,	
	2017	2016
Cost of revenue	\$ 208	\$ 533
Sales and marketing	1,218	1,191
Product development	1,256	2,149
General and administrative	3,274	3,480
Total	\$ 5,956	\$ 7,353

The following table summarizes non-cash equity-based compensation expense, net of forfeitures, by award type included in the accompanying consolidated statements of operations for the three months ended March 31, 2017 and 2016 (in thousands):

	Three Months Ended March 31,	
	2017	2016
Stock options	\$ 1,566	\$ 1,736
RSUs	4,390	5,445
ESPP shares	—	172
Total	\$ 5,956	\$ 7,353

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Stock Option Awards

During the three months ended March 31, 2017, the Company granted options to purchase approximately 79,000 shares of its common stock with a weighted average exercise price of \$48.57. As of March 31, 2017, there were approximately 309,000 options vested and exercisable with a weighted average exercise price of \$35.11. As of March 31, 2017, the total unrecognized compensation charge related to non-vested options was approximately \$20.7 million, which is expected to be recognized through the fiscal year 2021.

Restricted Stock Units

During the three months ended March 31, 2017, the Company granted approximately 464,000 RSUs. As of March 31, 2017 there are approximately 1,353,000 non-vested RSUs outstanding. As of March 31, 2017, the total unrecognized non-cash equity-based compensation charge related to the non-vested RSUs was approximately \$52.2 million, which is expected to be recognized through fiscal year 2021.

During the three months ended March 31, 2017, shares with an aggregate value of \$4.0 million were withheld upon vesting of RSUs and in connection with related remittance to taxing authorities.

ESPP Shares

In December 2016, the Company's Board of Directors suspended the 2012 ESPP. During the three months ended March 31, 2017, no shares of the Company's common stock were issued under the 2012 ESPP.

(8) Employee Benefit Plans

The Company has a 401(k) defined contribution plan and provides for annual discretionary employer matching contributions not to exceed 3% of employees' base compensation per year. Matching contributions are fully vested and non-forfeitable at all times. The Company recorded expenses related to employer matching contributions of \$0.4 million and \$0.5 million for the three months ended March 31, 2017 and 2016, respectively.

(9) Other Expense, Net

The following table presents a summary of the Company's other income and expense activity included in the accompanying consolidated statements of operations for the three months ended March 31, 2017 and 2016 (in thousands):

	Three Months Ended March 31,	
	2017	2016
Foreign currency gain (loss)	\$ 365	\$ 670
Change in fair value of contingent consideration	—	(714)
Interest income	90	32
Total income (expense)	<u>\$ 455</u>	<u>\$ (12)</u>

(10) Income Taxes

The Company's effective tax rates were 38.6% and 43.3% for the three months ended March 31, 2017 and 2016, respectively. In the three months ended March 31, 2017, the Company incurred discrete tax items relating primarily to withholding tax incurred on income earned in foreign jurisdictions, the net effect of which increased the effective tax rate by 5.0%. In the three months ended March 31, 2016, we incurred a discrete tax expense related primarily to a change in our state apportionment percentage which increased the effective tax rate by 2.2%.

The Company has computed the provision for income taxes based on the estimated annual effective tax rate and the application of discrete items, if any, in the applicable period. The estimated annual effective tax rate differs from the statutory tax rate due primarily to an increase of income in foreign jurisdictions with lower statutory rates.

During the three months ended March 31, 2017 and 2016, unrecognized tax benefits recorded by the Company for uncertain tax positions taken in prior years were not material. To the extent the remaining unrecognized tax benefits are ultimately recognized, the Company's effective tax rate may be impacted in future periods.

The Company recognizes interest expense and tax penalties related to unrecognized tax benefits in income tax expense in the consolidated statements of operations. The Company's accrual for interest and penalties related to unrecognized tax benefits was not material for the each of three months ended March 31, 2017 and 2016.

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As of March 31, 2017, the Company had approximately \$8.1 million of undistributed earnings attributable to its foreign subsidiaries. It is the Company's practice and intention to indefinitely reinvest the earnings of its foreign subsidiaries in those operations. The Company has not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences resulting from the earnings indefinitely reinvested outside the United States. It is currently not practicable for the Company to calculate the associated unrecognized deferred tax liability.

(11) Net Income Per Share

Basic net income per share is computed by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Any potential issuance of common shares, including those that are contingent and do not participate in dividends, is excluded from weighted average number of common shares outstanding. Income available to common stockholders is computed by deducting income allocated to participating securities, if any, including unvested shares for the restricted award holder since these unvested shares have participating rights.

Diluted net income per share is computed by dividing the net income attributable to common stockholders by the weighted average common shares outstanding and all potential common shares, if they are dilutive.

A reconciliation of assumed exercised shares used in calculating basic and diluted net income per share follows (in thousands):

	Three Months Ended March 31,	
	2017	2016
Weighted average shares outstanding:		
Basic	34,597	35,375
Stock options and ESPP shares	495	352
Unvested RSUs and restricted stock awards	503	372
Diluted	35,595	36,099
Dilutive securities included in the calculation	1,927	1,814
Anti-dilutive securities excluded from the calculation	1,082	1,071

(12) Geographic Information

The following table presents the Company's revenue based on customer location (in thousands):

	Three Months Ended March 31,	
	2017	2016
North America	\$ 52,798	\$ 47,142
Europe	42,573	39,186
Rest of the world	34,853	30,324
Total revenue	\$ 130,224	\$ 116,652

The United States, included in North America in the above table, accounted for 36% and 35% of consolidated revenue for the three months ended March 31, 2017 and 2016, respectively. The United Kingdom, included in Europe in the above table, accounted for 9% and 11% of total revenue for the three months ended March 31, 2017 and 2016, respectively. No other country accounts for more than 10% of the Company's revenue in any period presented.

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The Company's long-lived tangible assets were located as follows (in thousands):

	March 31, 2017	December 31, 2016
North America	\$ 62,698	\$ 54,913
Europe	1,101	1,141
Rest of the world	79	47
Total long-lived tangible assets	<u>\$ 63,878</u>	<u>\$ 56,101</u>

The United States, included in North America in the above table, accounted for 95% of total long-lived tangible assets as of March 31, 2017 and December 31, 2016.

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

The following discussion of our financial condition and results of operations should be read together with our interim consolidated unaudited financial statements and related notes contained elsewhere in this Quarterly Report on Form 10-Q and with information contained in our other filings, including the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the SEC on February 27, 2017.

In addition to historical consolidated financial information, this discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. These statements involve risks and uncertainties and our actual results could differ materially from those discussed below. See the “Special Note on Forward Looking Statements” disclosure included above for a discussion of the uncertainties, risks and assumptions associated with these statements. See also the “Risk Factors” disclosure of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for additional discussion of such risks.

Overview and Recent Developments

Shutterstock is a leading global technology company that operates a two-sided marketplace for creative professionals to license content. Our library of creative content includes: (a) digital imagery, which consists of licensed photographs, vectors, illustrations and video clips that customers use in their visual communications, such as websites, digital and print marketing materials, corporate communications, books, publications and video content; and (b) commercial music, which consists of high-quality music tracks and sound effects and which is often used to complement the digital imagery. We also offer digital asset management services through Webdam, our cloud-based digital asset management platform, which provides tools for customers to better manage content and brand management assets.

Our global marketplace brings together users and contributors of creative content by providing a readily-searchable collection of content that our customers can pay to license and incorporate into their work and by compensating contributors as their content is licensed to our customers. More than 1.7 million active, paying customers contributed to our revenue for the twelve-month period ended March 31, 2017. As of March 31, 2017, more than 190,000 approved contributors made their creative content available in our collection, which has grown to more than 125 million images and has grown to include more than 6.8 million video clips. This makes our collection of creative content one of the largest of its kind, and we delivered more than 43 million paid downloads across all of our brands during the three months ended March 31, 2017. We believe that we delivered the highest volume of commercial image downloads in this period of any single brand in our industry.

During the three month period ended March 31, 2017, in addition to the increase in creative content provided by our contributors, we also added to our collection and customer base as follows:

- In January 2017, we expanded our multi-year deal with The Associated Press, Inc. (“AP”) to distribute AP’s daily global photo output for license to customers based in the United Kingdom. AP grants Shutterstock access to more than 3,000 of AP’s breaking news, sports and entertainment images and video clips daily as well as 30 million images and nearly 2 million video clips from AP’s visual archive.
- In February 2017, we entered into a partnership with HubSpot Inc. (“HubSpot”) to bring images from Shutterstock’s collection to HubSpot customers worldwide.
- In March 2017, we entered into a partnership with SharpSpring, Inc. (“SharpSpring”) to provide SharpSpring customers access to our collection of images.
- In March 2017, we announced the availability of a curated collection of images within Amazon’s newly launched Posters & Prints program.
- In March 2017, we executed an exclusive global distribution agreement with World Surf League (“WSL”) to become the exclusive global distributor for WSL’s professional surfing photo collection.

Through our two-sided marketplace, we generate revenue by licensing creative content to our customers, which is offset by paying royalties to contributors each time their content is delivered to a customer for use. During the three months ended March 31, 2017, 64% of our revenue and the majority of our content licenses came from users of our e-commerce platform. E-commerce customers have the flexibility of choosing content subscription plans that provide a large volume of content for their creative process without concern for the incremental cost of each license, or for customers with other content needs, we offer simple, affordable, a la carte content licenses. For larger organizations or those with unique content, licensing, and workflow needs, our dedicated enterprise sales, service, and research teams are able to provide a number of enhancements to their creative workflows beyond the use-cases available on our e-commerce platform.

Each time an image, video clip or music track is delivered to a customer for use, we record a royalty expense for the amount due to the associated contributor. Royalties are calculated using either a fixed dollar amount or a fixed percentage of revenue, and are typically paid to contributors on a monthly basis, subject to withholding taxes and certain payout minimums.

Royalties represent the largest component of our operating expenses (and are reported within cost of revenue) and tend to increase proportionally with revenue. In addition to content sourced through direct submission through our web properties, content may also be obtained through exclusive distribution agreements with strategic partners or through the direct acquisition of a content library or archive. In certain cases, we will enter into arrangements with contributors whereby we guarantee a minimum royalty to a contributor or strategic partner, usually paid up-front, in exchange for exclusive rights to distribute content when we believe such exclusivity provides us with a distinct competitive advantage. In recent years we have made a number of enhancements to our content libraries through the direct acquisition of content and through entering into several such agreements and partnerships.

Our cost of revenue is substantially similar as a percentage of revenue for our e-commerce and enterprise customers. While contributors earn a fixed amount per download for some of our plans, we have set the per-download amount paid to our contributors for each of our purchase options so that contributors earn more per download from plans where we collect higher revenue per download. In other words, we strive to deliver a similar percentage of revenue to contributors regardless of which purchase option a customer chooses. We expect that shifts in the relative popularity of these two purchase options will not materially impact our cost of revenue.

As a provider of digital asset management technology, we also generate revenue by licensing the use of our Webdam platform to customers on a contract basis, which is typically twelve months.

We manage customer acquisition costs based on the expected blended customer lifetime value across our purchase options so that we are able to manage our marketing expenses to achieve certain desired growth targets. As a result, we do not believe that shifts in the mix between e-commerce and enterprise sales channels will materially impact our operating margins.

An important driver of our growth is customer acquisition, which we achieve primarily through online marketing efforts, including paid search, organic search, online display advertising, email marketing, affiliate marketing, social media and strategic partnerships. Over the past several years, our investments in marketing have been a significant percentage of revenue. Since we believe the market for creative content is at an early stage, we plan to continue to invest aggressively in customer acquisition to achieve revenue and market share growth. We believe that another important driver of growth is the quality of the user experience we provide on our websites, especially the efficiency with which our search interfaces and algorithms help customers find the creative content that they need, the degree to which we make use of the large quantity of data we collect about images, videos and music and search patterns, and the degree to which our websites have been localized for international audiences. To this end, we have invested aggressively in product development and hosting infrastructure, and we intend to continue to invest in these areas, to the extent that we can improve the customer experience and increase the efficiency with which we deploy new products and features. Finally, the quality and quantity of content that we make available in our collection is another key driver of our growth. Approved and licensable high-quality content in the Shutterstock collection exceeded 125 million images and 6.8 million video clips as of March 31, 2017, making it one of the largest libraries of its kind.

Key Operating Metrics

In addition to key financial metrics, we regularly review a number of key operating metrics to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe that these metrics can be useful for understanding the underlying trends in our business. The following table summarizes our key operating metrics, which are unaudited, for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
	(in millions, except revenue per download)	
Paid downloads (during the period)	43.5	41.2
Revenue per download (during the period)	\$ 2.91	\$ 2.77
Content in Our Collection (end of period):		
Images	132.0	81.0
Video Clips	6.9	4.2

Paid Downloads

Measuring the number of paid downloads that our customers make in any given period is important because downloads are the primary method of delivering licensed content, which drives a significant portion of our revenue and contributor royalties. For customers that choose to purchase content à la carte, each incremental content license results in incremental recognition of revenue. For customers that choose our subscription purchase options, we do not recognize revenue from each incremental content license, but we believe that download activity is an important measure of the value that a customer is getting from a subscription. We define paid downloads as the number of downloads that our customers make in a given period

of our photographs, vectors, illustrations, video clips or music tracks, excluding re-downloads of content that a customer has downloaded in the past (which do not generate incremental revenue or contributor royalty expense) and downloads of content that is offered to customers for no charge, including our free image of the week and content made available through our Freestock product (which we make available as a means of acquiring new customers and attracting existing customers to return to our websites more frequently).

Revenue per Download

We define revenue per download as the amount of revenue recognized in a given period divided by the number of paid downloads in that period excluding the impact of revenue that is not derived from or associated with content licenses. This metric captures any changes in our pricing, as well as the mix of purchase options that our customers choose, some of which generate more revenue per download than others, and the impact that changes in foreign currency rates have on our pricing. For example, when a customer pays \$49 for five images, we earn more revenue per download (\$9.80 per download) than when a customer purchases a one-month subscription for \$249 and downloads 100 images during the month (\$2.49 per download). Revenue per download has increased over the last three years, almost entirely due to the change in product mix. During this period, pricing has remained relatively constant.

Content in our Collection

We define content in our collection as the total number of (a) images (photographs, vectors and illustrations) and (b) video clips available to customers for commercial license on shutterstock.com at any point in time. We exclude content from this collection metric that is not uploaded directly to our site but is available to our customers through an application program interface and certain content that may be licensed for editorial use only. We record this metric as of the end of a period. Offering a large selection of content allows us to acquire and retain customers and, therefore, we believe that broadening our selection of high-quality content is an important driver of our revenue growth.

Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2, contains a calculation of period-over-period revenue growth on a constant-currency basis, which is a financial measure that has not been calculated in accordance with GAAP, and should be considered in addition to our results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, our results prepared in accordance with GAAP.

Revenue growth on a constant-currency basis (expressed as a percentage) is calculated by determining the increase in current period revenues over prior period revenues, utilizing fixed exchange rates for translating foreign currency revenues for both periods.

Our management uses this non-GAAP financial measure, in conjunction with GAAP financial measures, as an operating measure to help evaluate our business and in making financial and operational decisions. Management believes that providing a measure of period-over-period revenue growth on a constant-currency basis is useful to investors to provide them with disclosures of Shutterstock’s revenue trends and overall business on the same basis as that which is used by management and because this metric eliminates the effect of foreign currency fluctuations that are not directly attributable to Shutterstock’s underlying operating performance and are outside management’s control. Additionally, management believes that providing this non-GAAP financial measure enhances the comparability for investors in assessing Shutterstock’s financial reporting. However, non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of the consolidated financial statements in conformity with GAAP requires our management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure or inclusion of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to allowance for doubtful accounts, medical self-insurance accruals, chargeback and sales refund reserve, the fair value of goodwill, intangibles and other long-lived assets, non-cash equity-based compensation expense, the fair value of contingent consideration, the provision for income taxes and the amount of certain non-income tax accruals. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

We believe that the policies, assumptions and estimates associated with our revenue recognition, allowance for doubtful accounts, chargeback and sales refund reserve, stock-based compensation, self-insurance accruals, accounting for non-income and income taxes, goodwill and intangible assets and advertising costs have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

A description of our critical accounting policies that involve significant management judgments appears in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 that we filed with the SEC on February 27, 2017, or the 2016 Form 10-K, under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.”

During the first quarter of 2017, we adopted the Financial Accounting Standards Board’s *Accounting Standards Update 2016-09: Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting*, which simplified the accounting for stock-based compensation in a number of areas including the accounting for awards expected to be forfeited and the accounting for the tax effects of stock-based compensation. See Note 1 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a full description of the impact of the adoption of this accounting standard on our financial statements. Apart from the item described above, there have been no material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates included in the 2016 Form 10-K.

Key Components of Our Results of Operations

Revenue

We record revenue net of credit card chargebacks and refunds. The majority of our revenue is generated through the licensing of creative content, and the majority of our licensing revenue is generated by sales through our e-commerce platform.

We generate revenue through our e-commerce platform from the sale of subscriptions that provide customers the flexibility of high-volume content subscriptions as well as a variety of other purchase options. Our subscriptions typically vary in length from one month to one year. In addition to sales through our e-commerce platform, we offer additional purchase options to enterprise customers, that can be tailored to meet our customers’ specific needs.

We typically receive the full amount of e-commerce purchases at the time of sale; however, revenue is recognized ratably over the course of a subscription period or as content is downloaded. Some of our larger custom and enterprise accounts are invoiced and pay us on credit terms. For certain of these accounts, we receive payment in installments over the course of an annual commitment.

We also generate revenue through Webdam, which licenses digital asset management software services to marketing and creative teams and enterprise organizations through its cloud-based software platform. Software licensing fees are recognized ratably as revenue over the course of the contractual term, which is typically one year.

Our deferred revenue consists of amounts paid by customers for which revenue recognition criteria have not been met. For content revenue, deferred revenue is recognized as revenue when content is licensed or when the right to license content expires, and all other revenue recognition criteria have been met. For Webdam, deferred revenue is recognized as revenue through passage of time and when all other revenue recognition criteria have been met.

Revenues generated from each of the sales channels are as follows (in thousands):

	Three Months Ended March 31,	
	2017	2016
E-Commerce	\$ 83,761	\$ 79,922
Enterprise	41,866	33,367
Other	4,597	3,363
Total Revenue	\$ 130,224	\$ 116,652

Costs and Expenses

Cost of Revenue. Cost of revenue consists of royalties paid to contributors, credit card processing fees, content review costs, customer service expenses, the infrastructure and hosting costs related to maintaining our e-commerce platform and cloud-based software platform and associated employee compensation, including non-cash equity-based compensation, bonuses and benefits, amortization of content and technology intangible assets, allocated facility costs and other supporting overhead costs. We expect that our cost of revenue will increase in absolute dollars in the foreseeable future as our revenue grows.

Sales and Marketing. Sales and marketing expenses include third-party marketing, advertising, branding, public relations and sales expenses. Sales and marketing expenses also include associated employee compensation, including non-cash equity-based compensation, bonuses and benefits, and commissions as well as allocated facility and other supporting overhead costs. We expect sales and marketing expenses to increase in absolute dollars in the foreseeable future as we continue to invest in new customer acquisition.

Product Development. Product development expenses consist of employee compensation, including non-cash equity-based compensation, bonuses and benefits, and expenses related to contractors engaged in product management, design, development and testing of our websites and products. Product development costs also include allocated facility and other supporting overhead costs. We expense product development expenses as incurred, except for costs that are capitalized for internal-use software development projects and subsequently depreciated over the expected useful life of the developed software. Beginning in the fourth quarter of 2015, we have experienced an increase in capitalized costs for internal-use software development related primarily to our efforts to launch new and innovative products. We expect product development expenses, of which a portion will be capitalized, to increase in absolute dollars in the foreseeable future as we continue to invest in developing new products and internal tools and enhancing the functionality of our existing products and technology.

General and Administrative. General and administrative expenses include employee compensation, including non-cash equity-based compensation, bonuses and benefits for executive, finance, business development, accounting, legal, human resources, internal information technology, business intelligence and other administrative personnel. In addition, general and administrative expenses include outside legal, tax and accounting services, bad debt expense, insurance, facilities costs and other supporting overhead costs. We expect to incur incremental general and administrative expenses to support our global operational growth and enhancements to support our reporting and planning functions.

Other Expense, Net. Other expense consists of non-operating costs such as foreign currency transaction gains and losses, interest income and expense and prior to 2017, changes in the fair value of contingent consideration related to acquisitions. As we increase the volume of business transacted in foreign currencies resulting from international expansion and as currency rates fluctuate, we expect foreign currency gains and losses to continue to fluctuate.

Income Taxes. We compute income taxes using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted statutory income tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized. As of March 31, 2017, we have not recorded any such valuation allowances.

As we continue to expand our operations outside of the United States, we have been and may continue to become subject to taxation in additional non-U.S. jurisdictions and our effective tax rate could fluctuate accordingly.

Results of Operations

The following table presents our results of operations for the periods indicated. The period-to-period comparisons of results are not necessarily indicative of results for future periods.

	Three Months Ended March 31,	
	2017	2016
(in thousands)		
Consolidated Statements of Operations:		
Revenue	\$ 130,224	\$ 116,652
Operating expenses:		
Cost of revenue	52,411	48,063
Sales and marketing	32,503	27,088
Product development	11,044	11,225
General and administrative	23,963	19,454
Total operating expenses	119,921	105,830
Income from operations	10,303	10,822
Other income (expense), net	455	(12)
Income before income taxes	10,758	10,810
Provision for income taxes	4,155	4,677
Net income	\$ 6,603	\$ 6,133

The following table presents the components of our results of operations for the periods indicated as a percentage of revenue:

	Three Months Ended March 31,	
	2017	2016
Consolidated Statements of Operations:		
Revenue	100%	100 %
Operating expenses:		
Cost of revenue	40%	41 %
Sales and marketing	25%	23 %
Product development	8%	10 %
General and administrative	18%	17 %
Total operating expenses	92%	91 %
Income from operations	8%	9 %
Other income (expense), net	—%	— %
Income before income taxes	8%	9 %
Provision for income taxes	3%	4 %
Net income	5%	5 %

Note: Percent totals may not sum exactly, due to rounding

Comparison of the Three Months Ended March 31, 2017 and 2016

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

	Three Months Ended March 31,			
	2017	2016	\$ Change	% Change
(in thousands)				
Consolidated Statements of Operations:				
Revenue	\$ 130,224	\$ 116,652	\$ 13,572	12 %
Operating expenses:				
Cost of revenue	52,411	48,063	4,348	9
Sales and marketing	32,503	27,088	5,415	20
Product development	11,044	11,225	(181)	(2)
General and administrative	23,963	19,454	4,509	23
Total operating expenses	119,921	105,830	14,091	13
Income from operations	10,303	10,822	(519)	(5)
Other income (expense), net	455	(12)	467	*
Income before income taxes	10,758	10,810	(52)	—
Provision for income taxes	4,155	4,677	(522)	*
Net income	\$ 6,603	\$ 6,133	\$ 470	8 %

* Not meaningful

Revenue

Revenue increased by \$13.6 million, or 12%, to \$130.2 million in the three months ended March 31, 2017 compared to the same period in 2016. Excluding the impact of foreign currency fluctuations, revenue increased 14% in the three months ended March 31, 2017 compared to the same period in 2016. We continued to grow our customer base and undertake initiatives focused on broadening our subscriptions product offerings, which has resulted in increased customer utilization and provides customers an effective price per content download that is more economical at higher volumes. We believe these offerings will lead to a sustained customer engagement over longer periods. As a result of these initiatives, the increase in revenue during the three month period was primarily attributable to a 6% increase in the number of paid downloads, the acquisition of new customers and increased activity by our enterprise customers, which in turn has driven a 5% increase in revenue per download as compared to the prior year. In the three months ended March 31, 2017 and 2016, we delivered 43.5 million and 41.2 million paid downloads, respectively, and our revenue per download increased to \$2.91 from \$2.77.

In addition, revenue from North America increased by \$5.7 million, or 12%, to \$52.8 million in the three months ended March 31, 2017 compared to the same period in 2016, revenue from Europe increased by \$3.4 million, or 9%, to \$42.6 million in the three months ended March 31, 2017 compared to the same period in 2016, and revenue from the rest of the world increased by \$4.5 million, or 15%, to \$34.9 million in the three months ended March 31, 2017 compared to the same period in 2016.

Costs and Expenses

Cost of Revenue. Cost of revenue increased by \$4.3 million, or 9%, to \$52.4 million in the three months ended March 31, 2017 compared to the same period in 2016. Royalties increased \$1.8 million, or 5%, which is attributable to the increases in revenue and paid downloads during the period. We anticipate royalties will continue growing in absolute dollars as revenue grows, although royalties as a percentage of revenue may vary somewhat from period to period primarily due to customer usage and product mix and to a lesser extent due to the contributors' achievement of royalty target thresholds. Costs associated with website hosting, content consulting, freelance photographers and other operational costs increased by \$2.6 million, or 55%, to \$7.5 million in the three months ended March 31, 2017 compared to the same period in 2016.

Sales and Marketing. Sales and marketing expenses increased by \$5.4 million, or 20%, to \$32.5 million in the three months ended March 31, 2017 compared to the same period in 2016. Expenses related to brand and performance advertising, the largest component of our sales and marketing expenses, increased by \$5.4 million, or 43%, to \$17.9 million in the three months ended March 31, 2017 compared to the same period in 2016 as a result of increased spending on affiliate, search advertising and other new marketing channels. We anticipate that our global sales and marketing spend will continue to increase in absolute dollars for the foreseeable future as we continue to pursue growth through new products and geographies as well as growth from new customers.

Product Development. Product development expenses remained relatively unchanged from \$11.2 million for the three months ended March 31, 2016 to \$11.0 million for the three months ended March 31, 2017. We continue to increase our investment in product, engineering and quality assurance to support the increasing number of product development initiatives for our websites, including ongoing efforts to improve our search capabilities. A significant portion of this investment is capitalized as internal use software. We anticipate product development expenses to increase in the foreseeable future, of which a portion will continue to be capitalized, as we continue to invest in developing new products and internal tools and enhancing the functionality of our existing products and technology.

General and Administrative. General and administrative expenses increased by \$4.5 million, or 23%, to \$24.0 million in the three months ended March 31, 2017 compared to the same period in 2016. The most significant component of this increase relates to employee-related expenses which increased by \$2.2 million, or 25%, to \$11.2 million in the three months ended March 31, 2017 due to increases in the Company's workforce to support its growth and infrastructure. Additionally, depreciation and amortization expense increased by \$0.6 million, or 25%, to \$3.0 million primarily due to the increased capital expenditures related to system infrastructure, and professional service fees increased \$1.0 million primarily relating to the procurement of specialized services pertaining to the organizational growth. The remaining increase in general and administrative expenses is attributable to various operating expenses associated with the overall growth in the Company's business.

Other Income (Expense), Net. Other expenses generally include foreign currency gains and losses and changes in the fair value of contingent consideration related to the passage of time. During the three months ended March 31, 2017, nearly all of the \$0.5 million of other income related to the remeasurement of our non-functional currency assets and liabilities. During the three months ended March 31, 2016, foreign currency gains were offset by the change in the fair value of contingent consideration. Foreign currency transaction gains and losses could fluctuate in future periods as we continue to expand our international operations and increase the volume of business transacted in currencies other than the U.S. dollar.

Income Taxes. Income tax expense decreased by \$0.5 million to \$4.2 million in the three months ended March 31, 2017 compared to the same period in 2016. Our effective tax rate for the three months ended March 31, 2017 and 2016 was 38.6% and 43.3%, respectively. During the three months ended March 31, 2017, we incurred a net discrete tax expense relating primarily to withholding tax incurred on income earned in foreign jurisdictions, which increased our effective tax rate by 5.0%, and during the three months ended March 31, 2016, we incurred a net discrete tax expense related primarily to a change in our state apportionment percentage which increased our effective tax rate by 2.2%. Excluding those discrete items, our effective tax rate would have been 33.6% and 41.1% for the three months ended March 31, 2017 and 2016, respectively. The decrease in the effective tax rate for the three months ended March 31, 2017 resulted from additional benefits relating to the U.S. Research & Development tax credit and an increase of income in foreign jurisdictions with lower statutory rates.

Quarterly Trends

Our operating results may fluctuate from quarter to quarter as a result of a variety of factors, including the effects of some seasonal trends in customer behavior. For example, we expect certain customers' usage may decrease during the fourth quarter of each calendar year due to the year-end holiday vacation season and may increase in the first quarter of each calendar year as many customers return to work. While we believe seasonal trends have affected and will continue to affect our quarterly results, our trajectory of rapid growth may have overshadowed these effects to date. Additionally, because a significant portion of our revenue is derived from repeat customers who have purchased subscription plans, our revenues tend to be smoother and less volatile than if we had no subscription-based customers.

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

Liquidity and Capital Resources

As of March 31, 2017, we had cash and cash equivalents and short term investments totaling \$250.3 million. Cash and cash equivalents, which consist primarily of money market mutual funds and checking account balances, were \$195.4 million. Our short-term investments, all of which mature in 90 days or less, were \$54.9 million. Since inception, we have financed our operations primarily through cash flows generated from operations.

Historically, our principal uses of cash have been funding our operations, capital expenditures, content acquisition, business combinations that enhance our strategic position and share purchases under our share repurchase program. We plan to finance our operations and capital expenses largely through cash generated by our operations. Since our results of operations are sensitive to the level of competition we face, increased competition could adversely affect our liquidity and capital resources.

Share Repurchase Program

In October 2015, our board of directors approved a share repurchase program, pursuant to which we are authorized to repurchase up to \$100 million of our common stock, and in February 2017, our Board approved an additional repurchase program, under which we are authorized to repurchase up to an additional \$100 million of our common stock. We expect to fund repurchases through a combination of cash on hand, cash generated by operations and future financing transactions, if appropriate. Accordingly, our share repurchase program is subject to us having available cash to fund repurchases. Under this program, management is authorized to purchase shares from time to time through open market purchases or privately negotiated transactions at prevailing prices as permitted by securities laws and other legal requirements, and subject to market conditions and other factors.

As of March 31, 2017, we have repurchased approximately 2,558,000 shares of our common stock under the share repurchase program at an average per-share cost of \$39.09. As of March 31, 2017, we had \$100.0 million remaining for share repurchases under this program.

Sources and Uses of Funds

We believe, based on our current operating plan, that our cash and cash equivalents, and cash from operations, will be sufficient to meet our anticipated cash needs for at least the next 12 months. Consistent with previous periods, we expect that future capital expenditures will primarily relate to acquiring additional servers and network connectivity hardware and software, enhancements to the functionality of our current platform, leasehold improvements and furniture and fixtures related to office expansion and relocation, digital content and general corporate infrastructure. In March 2017, we paid the full amount of the contingent purchase price for PremiumBeat of approximately \$10.0 million. See Note 6 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding existing capital commitments as of March 31, 2017.

Cash Flows

The following table summarizes our cash flow data for the three months ended March 31, 2017 and 2016 (in thousands).

	Three Months Ended March 31,	
	2017	2016
Net cash provided by operating activities	\$ 17,185	\$ 21,467
Net cash used in investing activities	\$ (15,732)	\$ (17,087)
Net cash used in financing activities ⁽¹⁾	\$ (32,136)	\$ (26,116)

(1) Includes repurchase of common stock under the share repurchase program for the three months ended March 31, 2017 and 2016. No distributions or dividends have been paid during the periods presented.

Operating Activities

Our primary source of cash from operating activities is cash collections from our customers. The majority of our revenue is generated from credit card transactions and is typically settled within one to five business days. Our primary uses of cash for operating activities are for the payment of royalties to content contributors, employee-related expenditures and the payment of other operating expenses incurred in the ordinary course of business.

Net cash provided by operating activities was \$17.2 million for the three months ended March 31, 2017 compared to \$21.5 million for the three months ended March 31, 2016, which reflects a decrease of \$4.3 million, or 20%. This decrease is primarily attributable to the March 2017 payment of the contingent consideration related to the PremiumBeat acquisition. In addition, timing of payments pertaining to operating expenses can cause operating cash flow to fluctuate from quarter to quarter.

Investing Activities

Cash used in investing activities in the three months ended March 31, 2017 was \$15.7 million, consisting primarily of capital expenditures of \$13.5 million to purchase software and equipment related to our data centers, capitalization of leasehold improvements and website development costs and \$0.8 million paid to acquire the rights to distribute certain digital content in perpetuity.

Cash used in investing activities in the three months ended March 31, 2016 was \$17.1 million, consisting primarily of capital expenditures of \$7.8 million to purchase software and equipment related to our data centers, capitalization of leasehold

improvements and website development costs and \$0.6 million paid to acquire the rights to distribute certain digital content in perpetuity. In addition, we increased our position in short-term investments by \$7.9 million, net of sales.

Financing Activities

Cash used in financing activities in the three months ended March 31, 2017 was \$32.1 million, consisting primarily of \$25.0 million paid for share repurchases during the period. Cash used in financing activities also included \$3.7 million which was paid in settlement of contingent consideration liabilities related to the 2015 acquisition of PremiumBeat and \$4.0 million which was paid in settlement of tax withholding obligations related to employee stock-based compensation awards. These amounts were partially offset by proceeds of approximately \$0.6 million from the issuance of common stock in connection with the exercise of stock options.

Cash used in financing activities in the three months ended March 31, 2016 was \$26.1 million, consisting primarily of \$27.7 million paid for share repurchases during the period which was partially offset by proceeds of approximately \$1.6 million from the issuance of common stock in connection with the exercise of stock options and the sale of stock under our employee stock purchase plan.

Contractual Obligations and Commitments

We lease office facilities under operating lease agreements that expire on various dates through 2029. We do not have any material capital lease obligations and our property, equipment and software have been purchased primarily with cash. We anticipate expanding our office and co-location facilities as our revenue and customer base continue to grow and diversify. We do not anticipate any difficulties in renewing those leases and co-location agreements that expire within the next several years and that we currently plan to renew, or in leasing other space or hosting facilities, if required.

On March 21, 2013, we entered into an operating lease agreement to lease our headquarters in New York City, which was amended in 2016. The aggregate future minimum lease payments under the lease, as amended, are approximately \$81.9 million. We are also party to a letter of credit as a security deposit for this leased facility, which was increased to \$2.6 million in January 2016 in connection with an amendment of the lease. As of March 31, 2017, the letter of credit is collateralized by \$2.6 million of cash, which is reported as restricted cash on our consolidated balance sheet as of March 31, 2017.

Additionally, as of March 31, 2017, aggregate future minimum lease payments under other operating leases are approximately \$7.0 million.

As of March 31, 2017, our guaranteed royalty payments and unconditional purchase obligations for the remainder of 2017 and for the fiscal years ending December 31, 2018, 2019 and 2020 were approximately \$8.7 million, \$12.0 million, \$9.0 million and \$7.1 million, respectively.

Other Commitments

On October 20, 2016, the Company entered into a multi-part transaction with an unrelated third-party contributor (the "Transaction Party"). The transaction included three primary components: (a) a revolving credit facility pursuant to which the Company would be obligated to lend up to \$4.6 million under certain conditions, (the "Facility") to the Transaction Party. The Facility has a term of five years and requires the Transaction Party to make quarterly payments of principal to the Company beginning on the fourth anniversary of the Facility. The Facility bears interest at 10.0%, with all interest payments deferred until maturity, and the entire unpaid balance of principal and accrued interest due upon maturity; (b) the Company will be the exclusive distributor of the Transaction Party's content in certain markets subject to certain limitations; and (c) the Company, at its option, may acquire the Transaction Party at any time after the third anniversary of the Facility or match any third-party acquisition offer with respect to the Transaction Party at any time until the fifth anniversary of the Facility.

On March 27, 2017, the Facility was amended to reduce the maximum lending amount to \$3.0 million. Simultaneously, the Company invested \$1.6 million in a convertible note issued by the Transaction Party which matures on October 20, 2021. The convertible note bears interest at 10%, with all interest payments deferred until maturity, and the entire unpaid balance of principal and accrued interest due upon maturity. The principal amount of the convertible notes and any accrued and unpaid interest may be converted into equity of the Transaction Party at the Company's option on the maturity date, or earlier upon certain events.

As of March 31, 2017, there were no borrowings under the Facility.

Off-Balance Sheet Arrangements

As of March 31, 2017, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Fluctuation Risk

Our investments include cash and cash equivalents, which consist of cash, commercial paper and money market accounts. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash and cash equivalents have a maximum term of 90 days, our portfolio’s fair value is not particularly sensitive to interest rate changes.

We did not have any long-term borrowings as of March 31, 2017.

Foreign Currency Exchange Risk

Our sales to international customers are denominated in multiple currencies, including but not limited to the U.S. dollar, the euro, the British pound, the Australian dollar and the Japanese yen. Revenue denominated in foreign currencies as a percentage of total revenue was approximately 33% and 32% for the three months ended March 31, 2017 and 2016, respectively. We have foreign currency exchange risks related to non-U.S. dollar denominated revenues. All amounts earned by and paid to our foreign contributors are denominated in the U.S. dollar. However, changes in exchange rates will affect our revenue and certain operating expenses to the extent that our revenue is generated and expenses are incurred in currencies other than the U.S. dollar. Based on our foreign currency denominated revenue for the three months ended March 31, 2017, we estimate that a 10% change in the exchange rate of the U.S. dollar against all foreign currency denominated revenues would result in an approximately 3% impact on our revenue.

We have established foreign subsidiaries in various countries and have concluded their functional currency is the local currency. Business transacted in currencies other than each entity’s functional currency results in transactional gains and losses. Translation adjustments resulting from converting the foreign subsidiaries’ financial statements into U.S. dollars are recorded as a component of accumulated other comprehensive income (loss) in stockholders’ equity. We do not currently enter into derivatives or other financial instruments in order to hedge our foreign currency exchange risk, but we may do so in the future.

Our historical revenue by currency is as follows (in thousands):

	Three Months Ended March 31,			
	2017		2016	
	U.S. Dollars	Originating Currency	U.S. Dollars	Originating Currency
Euro	\$ 22,852	€ 21,451	\$ 18,598	€ 16,871
British pounds	11,541	£ 9,322	11,673	£ 8,147
All other non-U.S. currencies ⁽¹⁾	8,770		7,490	
Total foreign currency	43,163		37,760	
U.S. dollar	87,061		78,892	
Total revenue	\$ 130,224		\$ 116,652	

(1) Includes no single currency which was greater than 5% of total revenue for any of the periods presented

Inflation Risk

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time

periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation of our disclosure controls and procedures as of March 31, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

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

PART II. OTHER INFORMATION**Item 1. Legal Proceedings.**

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

Item 1A. Risk Factors.

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our 2016 Form 10-K which could materially affect our business, financial condition or future results. During the three months ended March 31, 2017, there were no material changes to the risk factors described in our 2016 Form 10-K.

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

(c)

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
January 1 - 31, 2017	232,105	\$ 49.97	232,105	
February 1 - 28, 2017	191,733	50.85	191,733	
March 1 - 31, 2017	24,884	44.49	24,884	
	<u>448,722</u>	\$ 50.04	<u>448,722</u>	\$ 100,000,000

(1) In October 2015, our board of directors authorized the repurchase of up to \$100 million of our common stock. In February 2017, our Board approved an additional share repurchase program, under which we are authorized to repurchase up to an additional \$100 million of our outstanding common stock.

Item 6. Exhibits.

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

SIGNATURES

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

SHUTTERSTOCK, INC.

Dated: May 3, 2017

By: /s/ Steven Berns

Steven Berns

Chief Operating Officer and Chief Financial Officer

(Principal Financial Officer)

Dated: May 3, 2017

By: /s/ Steven Ciardiello

Steven Ciardiello

Chief Accounting Officer

(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1#	Employment Agreement, dated June 5, 2016 between the Company and David Giambruno
10.2#	Employment Agreement, dated April 15, 2016 between the Company and Jeff Weiser
10.3#	Employment Agreement, dated April 26, 2016 between the Company and Matthew Jagoda
10.4#	Mutual Separation Agreement and General Release, dated March 6, 2017, between the Company and Matthew Jagoda
10.5#	Offer Letter, dated November 15, 2016, between the Company and Steven Ciardiello
31.1#	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2#	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32#	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Filed herewith.

EXECUTION VERSION

SHUTTERSTOCK, INC.
Empire State Building
350 Fifth Avenue, 21st Floor
New York, NY 10118

David Giambruno

[*****]

[*****]

Re: EMPLOYMENT AGREEMENT

Dear David:

This Employment Agreement (the “**Agreement**”) between you (referred to hereinafter as the “**Executive**”) and Shutterstock, Inc., a Delaware corporation (the “**Company**”) sets forth the terms and conditions that shall govern the period of your employment with the Company (referred to hereinafter as “**Employment**” or the “**Employment Period**”).

1. Duties and Scope of Employment.

(a) **At-Will Employment.** Executive will commence full-time Employment with the Company effective no later than June 20, 2016 (the “**Start Date**”), the terms of such Employment will be governed by this Agreement. Executive’s Employment with the Company is for no specified period and constitutes “at will” employment. As a result, Executive is free to terminate Employment at any time, with or without advance notice, and for any reason or for no reason. Similarly, the Company is free to terminate Executive’s Employment at any time, with or without advance notice, and with or without Cause (as defined below). Furthermore, although terms and conditions of Executive’s Employment with the Company may change over time, nothing shall change the at-will nature of Executive’s Employment.

(b) **Position and Responsibilities.** During the Employment Period, the Company agrees to employ Executive in the position of Chief Information Officer. Executive will report to the Company’s Chief Executive Officer (the “**CEO**”) or, if delegated by the CEO, to the Company’s President, Chief Financial Officer or Chief Operating Officer (your “**Supervisor**”), and Executive will be working out of the Company’s office in New York City, New York. Executive will perform the duties and have the responsibilities and authority customarily performed and held by an employee in Executive’s position or as otherwise may be assigned or delegated to Executive by your Supervisor.

(c) **Obligations to the Company.** During the Employment Period, Executive shall perform Executive’s duties faithfully and to the best of Executive’s ability and will devote Executive’s full business efforts and time to the Company. During the Employment Period, without the prior written approval of your Supervisor, Executive shall not render services in any capacity to any other person or entity and shall not act as a sole proprietor or partner of any other person or entity or own more than five percent (5%) of the stock of any other corporation. Notwithstanding

the foregoing, Executive may serve on civic or charitable boards or committees, deliver lectures, fulfill speaking engagements, teach at educational institutions, or manage personal investments without advance written consent of your Supervisor; provided that such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement or create a potential business or fiduciary conflict. Executive shall comply with the Company's policies and rules, as they may be in effect from time to time during Executive's Employment.

(d) **No Conflicting Obligations.** Executive represents and warrants to the Company that Executive is under no obligations or commitments, whether contractual or otherwise, that are inconsistent with Executive's obligations under this Agreement. In connection with Executive's Employment, Executive shall not use or disclose any trade secrets or other proprietary information or intellectual property in which Executive or any other person has any right, title or interest and Executive's Employment will not infringe or violate the rights of any other person. Executive represents and warrants to the Company that Executive has returned all property and confidential information belonging to any prior employer.

2. **Cash and Incentive Compensation.**

(a) **Base Salary.** The Company shall pay Executive, as compensation for Executive's services, a base salary at a gross annual rate of \$425,000.00, less all required tax withholdings and other applicable deductions, in accordance with the Company's standard payroll procedures. The annual compensation specified in this subsection (a), together with any modifications in such compensation that the Company may make from time to time, is referred to in this Agreement as the "**Base Salary**." Executive's Base Salary will be subject to review and adjustments that will be made based upon the Company's normal performance review practices. Effective as of the date of any change to Executive's Base Salary, the Base Salary as so changed shall be considered the new Base Salary for all purposes of this Agreement.

(b) **Cash Incentive Bonus.** Executive will be eligible to be considered for an annual cash incentive bonus (the "**Cash Bonus**"), less all required tax withholdings and other applicable deductions, each calendar year during the Employment Period based upon the achievement of certain objective or subjective criteria (collectively, the "**Performance Goals**"). In compliance with all relevant legal requirements and based on Executive's level within the Company, the Performance Goals for Executive's Cash Bonus for a particular year will be established by, and in the sole discretion of, the Company's Board of Directors (the "**Board**"), any Compensation Committee of the Board (the "**Committee**"), or a delegate of either the Board or the Committee (the "**Delegate**"), as applicable. The initial target amount for any such Cash Bonus will be up to 50% of Executive's Base Salary (the "**Target Bonus Percentage**"). The determinations of the Board, the Committee or the Delegate, as applicable, with respect to such Cash Bonus or the Target Bonus Percentage shall be final and binding. Executive's Target Bonus Percentage for any subsequent year may be adjusted up or down, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable. Executive shall not earn a Cash Bonus unless Executive is employed by the Company on the date when such Cash Bonus is actually paid by the Company. Any Cash Bonus payable for the first fiscal year Executive is eligible to receive a Cash Bonus shall be pro-

rated based on the number of days Executive was employed by the Company during such fiscal year.

(c) **Restricted Stock Units.** Subject to the approval of the Board, the Committee or a Delegate, as applicable, the Company shall grant Employee restricted stock units in respect of 8,000 shares of the Company's common stock (the "**RSU Award**"). The RSU Award shall be granted on or after, but in all events by no later than the first business day of the calendar month next following, the Start Date, at the discretion of the Board, the Committee or a Delegate (the "**Grant Date**"), and shall be settled in shares of Company common stock. Subject to any vesting acceleration rights Executive may have, the RSU Award shall vest and become payable as to one-fourth (1/4) of the shares subject to the RSU Award on each of the first four (4) anniversaries of the Grant Date, subject to Executive continuing to provide services to the Company through the relevant vesting dates. The RSU Award will be subject to the terms, definitions and provisions of the Company's 2012 Omnibus Equity Incentive Plan (the "**Equity Plan**") and the restricted stock unit agreement by and between Executive and the Company (the "**RSU Agreement**"), both of which documents are incorporated herein by reference. Executive will be eligible for future awards under the Equity Plan, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable.

(d) **Stock Options.** Subject to the approval of the Board, the Committee or the Delegate, as applicable, the Company shall grant Executive a nonstatutory stock option, to purchase 12,000 shares of the Company's common stock (the "**Option**"). The Option shall be granted on the Grant Date. The exercise price per share will be equal to the closing price for a share of the Company's common stock on the Grant Date, as reported in The Wall Street Journal or such other source as the Company deems reliable. The term of the Option shall be ten (10) years, subject to earlier expiration in the event of the termination of Executive's services to the Company. Subject to any vesting acceleration rights Executive may have, the Option will vest as to one-fourth (1/4) of the shares subject to the Option on each of the first four (4) anniversaries of the Grant Date, subject to Executive continuing to provide services to the Company through the relevant vesting dates. The Option will be subject to the terms, definitions and provisions of the Equity Plan and the stock option agreement by and between Executive and the Company (the "**Option Agreement**"), both of which documents are incorporated herein by reference. Executive will be eligible for future awards under the Equity Plan, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable.

3. **Employee Benefits.** During the Employment Period, Executive shall be eligible to participate in the employee benefit plans maintained by the Company and generally available to similarly situated employees of the Company, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such employee benefit plan. The Company reserves the right to cancel or change the employee benefit plans and programs it offers to its employees at any time.

4. **Business Expenses.** The Company will reimburse Executive for necessary and reasonable business expenses incurred in connection with Executive's duties hereunder upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable policies.

5. **Rights Upon Termination.** Except as expressly provided in Section 6, upon the termination of Executive's Employment, Executive shall only be entitled to (i) the accrued but unpaid Base Salary compensation and paid time off ("***PTO***"), (ii) other benefits earned and the reimbursements described in this Agreement or under any Company-provided plans, policies, and arrangements for the period preceding the effective date of the termination of Employment and (iii) such other compensation or benefits from the Company as may be required by law (collectively, the "***Accrued Benefits***").

6. **Termination Benefits.**

(a) **Termination without Cause and not in Connection with a Change in Control.** If the Company terminates Executive's employment with the Company for a reason other than for Cause, Executive becoming Disabled or Executive's death at any time other than during the twelve (12)-month period immediately following a Change in Control, then, subject to Section 7, Executive will receive the following severance benefits from the Company:

(i) **Accrued Compensation.** The Company will pay Executive all Accrued Benefits.

(ii) **Severance Payment.** Executive will receive continuing payments of severance pay at a rate equal to Executive's Base Salary, as then in effect, for the Severance Period, less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures.

(iii) **Continued Employee Benefits.** If Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***") for Executive and Executive's eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) the end of the Severance Period, or (B) the date upon which Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company's normal expense reimbursement policy and will be taxable to the extent required to avoid adverse

consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

(iv) Equity. If the Executive's termination date is at least twelve (12) months following the Start Date, fifty percent (50%) of Executive's unvested and outstanding equity awards that would have become vested had Executive remained in the employ of the Company for the twelve (12)-month period following Executive's termination of employment shall immediately vest and become exercisable as of the date of Executive's termination.

(v) Pro-Rated Bonus Payment. Executive will receive a pro-rated annual bonus for the fiscal year in which Executive terminates employment equal to (x) the annual bonus that Executive would have received based on actual performance for such fiscal year if Executive had remained in the employ of the Company for the entire fiscal year *multiplied by* (y) a fraction, the numerator of which is the number of days Executive was in the employ of the Company during the fiscal year including the Termination Date and the denominator of which is 365 (the "**Pro-Rated Bonus**"). The Pro-Rated Bonus, if any, shall be paid at the same time annual bonuses are paid by the Company to other executives of the Company for the fiscal year in which Executive terminated employment, but no later than March 15th of the calendar year following the calendar year in which Executive terminated employment.

(b) **Termination without Cause or Resignation for Good Reason in Connection with a Change in Control**. If during the twelve (12)-month period immediately following a Change in Control, (x) the Company terminates Executive's employment with the Company for a reason other than for Cause, Executive becoming Disabled or Executive's death, or (y) Executive resigns from such employment for Good Reason, then, subject to Section 7, Executive will receive the following severance benefits from the Company in lieu of the benefits described in Section 6(a) above:

(i) Accrued Compensation. The Company will pay Executive all Accrued Benefits.

(ii) Severance Payment. Executive will receive a lump sum severance payment equal to six (6) months' of Executive's Base Salary as in effect immediately prior to the date of Executive's termination of employment, less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures.

(iii) Continued Employee Benefits. If Executive elects continuation coverage pursuant to COBRA for Executive and Executive's eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) a period of six (6) months from the last date of employment of Executive with the Company, or (B) the date upon which Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company's normal expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to

Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

(iv) **Equity.** 50% of Executive's unvested and outstanding equity awards that would have become vested had Executive remained in the employ of the Company for the twelve (12)-month period following Executive's termination of employment shall immediately vest and become exercisable as of the date of Executive's termination.

(v) **Target Bonus Payment.** Executive will receive a lump sum severance payment equal to one hundred percent (100%) of Executive's full target bonus amount for the fiscal year in effect at the date of such termination of employment (or, if greater, as in effect for the fiscal year in which the Change in Control occurs), less all required tax withholdings and other applicable deductions.

(c) **Disability; Death; Voluntary Resignation; Termination for Cause.** If Executive's employment with the Company is terminated due to (i) Executive becoming Disabled or Executive's death, (ii) Executive's voluntary resignation (other than for Good Reason during the twelve (12) month period immediately following a Change of Control), or (iii) the Company's termination of Executive's employment with the Company for Cause, then Executive or Executive's estate (as the case may be) will receive the Accrued Benefits, but will not be entitled to any other compensation or benefits from the Company except to the extent required by law (for example, COBRA). All Accrued Benefits shall in all cases be paid within thirty (30) days of Executive's termination of employment (or such earlier date as required by applicable law) pursuant to this Section 6(c).

(d) **Timing of Payments.** Subject to any specific timing provisions in Section 6(a), 6(b) or 6(c), as applicable, or the provisions of Section 7, payment of the severance and benefits hereunder shall be made or commence to be made as soon as practicable following Executive's termination of employment.

(e) **Exclusive Remedy.** In the event of a termination of Executive's employment with the Company, the provisions of this Section 6 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, whether at law, tort or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses). Executive will be entitled to no other severance, benefits, compensation or other payments or rights upon a termination of employment, including, without limitation, any severance payments and/or benefits provided in the Employment Agreement, other than those benefits expressly set forth in Section 6 of this Agreement or pursuant to written equity award agreements with the Company.

(f) **No Duty to Mitigate.** Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any earnings that Executive may receive from any other source reduce any such payment.

7. **Conditions to Receipt of Severance.**

(a) **Release of Claims Agreement.** The receipt of any severance payments or benefits pursuant to this Agreement, other than, for the avoidance of doubt, the Accrued Benefits, is subject to Executive signing and not revoking a separation agreement and release of claims in a form acceptable to the Company (the “**Release**”), which must become effective no later than the sixtieth (60th) day following Executive’s termination of employment (the “**Release Deadline**”), and if not, Executive will forfeit any right to severance payments or benefits under this Agreement. To become effective, the Release must be executed by Executive and any revocation periods (as required by statute, regulation, or otherwise) must have expired without Executive having revoked the Release. In addition, in no event will severance payments or benefits be paid or provided until the Release actually becomes effective. If the termination of employment occurs at a time during the calendar year where the Release Deadline could occur in the calendar year following the calendar year in which Executive’s termination of employment occurs, then any severance payments or benefits under this Agreement that would be considered Deferred Payments (as defined in Section 7(c)(i)) will be paid on the first payroll date to occur during the calendar year following the calendar year in which such termination occurs, or such later time as required by (i) the payment schedule applicable to each payment or benefit as set forth in Section 6, (ii) the date the Release becomes effective, or (iii) Section 7(c)(ii); provided that the first payment shall include all amounts that would have been paid to Executive if payment had commenced on the date of Executive’s termination of employment.

(b) **Non-Disclosure Agreement.** Executive’s receipt of any payments or benefits under Section 6 will be subject to Executive’s continued compliance with the requirements set for in the Non-Disclosure Agreement (as defined in Section 9(a) below).

(c) **Section 409A.**

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation not exempt under Section 409A (together, the “**Deferred Payments**”) will be paid or otherwise provided until Executive has a “separation from service” within the meaning of Section 409A. And for purposes of this Agreement, any reference to “termination of employment,” “termination” or any similar term shall be construed to mean a “separation from service” within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a “separation from service” within the meaning of Section 409A.

(ii) Notwithstanding anything to the contrary in this Agreement, if Executive is a “**specified employee**” within the meaning of Section 409A at the time of Executive’s termination of employment (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following Executive’s separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive’s separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment, installment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(iii) Without limitation, any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations is not intended to constitute Deferred Payments for purposes of clause (i) above.

(iv) Without limitation, any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit is not intended to constitute Deferred Payments for purposes of clause (i) above. Any payment intended to qualify under this exemption must be made within the allowable time period specified in Section 1.409A-1(b)(9)(iii) of the Treasury Regulations.

(v) To the extent that reimbursements or in-kind benefits under this Agreement constitute non-exempt "nonqualified deferred compensation" for purposes of Section 409A, (1) all reimbursements hereunder shall be made on or prior to the last day of the calendar year following the calendar year in which the expense was incurred by Executive, (2) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (3) the amount of expenses eligible for reimbursement or in-kind benefits provided in any calendar year shall not in any way affect the expenses eligible for reimbursement or in-kind benefits to be provided, in any other calendar year.

(vi) The payments and benefits provided under Sections 6(a) and 6(b) are intended to be exempt from or comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions that are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

8. **Definition of Terms.** The following terms referred to in this Agreement will have the following meanings:

(a) **Cause.** "Cause" means:

(i) Executive's gross negligence or willful misconduct in the performance of his or her duties and responsibilities to the Company or Executive's violation of any written Company policy;

(ii) Executive's commission of any act of fraud, theft, embezzlement, financial dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to the Company;

(iii) Executive's conviction of, or pleading guilty or nolo contendere to, any felony or a lesser crime involving dishonesty or moral turpitude;

(iv) Executive's alcohol abuse or other substance abuse;

(v) Executive's unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom Executive owes an obligation of nondisclosure as a result of his or her relationship with the Company; or

(vi) Executive's material breach of any of his or her obligations under any written agreement or covenant with the Company.

(b) **Change in Control.** "Change in Control" shall have the meaning ascribed to such term in the Company's 2012 Omnibus Equity Incentive Plan, provided that any such event constitutes a "change in control event" under Treasury Regulation Section 1.409A-3(i)(5)(i).

(c) **Code.** "Code" means the Internal Revenue Code of 1986, as amended.

(d) **Disability.** "Disability" or "Disabled" means that Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one (1) year.

(e) **Good Reason.** "Good Reason" means Executive's termination of employment within ninety (90) days following the expiration of any cure period (discussed below) following the occurrence, without Executive's consent, of one or more of the following:

(i) A material reduction of Executive's duties, authority or responsibilities, relative to Executive's duties, authority or responsibilities in effect immediately prior to such reduction; provided, however, that not being named the Chief Information Officer of the acquiring corporation following a Change in Control of the Company will not constitute Good Reason;

(ii) A material reduction in Executive's base compensation (except where there is a reduction applicable to all similarly situated executive officers generally); provided, that a reduction of less than ten percent (10%) will not be considered a material reduction in base compensation;

(iii) A material change in the geographic location of Executive's primary work facility or location; provided, that a relocation of less than thirty-five (35) miles from Executive's then-present work location will not be considered a material change in geographic location; or

(iv) A material breach by the Company of a material provision of this Agreement.

Executive will not resign for Good Reason without first providing the Company with written notice within sixty (60) days of the event that Executive believes constitutes “Good Reason” specifically identifying the acts or omissions constituting the grounds for Good Reason and a reasonable cure period of not less than thirty (30) days following the date of such notice during which such condition must not have been cured.

(f) **Section 409A.** “Section 409A” means Code Section 409A, and the final regulations and any guidance promulgated thereunder or any state law equivalent.

(g) **Section 409A Limit.** “Section 409A Limit” will mean two (2) times the lesser of: (i) Executive’s annualized compensation based upon the annual rate of pay paid to Executive during Executive’s taxable year preceding Executive’s taxable year of his or her separation from service as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Internal Revenue Code for the year in which Executive’s separation from service occurred.

(h) **Severance Period.** “Severance Period” shall mean six (6) months.

9. **Pre-Employment Conditions.**

(a) **Non-Disclosure Agreement.** Your acceptance of this offer and your Employment with the Company is contingent upon the execution, and delivery to an officer of the Company, of the Company’s Non-Disclosure Agreement, in the form provided to you by the Company (the “**Non-Disclosure Agreement**”), prior to or on your Start Date.

(b) **Right to Work.** For purposes of federal immigration law, you will be required, if you haven’t already, to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your Start Date, or our Employment relationship with you may be terminated.

(c) **Verification of Information.** This Agreement is also contingent upon the successful verification of the information you provided to the Company during your application process, as well as a general background check performed by the Company to confirm your suitability for Employment. By accepting this Agreement, you warrant that all information provided by you is true and correct to the best of your knowledge, you agree to execute any and all documentation necessary for the Company to conduct a background check and you expressly release the Company from any claim or cause of action arising out of the Company’s verification of such information.

10. **Arbitration.**

(a) **Arbitration.** In consideration of your Employment with the Company, its promise to arbitrate all employment-related disputes, and your receipt of the compensation, pay raises and other benefits paid to you by the Company, at present and in the future, you agree that any and all controversies, claims, or disputes with anyone (including the Company and any employee, officer, director, shareholder or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to, or resulting from your Employment with the Company or termination thereof, including any breach of this Agreement, will be subject to binding arbitration.

(b) **Dispute Resolution.** Disputes that Executive agrees to arbitrate, and thereby agrees to waive any right to a jury trial, include any statutory claims under local, state, or federal law, including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Sarbanes Oxley Act, the Worker Adjustment and Retraining Notification Act, the New York State Human Rights Law, New York Equal Rights Law, New York Whistleblower Protection Law, New York Family Leave Law, New York Equal Pay Law, the New York City Human Rights Law, claims of harassment, discrimination, and wrongful termination, and any statutory or common law claims. Executive further understands that this agreement to arbitrate also applies to any disputes that the Company may have with Executive.

(c) **Procedure.** Executive agrees that any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. ("**JAMS**"), pursuant to its Employment Arbitration Rules & Procedures (the "**JAMS Rules**"). The arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, and motions for class certification, prior to any arbitration hearing. The arbitrator shall have the power to award any remedies available under applicable law, and the arbitrator shall award attorneys' fees and costs to the prevailing party, except as prohibited by law. The Company will pay for any administrative or hearing fees charged by the administrator or JAMS, and all arbitrator's fees, except that Executive shall pay any filing fees associated with any arbitration that Executive initiates, but only so much of the filing fee as Executive would have instead paid had Executive filed a complaint in a court of law. Executive agrees that the arbitrator shall administer and conduct any arbitration in accordance with New York law, and that the arbitrator shall apply substantive and procedural New York law to any dispute or claim, without reference to the rules of conflict of law. To the extent that the JAMS Rules conflict with New York law, New York law shall take precedence. The decision of the arbitrator shall be in writing. Any arbitration under this Agreement shall be conducted in New York County, New York.

(d) **Remedy.** Except as provided by the Act, arbitration shall be the sole, exclusive, and final remedy for any dispute between you and the Company. **Accordingly, except as provided by the Act and this Agreement, neither you nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration.** Notwithstanding, the arbitrator will not have the authority to disregard or refuse to enforce any lawful Company policy, and the arbitrator will not order or require the Company to adopt a policy not otherwise required by law that the Company has not adopted.

(e) **Administrative Relief.** You are not prohibited from pursuing an administrative claim with a local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, including, but not limited to, the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, the National Labor Relations Board, or the Workers' Compensation Board. However, you may not pursue court action regarding any such claim, except as permitted by law.

(f) **Voluntary Nature of Agreement.** You acknowledge and agree that you are executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this Agreement and that you have asked any questions needed for you to understand the terms, consequences and binding effect of this Agreement and fully understand it, including that ***YOU ARE WAIVING YOUR RIGHT TO A JURY TRIAL***. Finally, you agree that you have been provided an opportunity to seek the advice of an attorney of your choice before signing this Agreement.

11. **Successors.**

(a) **Company's Successors.** This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "***Company***" shall include any successor to the Company's business or assets that become bound by this Agreement.

(b) **Your Successors.** This Agreement and all of Executive's rights hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

12. **Miscellaneous Provisions.**

(a) **Indemnification.** The Company shall indemnify Executive to the maximum extent permitted by applicable law and the Company's Bylaws with respect to Executive's service and Executive shall also be covered under a directors and officers liability insurance policy paid for by the Company to the extent that the Company maintains such a liability insurance policy now or in the future.

(b) **Headings.** All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(c) **Notice.**

(i) **General.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In Executive's case, mailed notices shall be addressed to Executive at the home address that Executive most recently communicated to the Company in writing. In the case of the Company,

mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(ii) **Notice of Termination.** Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 12(c)(i) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which will be not more than thirty (30) days after the giving of such notice), subject to any applicable cure period. The failure by Executive or the Company to include in the notice any fact or circumstance which contributes to a showing of Good Reason or Cause, as applicable, will not waive any right of Executive or the Company, as applicable, hereunder or preclude Executive or the Company, as applicable, from asserting such fact or circumstance in enforcing his or her or its rights hereunder, as applicable.

(d) **Modifications and Waivers.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) **Whole Agreement.** No other agreements, representations or understandings (whether oral or written and whether express or implied) that are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement and the Non-Disclosure Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

(f) **Withholding Taxes.** All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Choice of Law and Severability.** This Agreement shall be interpreted in accordance with the laws of the State of New York without giving effect to provisions governing the choice of law. If any provision of this Agreement becomes or is deemed invalid, illegal or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the minimum extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Agreement shall continue in full force and effect. If any provision of this Agreement is rendered illegal by any present or future statute, law, ordinance or regulation (collectively, the "**Law**") then that provision shall be curtailed or limited only to the minimum extent necessary to bring the provision into compliance with the Law. All the other terms and provisions of this Agreement shall continue in full force and effect without impairment or limitation.

(h) **No Assignment.** This Agreement and all of your rights and obligations hereunder are personal to you and may not be transferred or assigned by you at any time. The

Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with any sale or transfer to such entity of all or a substantial portion of the Company's assets.

(i) **Acknowledgment**. You acknowledge that you have had the opportunity to discuss this matter with and obtain advice from your personal attorney, have had sufficient time to, and have carefully read and fully understand all the provisions of this Agreement, and are knowingly and voluntarily entering into this Agreement.

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

[Signature Page Follows]

After you have had an opportunity to review this Agreement, please feel free to contact me if you have any questions or comments. To indicate your acceptance of this Agreement, please sign and date this letter in the space provided below and return it to the Company.

Very truly yours,

SHUTTERSTOCK, INC.

By: /s/ Steven Berns

(Signature)

Name: Steven Berns

Title: Chief Financial Officer

ACCEPTED AND AGREED:

DAVID GIAMBRUNO

/s/ David Giambruno

(Signature)

June 5, 2016

Date

EXECUTION VERSION

SHUTTERSTOCK, INC.
Empire State Building
350 Fifth Avenue, 21st Floor
New York, NY 10118

Jeff Weiser
[*****]
[*****]

Re: EMPLOYMENT AGREEMENT

Dear Jeff:

This Employment Agreement (the “**Agreement**”) between you (referred to hereinafter as “**you**” or the “**Executive**”) and Shutterstock, Inc., a Delaware corporation (the “**Company**”) sets forth the terms and conditions that shall govern the period of your employment with the Company (referred to hereinafter as “**Employment**” or the “**Employment Period**”).

1. Duties and Scope of Employment.

(a) **At-Will Employment.** Executive will commence full-time Employment with the Company effective as of a date to be mutually agreed by the parties but no later than June 13, 2016 (the “**Start Date**”), and the terms of such Employment will be governed by this Agreement. Executive’s Employment with the Company is for no specified period and constitutes “at will” employment. As a result, Executive is free to terminate Employment at any time, with or without advance notice, and for any reason or for no reason. Similarly, the Company is free to terminate Executive’s Employment at any time, with or without advance notice, and with or without Cause (as defined below). Furthermore, although terms and conditions of Executive’s Employment with the Company may change over time, nothing shall change the at-will nature of Executive’s Employment.

(b) **Position and Responsibilities.** During the Employment Period, the Company agrees to employ Executive in the position of Chief Marketing Officer. Executive will report solely to the Company’s Chief Executive Officer (“**CEO**”), or if delegated by the CEO, to the President or Chief Operating Officer (your “**Supervisor**”), and Executive will be working out of the Company’s office in New York City, New York. Executive will perform the duties and have the responsibilities and authority customarily performed and held by an employee in Executive’s position, as reasonably assigned to you from time to time by your Supervisor or Board of Directors of the Company (“**Board**”). Executive shall be the senior-most marketing executive at the Company.

(c) **Obligations to the Company.** During the Employment Period, Executive shall perform Executive’s duties faithfully and to the best of Executive’s ability and will devote Executive’s full business efforts and time to the Company. During the Employment Period, without the prior written approval of your Supervisor, Executive shall not render services in any capacity to any other person or entity and shall not act as a sole proprietor or partner of any other

person or entity or own more than five percent (5%) of the stock of any other corporation, provided, however, and subject to Executive's obligations under the Non-Disclosure Agreement (defined herein), that Executive may (i) provide *de minimis* unpaid services to no more than two entities either owned by Executive's immediate family or in which Executive was an angel investor prior to the execution date of this Agreement and (ii) hold interests of up to 100% in investments of limited liability corporations and limited partnerships that are set up and run solely for the purpose of the passive personal investments of Executive and his family. Notwithstanding the foregoing, Executive may (i) serve on up to two (2) civic or charitable boards or committees, and may deliver lectures, fulfill speaking engagements, teach at educational institutions, or manage personal investments without advance written consent of your Supervisor and (ii) following prior approval by the Board (which approval shall not unreasonably be withheld), participate as a member of the board of directors of one company; provided that such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement or create a potential business or fiduciary conflict. Executive shall comply with the Company's policies and rules, as they may be in effect from time to time during Executive's Employment. In the event that Executive does not, in the Company's sole discretion, dedicate his full business efforts and time to the Company, the Company shall provide Executive notice of breach of this Agreement (but only if the Company determines such breach can be cured) and Executive must cure such breach within ten (10) business days of the date of the notice or be subject to Termination for Cause pursuant to Sections 6(c) and 8(a)(vii) herein.

(d) **No Conflicting Obligations.** Executive represents and warrants to the Company that Executive is under no obligations or commitments, whether contractual or otherwise, that are inconsistent with Executive's obligations under this Agreement. In connection with Executive's Employment, Executive shall not use or disclose any trade secrets or other proprietary information or intellectual property in which Executive or any other person has any right, title or interest and Executive's Employment will not infringe or violate the rights of any other person. Executive represents and warrants to the Company that Executive has returned all property and confidential information belonging to any prior employer.

2. **Cash and Incentive Compensation.**

(a) **Base Salary.** The Company shall pay Executive, as compensation for Executive's services, a base salary at a gross annual rate of \$450,000, less all required tax withholdings and other applicable deductions, in accordance with the Company's standard payroll procedures. The annual compensation specified in this subsection (a), together with any modifications in such compensation that the Company may make from time to time, is referred to in this Agreement as the "***Base Salary.***" Executive's Base Salary will be subject to review based upon the Company's normal performance review practices and may stay the same or be adjusted up, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable. Effective as of the date of any change to Executive's Base Salary, the Base Salary as so changed shall be considered the new Base Salary for all purposes of this Agreement.

(b) **Signing Bonus and Relocation Allowance.**

(i) Executive will receive a one-time cash signing bonus in an amount equal to \$100,000 (“**Signing Bonus**”), less all applicable taxes and deductions, which shall be paid to Executive in a lump sum as soon as reasonably practicable after the Start Date in accordance with the Company’s standard payroll procedures. Executive and the Company agree that Executive will regularly commute from California to the Company’s office in New York, New York for the first four (4) months of Employment, at reasonable times to be mutually agreed between Executive and your Supervisor (the “**Relocation Period**”). Executive agrees that he will complete his relocation to the New York City area in order to work on a full-time basis at the Company’s office in New York, New York on or before the last day of the Relocation Period. The Signing Bonus shall cover all costs associated with Executive’s travel and lodging during the Relocation Period.

(ii) Executive will receive a cash relocation payment in an amount up to \$50,000 for reasonable and documented relocation expenses, including shipping and moving costs and house hunting trips for Executive and immediate family members (“**Relocation Allowance**”), incurred during the Relocation Period and for a reasonable time thereafter. The Relocation Allowance will be paid to Executive, less all applicable taxes and deductions, as soon as reasonably practicable after receipt of acceptable documentation of relocation costs, in accordance with the Company’s standard payroll procedures.

(iii) In the event that (1) Executive fails to relocate to the New York City area by the last day of the Relocation Period in accordance with Section 2(b)(ii) above or (2) within one (1) year of your Start Date, Executive voluntarily terminates his Employment or the Company terminates Executive’s Employment for Cause, Executive will be required to repay the Company the full amount of the Signing Bonus and Relocation Allowance within thirty (30) days of such termination date. Executive hereby authorizes the Company to withhold any amount payable by Executive under this Section 2(b)(iii) from any payments due to Executive by the Company.

(c) **Cash Incentive Bonus.** Executive will be eligible to be considered for an annual cash incentive bonus (the “**Cash Bonus**”), less all required tax withholdings and other applicable deductions, each calendar year during the Employment Period based upon the achievement of certain objective or subjective criteria (collectively, the “**Performance Goals**”). In compliance with all relevant legal requirements and based on Executive’s level within the Company, the Performance Goals for Executive’s Cash Bonus for a particular year will be recommended by your Supervisor in consultation with you and approved in the sole discretion of, the Board, any Compensation Committee of the Board (the “**Committee**”), or a delegate of either the Board or the Committee (the “**Delegate**”), as applicable. The initial target amount for any such Cash Bonus will be up to 50% of Executive’s Base Salary (the “**Target Bonus Percentage**”). The determinations of the Board, the Committee or the Delegate, as applicable, with respect to such Cash Bonus or the Target Bonus Percentage shall be final and binding. Executive’s Target Bonus Percentage for any subsequent year may stay the same or be adjusted up, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable. Executive shall not earn a Cash Bonus unless

Executive is employed by the Company on the date when such Cash Bonus is actually paid by the Company. Any Cash Bonus payable for the first fiscal year Executive is eligible to receive a Cash Bonus shall be pro-rated based on the number of days Executive was employed by the Company during such fiscal year.

(d) **Restricted Stock Units.** The Company shall grant Employee restricted stock units in respect of 30,000 shares of the Company's common stock (the "**RSU Award**"). The RSU Award shall be granted on or after, but in all events by no later than the first business day of the calendar month next following, the Start Date, at the discretion of the Board, the Committee or a Delegate (the "**Grant Date**"), and shall be settled in shares of Company common stock. Subject to any vesting acceleration rights Executive may have, the RSU Award shall vest and become payable as to one-fourth (1/4) of the shares subject to the RSU Award on each of the first four (4) anniversaries of the Grant Date, subject to Executive continuing to provide services to the Company through the relevant vesting dates. The RSU Award will be subject to the terms, definitions and provisions of the Company's 2012 Omnibus Equity Incentive Plan (the "**Equity Plan**") and the restricted stock unit agreement by and between Executive and the Company (the "**RSU Agreement**"), both of which documents are incorporated herein by reference. Executive will be eligible for future awards under the Equity Plan, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable.

(e) **Stock Options.** The Company shall grant Executive a nonstatutory stock option, to purchase 35,000 shares of the Company's common stock (the "**Option**"). The Option shall be granted on the Grant Date. The exercise price per share will be equal to the closing price for a share of the Company's common stock on the Grant Date, as reported in The Wall Street Journal or such other source as the Company deems reliable. The term of the Option shall be ten (10) years, subject to earlier expiration in the event of the termination of Executive's services to the Company. Subject to any vesting acceleration rights Executive may have, the Option will vest as to one-fourth (1/4) of the shares subject to the Option on each of the first four (4) anniversaries of the Grant Date, subject to Executive continuing to provide services to the Company through the relevant vesting dates. The Option will be subject to the terms, definitions and provisions of the Equity Plan and the stock option agreement by and between Executive and the Company (the "**Option Agreement**"), both of which documents are incorporated herein by reference. Executive will be eligible for future awards under the Equity Plan, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable.

3. **Employee Benefits.** During the Employment Period, Executive shall be eligible to participate in the employee benefit plans maintained by the Company and generally available to similarly situated employees of the Company, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such employee benefit plan. The Company reserves the right to cancel or change the employee benefit plans and programs it offers to its employees at any time.

4. **Business Expenses.** Other than with respect to the expenses described in Section 2(b) above, which shall be covered by the Signing Bonus and Relocation Allowance, the Company will reimburse Executive for necessary and reasonable business expenses incurred in connection

with Executive's duties hereunder upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable policies.

5. **Rights Upon Termination.** Except as expressly provided in Section 6, upon the termination of Executive's Employment, Executive shall only be entitled to (i) the accrued but unpaid Base Salary compensation and paid time off ("***PTO***"), (ii) other benefits earned and the reimbursements described in this Agreement or under any Company-provided plans, policies, and arrangements for the period preceding the effective date of the termination of Employment and (iii) such other compensation or benefits from the Company as may be required by law (collectively, the "***Accrued Benefits***").

6. **Termination Benefits.**

(a) **Termination without Cause or Resignation for Good Reason Prior to or More than 12 Months Following a Change in Control.** If, prior to a Change in Control or more than twelve months following a Change in Control, (x) the Company terminates Executive's employment with the Company for a reason other than for Cause, Executive becoming Disabled or Executive's death, or (y) Executive resigns from such employment for Good Reason (as defined below), then, subject to Section 7, Executive will receive the following severance benefits from the Company:

(i) **Accrued Compensation.** The Company will pay Executive all Accrued Benefits.

(ii) **Severance Payment.** Executive will receive continuing payments of severance pay at a rate equal to Executive's Base Salary, as then in effect, for the Severance Period, less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures.

(iii) **Continued Employee Benefits.** If Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***") for Executive and Executive's eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) the end of the Severance Period, or (B) the date upon which Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company's normal expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

(iv) **Equity.** Fifty percent (50%) of Executive's unvested and outstanding equity awards that would have become vested had Executive remained in the employ of the Company for the twelve (12)-month period following Executive's termination of employment shall immediately vest and become exercisable as of the date of Executive's termination.

(v) Pro-Rated Bonus Payment. Executive will receive a pro-rated annual bonus for the fiscal year in which Executive terminates employment equal to (x) the annual bonus that Executive would have received based on actual performance for such fiscal year if Executive had remained in the employ of the Company for the entire fiscal year *multiplied by* (y) a fraction, the numerator of which is the number of days Executive was in the employ of the Company during the fiscal year including the Termination Date and the denominator of which is 365 (the “**Pro-Rated Bonus**”). The Pro-Rated Bonus, if any, shall be paid at the same time annual bonuses are paid by the Company to other executives of the Company for the fiscal year in which Executive terminated employment, but no later than March 15th of the calendar year following the calendar year in which Executive terminated employment.

(b) Termination without Cause or Resignation for Good Reason Within 12 Months Following a Change in Control. If during the twelve (12)-month period immediately following a Change in Control, (x) the Company terminates Executive’s employment with the Company for a reason other than for Cause, Executive becoming Disabled or Executive’s death, or (y) Executive resigns from such employment for Good Reason, then, subject to Section 7, Executive will receive the following severance benefits from the Company in lieu of the benefits described in Section 6(a) above:

(i) Accrued Compensation. The Company will pay Executive all Accrued Benefits.

(ii) Severance Payment. Executive will receive a lump sum severance payment equal to six (6) months’ of Executive’s Base Salary as in effect immediately prior to the date of Executive’s termination of employment, less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company’s regular payroll procedures.

(iii) Continued Employee Benefits. If Executive elects continuation coverage pursuant to COBRA for Executive and Executive’s eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive’s termination or resignation) until the earlier of (A) a period of six (6) months from the last date of employment of Executive with the Company, or (B) the date upon which Executive and/or Executive’s eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company’s normal expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

(iv) Equity. 50% of Executive’s unvested and outstanding equity awards that would have become vested had Executive remained in the employ of the Company for the twelve (12)-month period following Executive’s termination of employment shall immediately vest and become exercisable as of the date of Executive’s termination.

(v) **Target Bonus Payment.** Executive will receive a lump sum severance payment equal to one hundred percent (100%) of Executive's full target bonus amount for the fiscal year in effect at the date of such termination of employment (or, if greater, as in effect for the fiscal year in which the Change in Control occurs), less all required tax withholdings and other applicable deductions.

(vi) **Outplacement Benefits.** If requested by Executive, the Company will pay the expense for outplacement benefits provided by a service to be determined by the Company in its discretion for a period of six (6) months, up to a maximum dollar value of five thousand dollars (\$5,000) following Executive's termination.

(c) **Disability; Death; Voluntary Resignation; Termination for Cause.** If Executive's employment with the Company is terminated due to (i) Executive becoming Disabled or Executive's death, (ii) Executive's voluntary resignation (other than for Good Reason), or (iii) the Company's termination of Executive's employment with the Company for Cause, then Executive or Executive's estate (as the case may be) will receive the Accrued Benefits, but will not be entitled to any other compensation or benefits from the Company except to the extent required by law (for example, COBRA). All Accrued Benefits shall in all cases be paid within thirty (30) days of Executive's termination of employment (or such earlier date as required by applicable law) pursuant to this Section 6(c).

(d) **Timing of Payments.** Subject to any specific timing provisions in Section 6(a), 6(b) or 6(c), as applicable, or the provisions of Section 7, payment of the severance and benefits hereunder shall be made or commence to be made as soon as practicable following Executive's termination of employment.

(e) **Exclusive Remedy.** In the event of a termination of Executive's employment with the Company, Executive will be entitled to no other severance, benefits, compensation or other payments or rights as a result of his termination of employment, including, without limitation, any severance payments and/or benefits provided in the Employment Agreement, other than those benefits expressly set forth in Section 6 of this Agreement or pursuant to written equity award agreements with the Company. Notwithstanding the foregoing, nothing herein is intended to waive any rights Executive may have to vested benefits as of his termination and/or any payments or benefits he may be entitled to by applicable law and/or any rights Executive may have under any written agreement with the Company.

(f) **No Duty to Mitigate.** Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any earnings that Executive may receive from any other source reduce any such payment.

7. **Conditions to Receipt of Severance.**

(a) **Release of Claims Agreement.** The receipt of any severance payments or benefits pursuant to this Agreement, other than, for the avoidance of doubt, the Accrued Benefits, is subject to Executive signing and not revoking a separation agreement and release of claims in a form acceptable to the Company (the "***Release***"), in substantially the form provided to the Executive

on April 15, 2016, which must become effective no later than the sixtieth (60th) day following Executive's termination of employment (the "**Release Deadline**"), and if not, Executive will forfeit any right to severance payments or benefits under this Agreement. To become effective, the Release must be executed by Executive and any revocation periods (as required by statute, regulation, or otherwise) must have expired without Executive having revoked the Release. In addition, in no event will severance payments or benefits be paid or provided until the Release actually becomes effective. If the termination of employment occurs at a time during the calendar year where the Release Deadline could occur in the calendar year following the calendar year in which Executive's termination of employment occurs, then any severance payments or benefits under this Agreement that would be considered Deferred Payments (as defined in Section 7(c)(i)) will be paid on the first payroll date to occur during the calendar year following the calendar year in which such termination occurs, or such later time as required by (i) the payment schedule applicable to each payment or benefit as set forth in Section 6, (ii) the date the Release becomes effective, or (iii) Section 7(c)(ii); provided that the first payment shall include all amounts that would have been paid to Executive if payment had commenced on the date of Executive's termination of employment.

(b) **Non-Disclosure Agreement.** Executive's receipt of any payments or benefits under Section 6 will be subject to Executive's continued compliance with the requirements set for in the Non-Disclosure Agreement (as defined in Section 9(a) below).

(c) **Section 409A.**

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation not exempt under Section 409A (together, the "**Deferred Payments**") will be paid or otherwise provided until Executive has a "separation from service" within the meaning of Section 409A. And for purposes of this Agreement, any reference to "termination of employment," "termination" or any similar term shall be construed to mean a "separation from service" within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a "separation from service" within the meaning of Section 409A.

(ii) Notwithstanding anything to the contrary in this Agreement, if Executive is a "**specified employee**" within the meaning of Section 409A at the time of Executive's termination of employment (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following Executive's separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments

will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment, installment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(iii) Without limitation, any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations is not intended to constitute Deferred Payments for purposes of clause (i) above.

(iv) Without limitation, any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit is not intended to constitute Deferred Payments for purposes of clause (i) above. Any payment intended to qualify under this exemption must be made within the allowable time period specified in Section 1.409A-1(b)(9)(iii) of the Treasury Regulations.

(v) To the extent that reimbursements or in-kind benefits under this Agreement constitute non-exempt “nonqualified deferred compensation” for purposes of Section 409A, (1) all reimbursements hereunder shall be made on or prior to the last day of the calendar year following the calendar year in which the expense was incurred by Executive, (2) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (3) the amount of expenses eligible for reimbursement or in-kind benefits provided in any calendar year shall not in any way affect the expenses eligible for reimbursement or in-kind benefits to be provided, in any other calendar year.

(vi) The payments and benefits provided under Sections 6(a) and 6(b) are intended to be exempt from or comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions that are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

8. **Definition of Terms.** The following terms referred to in this Agreement will have the following meanings:

(a) **Cause.** “Cause” means:

(i) Executive’s gross negligence in the performance of his duties and responsibilities to the Company or Executive’s material violation of any Company policy previously communicated or made available in written or electronic form to Executive, provided that, if the Company determines such negligence or violation can be cured, Executive shall be given five (5) business days to cure any such negligence or violation;

(ii) Executive's willful misconduct in the performance of his duties and responsibilities to the Company;

(iii) Executive's commission of any act of fraud, theft, embezzlement, financial dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to the Company;

(iv) Executive's conviction of, or pleading guilty or nolo contendere to, any felony or a lesser crime involving dishonesty or moral turpitude;

(v) Executive's alcohol abuse or other substance abuse;

(vi) Executive's unauthorized use or disclosure of any Confidential Information (as defined in the Non-Disclosure Agreement) or trade secrets of the Company or the confidential information or trade secrets of any other party to whom Executive owes an obligation of nondisclosure as a result of his or her relationship with the Company; or

(vii) Executive's material breach of any of his or her obligations under any written agreement or covenant with the Company.

(b) **Change in Control.** "Change in Control" shall have the meaning ascribed to such term in the Equity Plan, provided that any such event constitutes a "change in control event" under Treasury Regulation Section 1.409A-3(i)(5)(i).

(c) **Code.** "Code" means the Internal Revenue Code of 1986, as amended.

(d) **Disability.** "Disability" or "Disabled" means that Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one (1) year.

(e) **Good Reason.** "Good Reason" means Executive's termination of employment within ninety (90) days following the expiration of any cure period (discussed below) following the occurrence, without Executive's consent, of one or more of the following:

(i) A material reduction of Executive's duties, authority or responsibilities, relative to Executive's duties, authority or responsibilities in effect immediately prior to such reduction; provided, however, that not being named the Chief Marketing Officer of the acquiring corporation following a Change in Control of the Company that qualifies under Sections 2(f)(i) and 2(f)(ii) of the Equity Plan will not constitute Good Reason;

(ii) A material reduction in Executive's base compensation (except where there is a reduction applicable to all similarly situated executive officers generally);

(iii) A material change in the geographic location of Executive's primary work facility or location; provided, that a relocation of less than thirty-five (35) miles from

Executive's then-present work location will not be considered a material change in geographic location; or

- (iv) A material breach by the Company of a material provision of this Agreement.

Executive will not resign for Good Reason without first providing the Company with written notice within sixty (60) days of the event that Executive believes constitutes "Good Reason" specifically identifying the acts or omissions constituting the grounds for Good Reason and a reasonable cure period of not less than thirty (30) days following the date of such notice during which such condition must not have been cured.

(f) **Section 409A.** "Section 409A" means Code Section 409A, and the final regulations and any guidance promulgated thereunder or any state law equivalent.

(g) **Section 409A Limit.** "Section 409A Limit" will mean two (2) times the lesser of: (i) Executive's annualized compensation based upon the annual rate of pay paid to Executive during Executive's taxable year preceding Executive's taxable year of his or her separation from service as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Internal Revenue Code for the year in which Executive's separation from service occurred.

(h) **Severance Period.** "Severance Period" shall mean six (6) months.

9. **Pre-Employment Conditions.**

(a) **Non-Disclosure Agreement.** Your acceptance of this offer and your Employment with the Company is contingent upon the execution, and delivery to an officer of the Company, of the Company's Confidentiality, Non-Disclosure, Inventions, Non-Solicitation, and Non-Competition Agreement, in the form attached hereto as Attachment A (the "**Non-Disclosure Agreement**"), prior to or on your Start Date.

(b) **Right to Work.** For purposes of federal immigration law, you will be required, if you haven't already, to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your Start Date, or our Employment relationship with you may be terminated.

(c) **Verification of Information.** This Agreement is also contingent upon the successful verification of the information you provided to the Company during your application process, as well as a general background check performed by the Company to confirm your suitability for Employment. By accepting this Agreement, you warrant that all information provided by you is true and correct to the best of your knowledge, you agree to execute any and all documentation necessary for the Company to conduct a background check and you expressly release

the Company from any claim or cause of action arising out of the Company's verification of such information.

10. **Arbitration.**

(a) **Arbitration.** In consideration of your Employment with the Company, its promise to arbitrate all employment-related disputes, and your receipt of the compensation, pay raises and other benefits paid to you by the Company, at present and in the future, you agree that any and all controversies, claims, or disputes with anyone (including the Company and any employee, officer, director, shareholder or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to, or resulting from your Employment with the Company or termination thereof, including any breach of this Agreement, will be subject to binding arbitration.

(b) **Dispute Resolution.** Disputes that Executive agrees to arbitrate, and thereby agrees to waive any right to a jury trial, include any statutory claims under local, state, or federal law, including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Sarbanes Oxley Act, the Worker Adjustment and Retraining Notification Act, the New York State Human Rights Law, New York Equal Rights Law, New York Whistleblower Protection Law, New York Family Leave Law, New York Equal Pay Law, the New York City Human Rights Law, claims of harassment, discrimination, and wrongful termination, and any statutory or common law claims. Executive further understands that this agreement to arbitrate also applies to any disputes that the Company may have with Executive.

(c) **Procedure.** Executive agrees that any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. ("**JAMS**"), pursuant to its Employment Arbitration Rules & Procedures (the "**JAMS Rules**"). The arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, and motions for class certification, prior to any arbitration hearing. The arbitrator shall have the power to award any remedies available under applicable law, and the arbitrator shall award attorneys' fees and costs to the prevailing party, except as prohibited by law. The Company will pay for any administrative or hearing fees charged by the administrator or JAMS, and all arbitrator's fees, except that Executive shall pay any filing fees associated with any arbitration that Executive initiates, but only so much of the filing fee as Executive would have instead paid had Executive filed a complaint in a court of law. Executive agrees that the arbitrator shall administer and conduct any arbitration in accordance with New York law, and that the arbitrator shall apply substantive and procedural New York law to any dispute or claim, without reference to the rules of conflict of law. To the extent that the JAMS Rules conflict with New York law, New York law shall take precedence. The decision of the arbitrator shall be in writing. Any arbitration under this Agreement shall be conducted in New York County, New York.

(d) **Remedy.** Except as provided by the Act, arbitration shall be the sole, exclusive, and final remedy for any dispute between you and the Company. **Accordingly, except as provided by the Act and this Agreement, neither you nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration.** Notwithstanding, the arbitrator will not have the authority to disregard or refuse to enforce any lawful Company policy,

and the arbitrator will not order or require the Company to adopt a policy not otherwise required by law that the Company has not adopted.

(e) **Administrative Relief**. You are not prohibited from pursuing an administrative claim with a local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, including, but not limited to, the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, the National Labor Relations Board, or the Workers' Compensation Board. However, you may not pursue court action regarding any such claim, except as permitted by law.

(f) **Voluntary Nature of Agreement**. You acknowledge and agree that you are executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this Agreement and that you have asked any questions needed for you to understand the terms, consequences and binding effect of this Agreement and fully understand it, including that ***YOU ARE WAIVING YOUR RIGHT TO A JURY TRIAL***. Finally, you agree that you have been provided an opportunity to seek the advice of an attorney of your choice before signing this Agreement.

11. **Successors**.

(a) **Company's Successors**. This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "***Company***" shall include any successor to the Company's business or assets that become bound by this Agreement.

(b) **Your Successors**. This Agreement and all of Executive's rights hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

12. **Miscellaneous Provisions**.

(a) **Indemnification**. The Company shall indemnify Executive to the maximum extent permitted by applicable law and the Company's Bylaws with respect to Executive's service and Executive shall also be covered under a directors and officers liability insurance policy paid for by the Company to the extent that the Company maintains such a liability insurance policy now or in the future. Further, the Company shall enter into an Indemnification Agreement with Executive in substantially the form filed with the Securities and Exchange Commission and as may be modified from time to time by written agreement of the parties.

(b) **Headings**. All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(c) **Notice**.

(i) **General.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In Executive's case, mailed notices shall be addressed to Executive at the home address that Executive most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(ii) **Notice of Termination.** Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 12(c)(i) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which will be not more than thirty (30) days after the giving of such notice, or in the case of a Good Reason resignation, not more than 90 days after the giving of such notice), subject to any applicable cure period. The failure by Executive or the Company to include in the notice any fact or circumstance which contributes to a showing of Good Reason or Cause, as applicable, will not waive any right of Executive or the Company, as applicable, hereunder or preclude Executive or the Company, as applicable, from asserting such fact or circumstance in enforcing his or her or its rights hereunder, as applicable.

(d) **Modifications and Waivers.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) **Whole Agreement.** No other agreements, representations or understandings (whether oral or written and whether express or implied) that are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement, the Non-Disclosure Agreement, the Equity Plan and associated award agreements, and the Indemnification Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

(f) **Withholding Taxes.** All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Choice of Law and Severability.** This Agreement shall be interpreted in accordance with the laws of the State of New York without giving effect to provisions governing the choice of law. If any provision of this Agreement becomes or is deemed invalid, illegal or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the minimum extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Agreement shall continue in full force and effect. If any provision of this Agreement is

rendered illegal by any present or future statute, law, ordinance or regulation (collectively, the “**Law**”) then that provision shall be curtailed or limited only to the minimum extent necessary to bring the provision into compliance with the Law. All the other terms and provisions of this Agreement shall continue in full force and effect without impairment or limitation.

(h) **No Assignment.** This Agreement and all of your rights and obligations hereunder are personal to you and may not be transferred or assigned by you at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company’s obligations hereunder in connection with any sale or transfer to such entity of all or a substantial portion of the Company’s assets.

(i) **Acknowledgment.** You acknowledge that you have had the opportunity to discuss this matter with and obtain advice from your personal attorney, have had sufficient time to, and have carefully read and fully understand all the provisions of this Agreement, and are knowingly and voluntarily entering into this Agreement.

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

After you have had an opportunity to review this Agreement, please feel free to contact me if you have any questions or comments. To indicate your acceptance of this Agreement, please sign and date this letter in the space provided below and return it to the Company.

Very truly yours,

SHUTTERSTOCK, INC.

By: /s/ Steven Berns

(Signature)

Name: Steven Berns

Title: Chief Financial Officer

ACCEPTED AND AGREED:

JEFF WEISER

/s/ Jeff Weiser

(Signature)

April 15, 2016

Date

ATTACHMENT A

NON-DISCLOSURE AGREEMENT

(See Attached)

EXECUTION VERSION

SHUTTERSTOCK, INC.
 Empire State Building
 350 Fifth Avenue, 21st Floor
 New York, NY 10118

Matthew Jagoda

[*****]

[*****]

Re: EMPLOYMENT AGREEMENT

Dear Matthew:

This Employment Agreement (the “**Agreement**”) between you (referred to hereinafter as the “**Executive**”) and Shutterstock, Inc., a Delaware corporation (the “**Company**”) sets forth the terms and conditions that shall govern the period of your employment with the Company (referred to hereinafter as “**Employment**” or the “**Employment Period**”).

1. **Duties and Scope of Employment.**

(a) **At-Will Employment.** Executive will commence full-time Employment with the Company effective as of June 15, 2016 (the “**Start Date**”), the terms of such Employment will be governed by this Agreement. Executive’s Employment with the Company is for no specified period and constitutes “at will” employment. As a result, Executive is free to terminate Employment at any time, with or without advance notice, and for any reason or for no reason. Similarly, the Company is free to terminate Executive’s Employment at any time, with or without advance notice, and with or without Cause (as defined below). Furthermore, although terms and conditions of Executive’s Employment with the Company may change over time, nothing shall change the at-will nature of Executive’s Employment.

(b) **Position and Responsibilities.** During the Employment Period, the Company agrees to employ Executive in the position of Chief People Officer. Executive will report to the Company’s Chief Executive Officer (the “**CEO**”) or, if delegated by the CEO, to the Company’s President or Chief Operating Officer (your “**Supervisor**”), and Executive will be working out of the Company’s office in New York City, New York. Executive will perform the duties and have the responsibilities and authority customarily performed and held by an employee in Executive’s position or as otherwise may be reasonably assigned or delegated to Executive by your Supervisor. Executive will be an officer of the Company.

(c) **Obligations to the Company.** During the Employment Period, Executive shall perform Executive’s duties faithfully and to the best of Executive’s ability and will devote Executive’s full business efforts and time to the Company. During the Employment Period, without the prior written approval of your Supervisor, Executive shall not render services in any capacity to any other person or entity and shall not act as a sole proprietor or partner of any other person or entity or own more than five percent (5%) of the stock of any other corporation. Notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees, deliver lectures,

fulfill speaking engagements, teach at educational institutions, or manage personal investments without advance written consent of your Supervisor; provided that such activities do not individually or in the aggregate interfere with the performance of Executive's duties under this Agreement or create a potential business or fiduciary conflict. Executive shall comply with the Company's policies and rules, as they may be in effect from time to time during Executive's Employment.

(d) **No Conflicting Obligations.** Executive represents and warrants to the Company that Executive is under no obligations or commitments, whether contractual or otherwise, that are inconsistent with Executive's obligations under this Agreement. In connection with Executive's Employment, Executive shall not use or disclose any trade secrets or other proprietary information or intellectual property in which Executive or any other person has any right, title or interest and Executive's Employment will not infringe or violate the rights of any other person. Executive represents and warrants to the Company that Executive has returned all property and confidential information belonging to any prior employer.

2. **Cash and Incentive Compensation.**

(a) **Base Salary.** The Company shall pay Executive, as compensation for Executive's services, a base salary at a gross annual rate of \$425,000, less all required tax withholdings and other applicable deductions, in accordance with the Company's standard payroll procedures. The annual compensation specified in this subsection (a), together with any modifications in such compensation that the Company may make from time to time, is referred to in this Agreement as the "**Base Salary.**" Executive's Base Salary will be subject to review and adjustments that will be made based upon the Company's normal performance review practices. Effective as of the date of any change to Executive's Base Salary, the Base Salary as so changed shall be considered the new Base Salary for all purposes of this Agreement.

(b) **Cash Incentive Bonus.** Executive will be eligible to be considered for an annual cash incentive bonus (the "**Cash Bonus**"), less all required tax withholdings and other applicable deductions, each calendar year during the Employment Period based upon the achievement of certain objective or subjective criteria (collectively, the "**Performance Goals**"). In compliance with all relevant legal requirements and based on Executive's level within the Company, the Performance Goals for Executive's Cash Bonus for a particular year will be established by, and in the sole discretion of, the Company's Board of Directors (the "**Board**"), any Compensation Committee of the Board (the "**Committee**"), or a delegate of either the Board or the Committee (the "**Delegate**"), as applicable. The initial target amount for any such Cash Bonus will be 50% of Executive's Base Salary (the "**Target Bonus Percentage**"). The determinations of the Board, the Committee or the Delegate, as applicable, with respect to such Cash Bonus or the Target Bonus Percentage shall be final and binding. Executive's Target Bonus Percentage for any subsequent year may be adjusted up or down, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable. Executive shall not earn a Cash Bonus unless Executive is employed by the Company on the date when such Cash Bonus is actually paid by the Company. For purposes of clarity, any Cash Bonus payable for the first fiscal year Executive is eligible to receive a Cash Bonus shall not be pro-rated.

(c) **Restricted Stock Units.** Subject to the approval of the Board, the Committee or a Delegate, as applicable, the Company shall grant Executive restricted stock units in respect of 25,000 shares of the Company's common stock (the "***RSU Award***"). The RSU Award shall be granted on or after, but in all events by no later than the first business day of the calendar month next following, the Start Date, at the discretion of the Board, the Committee or a Delegate (the "***Grant Date***"), and shall be settled in shares of Company common stock. Subject to any vesting acceleration rights Executive may have, the RSU Award shall vest and become payable as to one-fourth (1/4) of the shares subject to the RSU Award on each of the first four (4) anniversaries of the Grant Date, subject to Executive continuing to provide services to the Company through the relevant vesting dates. The RSU Award will be subject to the terms, definitions and provisions of the Company's 2012 Omnibus Equity Incentive Plan (the "***Equity Plan***") and the restricted stock unit agreement by and between Executive and the Company (the "***RSU Agreement***"), both of which documents are incorporated herein by reference. Executive will be eligible for future awards under the Equity Plan, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable.

(d) **Stock Options.** Subject to the approval of the Board, the Committee or the Delegate, as applicable, the Company shall grant Executive a nonstatutory stock option, to purchase 30,000 shares of the Company's common stock (the "***Option***"). The Option shall be granted on the Grant Date. The exercise price per share will be equal to the closing price for a share of the Company's common stock on the Grant Date, as reported in The Wall Street Journal or such other source as the Company deems reliable. The term of the Option shall be ten (10) years, subject to earlier expiration in the event of the termination of Executive's services to the Company. Subject to any vesting acceleration rights Executive may have, the Option will vest as to one-fourth (1/4) of the shares subject to the Option on each of the first four (4) anniversaries of the Grant Date, subject to Executive continuing to provide services to the Company through the relevant vesting dates. The Option will be subject to the terms, definitions and provisions of the Equity Plan and the stock option agreement by and between Executive and the Company (the "***Option Agreement***"), both of which documents are incorporated herein by reference. Executive will be eligible for future awards under the Equity Plan, as determined in the sole discretion of the Board, the Committee or the Delegate, as applicable.

(e) **Sign On Bonus.** Within thirty (30) days of the Start Date, Executive will receive a sign on bonus in an amount equal to \$75,000, less all required tax withholdings and other applicable deductions (the "***Sign-On Bonus***"). In the event that Executive voluntarily terminates his Employment (other than for Good Reason) or the Company terminates Executive's Employment for Cause within one (1) year of the Start Date, Executive will be required to repay the Company the after-tax amount of the Sign-On Bonus within thirty (30) days of such termination date. Executive hereby authorizes the Company to withhold any amount payable by Executive under this Section 2(e) from any payments due to Executive by the Company. For purposes of clarity, if the Company terminates Executive's Employment without Cause or Executive resigns for Good Reason, Executive shall not be required to repay the Sign-On Bonus to the Company under this Section 2(e).

3. **Employee Benefits.** During the Employment Period, Executive shall be eligible to participate in the employee benefit plans maintained by the Company and generally available to similarly situated employees of the Company, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such employee benefit plan. The Company reserves the right to cancel or change the employee benefit plans and programs it offers to its employees at any time.

4. **Business Expenses.** The Company will reimburse Executive for necessary and reasonable business expenses incurred in connection with Executive's duties hereunder upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable policies.

5. **Rights Upon Termination.** Except as expressly provided in Section 6, upon the termination of Executive's Employment, Executive shall only be entitled to (i) the accrued but unpaid Base Salary compensation and paid time off ("***PTO***"), (ii) other benefits earned and the reimbursements described in this Agreement or under any Company-provided plans, policies, and arrangements for the period preceding the effective date of the termination of Employment and (iii) such other compensation or benefits from the Company as may be required by law (collectively, the "***Accrued Benefits***").

6. **Termination Benefits.**

(a) **Termination without Cause or Resignation for Good Reason and not in Connection with a Change in Control.** If (x) the Company terminates Executive's employment with the Company for a reason other than for Cause, Executive becoming Disabled or Executive's death or (y) Executive resigns from such employment for Good Reason (as defined below) at any time other than during the twelve (12)-month period immediately following a Change in Control, then, subject to Section 7, Executive will receive the following severance benefits from the Company:

(i) **Accrued Compensation.** The Company will pay Executive all Accrued Benefits.

(ii) **Severance Payment.** Executive will receive continuing payments of severance pay at a rate equal to Executive's Base Salary, as then in effect, for the Severance Period, less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures; provided, however, that the first severance payment due under this Section 6(a)(ii) shall not be made until at least thirty (30) days after the date of Executive's termination.

(iii) **Continued Employee Benefits.** If Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***") for Executive and Executive's eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) the end of the Severance Period, or (B) the date upon which

Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company's normal expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

(iv) Equity. If the Executive's termination date is at least twelve (12) months following the Start Date, fifty percent (50%) of Executive's unvested and outstanding equity awards that would have become vested had Executive remained in the employ of the Company for the twelve (12)-month period following Executive's termination of employment shall immediately vest and become exercisable as of the date of Executive's termination.

(v) Pro-Rated Bonus Payment. Executive will receive a pro-rated annual bonus for the fiscal year in which Executive terminates employment equal to (x) the annual bonus that Executive would have received based on actual performance for such fiscal year if Executive had remained in the employ of the Company for the entire fiscal year *multiplied by* (y) a fraction, the numerator of which is the number of days Executive was in the employ of the Company during the fiscal year including the Termination Date and the denominator of which is 365 (the "**Pro-Rated Bonus**"). The Pro-Rated Bonus, if any, shall be paid at the same time annual bonuses are paid by the Company to other executives of the Company for the fiscal year in which Executive terminated employment, but no later than March 15th of the calendar year following the calendar year in which Executive terminated employment.

(b) Termination without Cause or Resignation for Good Reason in Connection with a Change in Control. If during the twelve (12)-month period immediately following a Change in Control, (x) the Company terminates Executive's employment with the Company for a reason other than for Cause, Executive becoming Disabled or Executive's death, or (y) Executive resigns from such employment for Good Reason, then, subject to Section 7, Executive will receive the following severance benefits from the Company in lieu of the benefits described in Section 6(a) above:

(i) Accrued Compensation. The Company will pay Executive all Accrued Benefits.

(ii) Severance Payment. Executive will receive a lump sum severance payment equal to six (6) months' of Executive's Base Salary as in effect immediately prior to the date of Executive's termination of employment, less all required tax withholdings and other applicable deductions, which will be paid in accordance with the Company's regular payroll procedures; provided, however, that the severance payment due under this Section 6(b)(ii) shall not be made until at least thirty (30) days after the date of Executive's termination.

(iii) Continued Employee Benefits. If Executive elects continuation coverage pursuant to COBRA for Executive and Executive's eligible dependents, within the time period prescribed pursuant to COBRA, the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination or resignation) until the earlier of (A) a period of six (6) months from the last date of

employment of Executive with the Company, or (B) the date up to 6 months on which Executive and/or Executive's eligible dependents become covered under similar plans. COBRA reimbursements will be made by the Company to Executive consistent with the Company's normal expense reimbursement policy and will be taxable to the extent required to avoid adverse consequences to Executive or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010.

(iv) **Equity.** 50% of Executive's unvested and outstanding equity awards that would have become vested had Executive remained in the employ of the Company for the twelve (12)-month period following Executive's termination of employment shall immediately vest and become exercisable as of the date of Executive's termination.

(v) **Target Bonus Payment.** Executive will receive a lump sum severance payment equal to one hundred percent (100%) of Executive's full target bonus amount for the fiscal year in effect at the date of such termination of employment (or, if greater, as in effect for the fiscal year in which the Change in Control occurs), less all required tax withholdings and other applicable deductions.

(c) **Disability; Death; Voluntary Resignation; Termination for Cause.** If Executive's employment with the Company is terminated due to (i) Executive becoming Disabled or Executive's death, (ii) Executive's voluntary resignation (other than for Good Reason), or (iii) the Company's termination of Executive's employment with the Company for Cause, then Executive or Executive's estate (as the case may be) will receive the Accrued Benefits, but will not be entitled to any other compensation or benefits from the Company except to the extent required by law (for example, COBRA). All Accrued Benefits shall in all cases be paid within thirty (30) days of Executive's termination of employment (or such earlier date as required by applicable law) pursuant to this Section 6(c).

(d) **Timing of Payments.** Subject to any specific timing provisions in Section 6(a), 6(b) or 6(c), as applicable, or the provisions of Section 7, payment of the severance and benefits hereunder shall be made or commence to be made as soon as practicable following Executive's termination of employment.

(e) **Exclusive Remedy.** In the event of a termination of Executive's employment with the Company, the provisions of this Section 6 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, whether at law, tort or contract, in equity, or under this Agreement (other than the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses). Executive will be entitled to no other severance, benefits, compensation or other payments or rights upon a termination of employment, including, without limitation, any severance payments and/or benefits provided in the Employment Agreement, other than those benefits expressly set forth in Section 6 of this Agreement or pursuant to written equity award agreements with the Company.

(f) **No Duty to Mitigate.** Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any earnings that Executive may receive from any other source reduce any such payment.

7. **Conditions to Receipt of Severance.**

(a) **Release of Claims Agreement.** The receipt of any severance payments or benefits pursuant to this Agreement, other than, for the avoidance of doubt, the Accrued Benefits, is subject to Executive signing and not revoking a separation agreement and release of claims in a form acceptable to the Company (the “***Release***”), which must become effective no later than the sixtieth (60th) day following Executive’s termination of employment (the “***Release Deadline***”), and if not, Executive will forfeit any right to severance payments or benefits under this Agreement. To become effective, the Release must be executed by Executive and any revocation periods (as required by statute, regulation, or otherwise) must have expired without Executive having revoked the Release. In addition, in no event will severance payments or benefits be paid or provided until the Release actually becomes effective. If the termination of employment occurs at a time during the calendar year where the Release Deadline could occur in the calendar year following the calendar year in which Executive’s termination of employment occurs, then any severance payments or benefits under this Agreement that would be considered Deferred Payments (as defined in Section 7(c)(i)) will be paid on the first payroll date to occur during the calendar year following the calendar year in which such termination occurs, or such later time as required by (i) the payment schedule applicable to each payment or benefit as set forth in Section 6, (ii) the date the Release becomes effective, or (iii) Section 7(c)(ii); provided that the first payment shall include all amounts that would have been paid to Executive if payment had commenced on the date of Executive’s termination of employment.

(b) **Non-Disclosure Agreement.** Executive’s receipt of any payments or benefits under Section 6 will be subject to Executive’s continued compliance with the requirements set for in the Non-Disclosure Agreement (as defined in Section 9(a) below).

(c) **Section 409A.**

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation not exempt under Section 409A (together, the “***Deferred Payments***”) will be paid or otherwise provided until Executive has a “separation from service” within the meaning of Section 409A. And for purposes of this Agreement, any reference to “termination of employment,” “termination” or any similar term shall be construed to mean a “separation from service” within the meaning of Section 409A. Similarly, no severance payable to Executive, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Executive has a “separation from service” within the meaning of Section 409A.

(ii) Notwithstanding anything to the contrary in this Agreement, if Executive is a “***specified employee***” within the meaning of Section 409A at the time of Executive’s termination of employment (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following Executive’s separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive’s separation from service. All subsequent Deferred Payments, if

any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment, installment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(iii) Without limitation, any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations is not intended to constitute Deferred Payments for purposes of clause (i) above.

(iv) Without limitation, any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit is not intended to constitute Deferred Payments for purposes of clause (i) above. Any payment intended to qualify under this exemption must be made within the allowable time period specified in Section 1.409A-1(b)(9)(iii) of the Treasury Regulations.

(v) To the extent that reimbursements or in-kind benefits under this Agreement constitute non-exempt "nonqualified deferred compensation" for purposes of Section 409A, (1) all reimbursements hereunder shall be made on or prior to the last day of the calendar year following the calendar year in which the expense was incurred by Executive, (2) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (3) the amount of expenses eligible for reimbursement or in-kind benefits provided in any calendar year shall not in any way affect the expenses eligible for reimbursement or in-kind benefits to be provided, in any other calendar year.

(vi) The payments and benefits provided under Sections 6(a) and 6(b) are intended to be exempt from or comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions that are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

8. **Definition of Terms.** The following terms referred to in this Agreement will have the following meanings:

(a) **Cause.** "Cause" means:

(i) Executive's gross negligence or willful misconduct in the performance of his or her duties and responsibilities to the Company or Executive's violation of

any written Company policy, *provided, however*, that, solely in connection with Executive's violation of any written Company policy and if the Company determines that such violation can be cured, Executive shall be given five (5) business days from receipt of written notice by the Company advising Executive of such violation to cure any such violation;

(ii) Executive's commission of any act of fraud, theft, embezzlement, financial dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to the Company;

(iii) Executive's conviction of, or pleading guilty or *nolo contendere* to, any felony or a lesser crime involving dishonesty or moral turpitude;

(iv) Executive's alcohol abuse or other substance abuse;

(v) Executive's unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom Executive owes an obligation of nondisclosure as a result of his or her relationship with the Company; or

(vi) Executive's material breach of any of his obligations under any written agreement or covenant with the Company, *provided, however*, that, if the Company determines that such breach can be cured, Executive shall be given five (5) business days from receipt of written notice by the Company advising Executive of such breach to cure any such breach.

(b) **Change in Control.** "Change in Control" shall have the meaning ascribed to such term in the Company's 2012 Omnibus Equity Incentive Plan, provided that any such event constitutes a "change in control event" under Treasury Regulation Section 1.409A-3(i)(5)(i).

(c) **Code.** "Code" means the Internal Revenue Code of 1986, as amended.

(d) **Disability.** "Disability" or "Disabled" means that Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be reasonably expected to result in death or which has lasted, or reasonably can be expected to last, for a continuous period of not less than one (1) year.

(e) **Good Reason.** "Good Reason" means Executive's termination of employment within ninety (90) days following the expiration of any cure period (discussed below) following the occurrence, without Executive's consent, of one or more of the following:

(i) A material reduction of Executive's duties, authority or responsibilities, relative to Executive's duties, authority or responsibilities in effect immediately prior to such reduction; provided, however, that not being named the Chief People Officer of the acquiring corporation following a Change in Control of the Company will not constitute Good Reason;

(ii) A material reduction in Executive's base compensation (except where there is a reduction applicable to all similarly situated executive officers generally); provided, that

a reduction of less than ten percent (10%) will not be considered a material reduction in base compensation;

(iii) A material change in the geographic location of Executive's primary work facility or location; provided, that a relocation of less than thirty-five (35) miles from Executive's then-present work location will not be considered a material change in geographic location; or

(iv) A material breach by the Company of a material provision of this Agreement.

Executive will not resign for Good Reason without first providing the Company with written notice within sixty (60) days of the event that Executive believes constitutes "Good Reason" specifically identifying the acts or omissions constituting the grounds for Good Reason and a reasonable cure period of not less than thirty (30) days following the date of such notice during which such condition must not have been cured.

(f) **Section 409A.** "Section 409A" means Code Section 409A, and the final regulations and any guidance promulgated thereunder or any state law equivalent.

(g) **Section 409A Limit.** "Section 409A Limit" will mean two (2) times the lesser of: (i) Executive's annualized compensation based upon the annual rate of pay paid to Executive during Executive's taxable year preceding Executive's taxable year of his or her separation from service as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Internal Revenue Code for the year in which Executive's separation from service occurred.

(h) **Severance Period.** "Severance Period" shall mean six (6) months.

9. **Pre-Employment Conditions.**

(a) **Non-Disclosure Agreement.** Your acceptance of this offer and your Employment with the Company is contingent upon the execution, and delivery to an officer of the Company, of the Company's Non-Disclosure Agreement, in the form previously provided to you on or about April 19, 2016 (the "***Non-Disclosure Agreement***").

(b) **Right to Work.** For purposes of federal immigration law, you will be required, if you haven't already, to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three (3) business days of your Start Date, or our Employment relationship with you may be terminated.

(c) **Verification of Information.** This Agreement is also contingent upon the successful verification of the information you provided to the Company during your application process, as well as a general background check performed by the Company to confirm your

suitability for Employment. By accepting this Agreement, you warrant that all information provided by you is true and correct to the best of your knowledge, you agree to execute any and all documentation necessary for the Company to conduct a background check and you expressly release the Company from any claim or cause of action arising out of the Company's verification of such information.

10. **Arbitration.**

(a) **Arbitration.** In consideration of your Employment with the Company, its promise to arbitrate all employment-related disputes, and your receipt of the compensation, pay raises and other benefits paid to you by the Company, at present and in the future, you agree that any and all controversies, claims, or disputes with anyone (including the Company and any employee, officer, director, shareholder or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to, or resulting from your Employment with the Company or termination thereof, including any breach of this Agreement, will be subject to binding arbitration.

(b) **Dispute Resolution.** Disputes that Executive agrees to arbitrate, and thereby agrees to waive any right to a jury trial, include any statutory claims under local, state, or federal law, including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Sarbanes Oxley Act, the Worker Adjustment and Retraining Notification Act, the New York State Human Rights Law, New York Equal Rights Law, New York Whistleblower Protection Law, New York Family Leave Law, New York Equal Pay Law, the New York City Human Rights Law, claims of harassment, discrimination, and wrongful termination, and any statutory or common law claims. Executive further understands that this agreement to arbitrate also applies to any disputes that the Company may have with Executive.

(c) **Procedure.** Executive agrees that any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. ("**JAMS**"), pursuant to its Employment Arbitration Rules & Procedures (the "**JAMS Rules**"). The arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, and motions for class certification, prior to any arbitration hearing. The arbitrator shall have the power to award any remedies available under applicable law. The Company will pay for any administrative or hearing fees charged by the administrator or JAMS, and all arbitrator's fees, except that Executive shall pay any filing fees associated with any arbitration that Executive initiates, but only so much of the filing fee as Executive would have instead paid had Executive filed a complaint in a court of law. Executive agrees that the arbitrator shall administer and conduct any arbitration in accordance with New York law, and that the arbitrator shall apply substantive and procedural New York law to any dispute or claim, without reference to the rules of conflict of law. To the extent that the JAMS Rules conflict with New York law, New York law shall take precedence. The decision of the arbitrator shall be in writing. Any arbitration under this Agreement shall be conducted in New York County, New York.

(d) **Remedy.** Except as provided by the Act, arbitration shall be the sole, exclusive, and final remedy for any dispute between you and the Company. **Accordingly, except as provided by the Act and this Agreement, neither you nor the Company will be permitted**

to pursue court action regarding claims that are subject to arbitration. Notwithstanding, the arbitrator will not have the authority to disregard or refuse to enforce any lawful Company policy, and the arbitrator will not order or require the Company to adopt a policy not otherwise required by law that the Company has not adopted.

(e) **Administrative Relief.** You are not prohibited from pursuing an administrative claim with a local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, including, but not limited to, the Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, the National Labor Relations Board, or the Workers' Compensation Board. However, you may not pursue court action regarding any such claim, except as permitted by law.

(f) **Voluntary Nature of Agreement.** You acknowledge and agree that you are executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this Agreement and that you have asked any questions needed for you to understand the terms, consequences and binding effect of this Agreement and fully understand it, including that ***YOU ARE WAIVING YOUR RIGHT TO A JURY TRIAL***. Finally, you agree that you have been provided an opportunity to seek the advice of an attorney of your choice before signing this Agreement.

11. **Successors.**

(a) **Company's Successors.** This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "***Company***" shall include any successor to the Company's business or assets that become bound by this Agreement.

(b) **Your Successors.** This Agreement and all of Executive's rights hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

12. **Miscellaneous Provisions.**

(a) **Indemnification.** The Company shall indemnify Executive to the maximum extent permitted by applicable law and the Company's Bylaws with respect to Executive's service and Executive shall also be covered under a directors and officers liability insurance policy paid for by the Company to the extent that the Company maintains such a liability insurance policy now or in the future.

(b) **Headings.** All captions and section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.

(c) **Notice.**

(i) **General.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In Executive's case, mailed notices shall be addressed to Executive at the home address that Executive most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(ii) **Notice of Termination.** Any termination by the Company for Cause or by Executive for Good Reason will be communicated by a notice of termination to the other party hereto given in accordance with Section 12(c)(i) of this Agreement. Such notice will indicate the specific termination provision in this Agreement relied upon, will set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and will specify the termination date (which will be not more than thirty (30) days after the giving of such notice), subject to any applicable cure period. The failure by Executive or the Company to include in the notice any fact or circumstance which contributes to a showing of Good Reason or Cause, as applicable, will not waive any right of Executive or the Company, as applicable, hereunder or preclude Executive or the Company, as applicable, from asserting such fact or circumstance in enforcing his or her or its rights hereunder, as applicable.

(d) **Modifications and Waivers.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(e) **Whole Agreement.** No other agreements, representations or understandings (whether oral or written and whether express or implied) that are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement and the Non-Disclosure Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

(f) **Withholding Taxes.** All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(g) **Choice of Law and Severability.** This Agreement shall be interpreted in accordance with the laws of the State of New York without giving effect to provisions governing the choice of law. If any provision of this Agreement becomes or is deemed invalid, illegal or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the minimum extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Agreement shall continue in full force and effect. If any provision of this Agreement is rendered illegal by any present or future statute, law, ordinance or regulation (collectively, the "***Law***") then that provision shall be curtailed or limited only to the minimum extent necessary to

bring the provision into compliance with the Law. All the other terms and provisions of this Agreement shall continue in full force and effect without impairment or limitation.

(h) **No Assignment.** This Agreement and all of your rights and obligations hereunder are personal to you and may not be transferred or assigned by you at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with any sale or transfer to such entity of all or a substantial portion of the Company's assets.

(i) **Acknowledgment.** You acknowledge that you have had the opportunity to discuss this matter with and obtain advice from your personal attorney, have had sufficient time to, and have carefully read and fully understand all the provisions of this Agreement, and are knowingly and voluntarily entering into this Agreement.

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

After you have had an opportunity to review this Agreement, please feel free to contact me if you have any questions or comments. To indicate your acceptance of this Agreement, please sign and date this letter in the space provided below and return it to the Company.

Very truly yours,

SHUTTERSTOCK, INC.

By: /s/ Steven Berns

(Signature)

Name: Steven Berns

Title: Chief Financial Officer

ACCEPTED AND AGREED:

MATTHEW JAGODA

/s/ Matthew Jagoda

(Signature)

April 26, 2016

Date

Mutual Separation Agreement and General Release
Dated as of March 6, 2017

Matthew Jagoda
[*****]
[*****]

Dear Mr. Jagoda,

When signed below in the places indicated, the following shall constitute an agreement (the "Agreement") between you ("you" or "Employee") and Shutterstock, Inc. ("Shutterstock" or "Company").

1. Your employment as an "at-will employee" of Shutterstock will terminate at the close of business on March 6, 2017 (the "Effective Termination Date").
 - a. You will be paid your current salary through the close of business on the Effective Termination Date;
 - b. You will be paid for nine (9) unused paid time off days accrued through the Effective Termination Date in accordance with your Employment Agreement, dated April 26, 2016 (the "Employment Agreement"). The payment shall be made in the next available payroll period following the Effective Date of this Agreement (as defined in Section 4.b);
 - c. Upon termination, your rights in respect of any stock options and restricted stock units ("RSUs") granted to you shall be controlled by the Restricted Stock Unit Award Agreement and Shutterstock's 2012 Omnibus Equity Incentive Plan unless otherwise specified below.
1. The Company wishes to settle any claims that you may or could assert in connection with your employment with, or termination from Shutterstock. Accordingly, notwithstanding the termination of your employment with Shutterstock, subject to the timely execution and delivery (and not revoking) hereof and in consideration of the agreements contained herein:
 - a. You will be entitled to continued payments of your existing base salary as of the Effective Termination Date for a period of six months, for a total of \$212,500 less all applicable taxes and withholdings. The payments shall begin in the next available payroll period following the "Effective Date" of this Agreement (as defined in Section 4.b) provided that (i) Company receives this Agreement executed by you in a timely fashion and (ii) the first severance payment due under this agreement shall not be made until at least thirty (30) days after the Effective Termination Date.
 - b. You will be entitled to a lump sum cash payment of your 2016 bonus in the amount of \$120,000 less all applicable taxes and withholdings. The payment shall be made in the next available payroll period following the 30th day after the "Effective Date" of this Agreement (as defined in Section 4.b) provided that Company receives this Agreement executed by you in a timely fashion.
 - c. Reimbursement for your Consolidated Omnibus Budget and Reconciliation Act ("COBRA") premium payments for continued group health coverage under the Company health plan through the earlier of (a) September 30, 2017, or (b) the date upon which you and/or your eligible dependents become covered under similar plans,

Initials /s/ MJ
Date 3/27/17

provided that you timely elect such coverage and remain eligible for such coverage. COBRA reimbursements will be made by the Company through the Company's normal expense reimbursement policy, will be subject to the terms of your Employment Agreement, and will be taxable to the extent required. Notwithstanding the foregoing, in the event a COBRA premium benefit violates the nondiscrimination rules under the Patient Protection and Affordable Care Act (as amended by the Health Care and Education Reconciliation Act of 2010 and as amended from time to time) (the "Affordable Care Act"), Shutterstock will use its reasonable efforts to provide additional severance benefits equivalent to the payments forfeited if and to the extent permitted under the Affordable Care Act.

2. If this Agreement does not become effective and irrevocable no later than sixty (60) days of the Effective Termination Date, you will not be entitled to any of the severance benefits set forth under Section 2.
3. This Agreement is intended to satisfy the requirements of the Older Workers' Benefit Protection Act (the "OWBPA"), 29 U.S.C. sec. 626(f).
 - a. You acknowledge and agree that (i) you have read and understand the terms of this Agreement; (ii) you are advised to consult with an attorney before executing this Agreement, and you have been represented by legal counsel in connection with the signing of this Agreement or you have waived your right to such representation; (iii) you understand that the Company hereby gives you a period of at least twenty-one (21) days to review and consider this Agreement before signing it. You further understand that you may use as much of this review and consideration period as you wish prior to signing. However, if you fail to sign this Agreement within the timeframe indicated in Section 3 and at the very end of this Agreement, this Agreement will terminate automatically and you will have no rights hereunder. Changes to this Agreement, material or otherwise, will not extend the aforementioned review and consideration period. You also agree and acknowledge that the consideration provided to you under this Agreement is in addition to anything of value to which you are already entitled.
 - b. You may revoke this Agreement for a period of seven (7) days following the day you sign same (the "Revocation Period"). Any revocation must be submitted, in writing, to Shutterstock, Inc., 350 Fifth Avenue, 21st Floor, New York, New York 10118, Attention: General Counsel, and must state, "I hereby revoke my acceptance of my Separation Agreement and General Release". This Agreement shall not become effective or enforceable until the expiration of the Revocation Period (the "Effective Date"). If the last day of the Revocation Period is a Saturday, Sunday or such legal holiday recognized by the State of New York, then the Revocation Period shall not expire until the next following day which is not a Saturday, Sunday or legal holiday. If you revoke this Agreement, it shall not be effective or enforceable, and you will receive no further benefits under this Agreement.
 - c. Preserved Rights of Employee. This Agreement does not waive or release any rights or claims that you may have under the Age Discrimination in Employment Act of 1967 (the "ADEA") that arise after your execution of this Agreement. In addition, this Agreement does not prohibit you from challenging the validity of this Agreement's waiver and release of claims under the ADEA or the OWBPA or commencing an action or proceeding to enforce this Agreement.

Initials /s/ MJ
Date 3/27/17

4. Except as expressly set forth in this Agreement, you shall not be entitled to any other compensation, including but not limited to salary, front pay, back pay, vacation pay, severance, commissions or bonuses from Releasees, as defined below, with respect to your employment with or termination from Shutterstock.

5.
 - a. For and in consideration of the payments and benefits enumerated in Section 2, and for other valuable consideration to be provided to you pursuant to this Agreement, the receipt and sufficiency of which you hereby acknowledge, you, for yourself, your heirs, executors, administrators, trustees, legal representatives, successors and assigns (collectively referred to as "Releasers"), hereby forever release and discharge Shutterstock and any of its employees, officers, shareholders, investors, subsidiaries, joint ventures, affiliates, divisions, employee benefit and/or pension plans or funds, successors and assigns and any of their past, present or future directors, officers, attorneys, agents, trustees, administrators, employees, or assigns (whether acting as agents or in their individual capacities) (collectively referred to as "Releasees"), from any and all claims, demands, causes of action, contracts, suits, proceedings, debts, damages and liabilities, in law or equity, known or unknown, whether asserted or not, arising out of or relating to your employment by or performance of services for Shutterstock or the termination of such employment or services, including without limitation any claims relating to a wrongful, premature or discriminatory termination of your employment and/or any and all claims under any and all federal, state or local laws including, but not limited to the fair employment practice laws of all jurisdictions, states, municipalities and localities, including, but not limited to Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000 et seq., the Civil Rights Act of 1991, the Older Workers Benefit Protection Act, the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §621 et seq., the Americans With Disabilities Act of 1990, 42 U.S.C. §12101 et seq., the Consolidated Omnibus Budget Reconciliation Act of 1985, the Immigration Reform and Control Act of 1986, the Civil Rights Act of 1866, 42 U.S.C. §1981, the Employee Retirement Income Security Act of 1974; the Family and Medical Leave Act of 1993, the Genetic Information Non-Discrimination Act of 2008; the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §2101 et seq., the New York Executive Law, Article 15, §290 et seq., the New York State Labor Law, the New York City Human Rights law, the New York City Earned Sick Time Act; all as amended; and any claims relating to rights under federal, state or local laws prohibiting discrimination on the basis of race, color, creed, ancestry, national origin, age, sex, or other basis prohibited by law, and any other applicable federal, state or local laws or regulations. You expressly waive any and all entitlement you have now, to any relief, such as back pay (to the exclusion of any references in this Agreement), front pay, reinstatement, compensatory damages, punitive damages, as well as all claims, demands, causes of action, and liabilities of any kind whatsoever (upon any legal or equitable theory, whether contractual, common-law, statutory, federal, state, local or otherwise including but not limited to tortious conduct), whether known or unknown, by reason of any act, omission, transaction or occurrence which Releasers ever had, now have or hereafter can, shall or may have arising out of your employment with Shutterstock against the Releasees up to and including the date of your execution of this Agreement arising out of your employment with the Company. Notwithstanding the foregoing, you will not release or discharge the Releasees from any of Shutterstock's obligations to you under or pursuant to (1) Section 1 and/or 2 of this Agreement or (2) any tax qualified pension plan of Shutterstock pertaining to vested and accrued benefits. Nothing in this Agreement is intended to affect your rights under COBRA, your rights to unemployment

Initials /s/ MJ
Date 3/27/17

insurance benefits, or your right to enforce this Agreement. The Company agrees not to contest any claim you may make for unemployment insurance benefits.

- b. You understand and agree that this is a full and general release covering all unknown, undisclosed and unanticipated losses, wrongs, injuries, debts, claims or damages to you which may have arisen, or may arise from any act or omission prior to the date of your execution of this Agreement, including, without limitation, any claim arising out of or related, directly or indirectly, to your employment, compensation or termination of employment, as well as those losses, wrongs, injuries, debts, claims or damages now known or disclosed which may arise as a result of any act or omission as described above.
 - c. Notwithstanding the foregoing, to the extent any Indemnifiable Claims (as defined in Section 1.d of the Indemnification Agreement) arises under that certain Indemnification Agreement you entered into on June 9, 2016 (the "Indemnification Agreement"), the Indemnification Agreement shall govern, including but not limited to as set forth in Section 15 of the Indemnification Agreement.
6. You acknowledge that no representations have been made to you by the Company (other than in this Agreement) about the benefits that the Company might or might not offer in the future.
 7. You agree that by the termination of your employment, or as soon thereafter as possible, you will return to the Company all Releasees' credit cards, files, memoranda, documents, records and copies of the foregoing, keys, all storage media containing Releasees' information and any other property of the Releasees in your possession. You represent and warrant that as of the termination of your employment, or as soon thereafter as possible, you will have deleted all files, memoranda, documents and/or records containing Releasees' information from any computer or storage device which you have utilized which is not located on Company premises. The Company acknowledges and agrees that you may retain any documents in your possession concerning employee benefits and/or compensation. You further agree not to disclose, nor use for your benefit or the benefit of any other person or entity, any information received in connection with the Releasees which is confidential or proprietary and (i) which has not been disclosed publicly by the Releasees, (ii) which is otherwise not a matter of public knowledge or (iii) which is a matter of public knowledge but you know or have reason to know that such information became a matter of public knowledge through an unauthorized disclosure. You further understand and acknowledge that (x) you continue to be bound by the Shutterstock Inc. Employee Non-Disclosure, Non-Compete and Non-Solicitation Agreement executed by you on or about April 26, 2016 (the "Non-Disclosure Agreement") and (y) Exhibit A attached hereto sets forth a list of entities that are "competitors" of the Company for purposes of your obligations under the section of the Non-Disclosure Agreement entitled "Post-Employment Noncompetition Agreement." For purposes of clarity, Exhibit A attached hereto is intended to be illustrative and not exhaustive, and the Company retains the right to determine, in its sole discretion, whether any new employer of yours is deemed a "competitor" for purposes of the Non-Disclosure Agreement.
 8. In addition to the non-solicitation obligations set forth in Section 10 of the Non-Disclosure Agreement, for a period of one (1) year following the Effective Termination Date hereof, you shall not, without the prior written consent of the Company's Chief People Officer, or similarly designated senior member of the People Department: (a) directly or indirectly solicit or employ (or encourage any company or business organization in which you are an officer, manager, employee, partner, director, consultant or member, to solicit or employ) or (b) refer to any

Initials /s/ MJ

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employee search firms, any person who was employed by the Releasees on the Effective Termination Date.

9. Nothing in this Agreement shall prohibit or restrict you (or your attorney) without prior notice to Releasees from filing a charge, testifying, assisting, or participating in any manner in an investigation, hearing or proceeding; responding to any inquiry; or making protected disclosures to, or otherwise communicating with, any administrative or regulatory agency or authority, including, but not limited to, the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Commodity Futures Trading Commission (CFTC), the Consumer Financial Protection Bureau (CFPB), the US Department of Justice (DOJ), the US Congress, any agency Inspector General, the Equal Employment Opportunity Commission (EEOC) and the National Labor Relations Board (NLRB). Pursuant to the Defend Trade Secrets Act of 2016, an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to limit or affect your ability to respond to a subpoena or to enforce this Agreement.
10. The parties agree not to disclose the terms and, contents of this Agreement, the claims that have been or could have been raised against Releasees, or the facts and circumstances underlying this Agreement, except you may make such disclosures: (a) to your immediate family, financial and/or tax advisors, or taxing authorities, so long as such person or entity agrees to be bound by the confidential nature of this Agreement; (b) to your legal counsel; (c) pursuant to the order of a court; (d) while engaging in the activities referenced in Section 10 of this Agreement; and/or (e) for purposes of securing enforcement of the terms and conditions of this Agreement, should that ever be necessary.
11.
 - a. You will not disparage Releasees, or issue any communication, written or otherwise, that reflects adversely on or encourages any adverse action against Releasees, except: (a) if testifying truthfully under oath pursuant to any lawful court order or subpoena, (b) otherwise responding to or providing disclosures required by law, or (c) while engaging in the activities referenced in Section 10 of this Agreement. This includes any statement to or response to an inquiry by any member of the press or media, whether written, verbal, electronic, or otherwise.
 - b. Shutterstock agrees that its Executive Officers shall not disparage, or induce or encourage others to disparage, you at any time; and that Shutterstock shall use commercially reasonable efforts to prevent other employees from disparaging, or inducing or encouraging others to disparage, you at any time.
12. The Company may deduct or withhold from any compensation or benefits any applicable federal, state or local tax or employment withholdings or deductions resulting from any payments or benefits provided under this Agreement. In addition, it is the Company's intention that all

Initials /s/ MJ
Date 3/27/17

payments or benefits provided under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), including without limitation the six month delay for payments of deferred compensation to "key employees" upon separation from service pursuant to Section 409A(a)(2)(B)(i) of the Code (if applicable), and this Agreement shall be interpreted, administered and operated accordingly. If under this Agreement an amount is to be paid in installments, each installment shall be treated as a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii). Notwithstanding anything to the contrary herein, the Company does not guarantee the tax treatment of any payments or benefits under this Agreement, including without limitation under the Code, federal, state, local or foreign tax laws and regulations. In no event may you, directly or indirectly, designate the calendar year of any payment under this Agreement. In the event the period of notice and payment referenced in Section 2 of this Agreement ends in the taxable year following your termination of employment, any severance payment or deferred compensation payment shall be paid or commence in such subsequent taxable year if required under Section 409A of the Code.

13. The parties agree that this Agreement shall not constitute or operate as an acknowledgment or admission of any kind by Shutterstock that it has violated any federal, state, local or municipal statute, regulation or common law, or breached any other legal obligation or duty it has or ever had to you.
14. You agree to cooperate fully in any investigation the Releasees undertake into matters occurring during your employment with the Company. Additionally, you agree that when requested by the Releasees or third parties with the Releasees' consent ("Designated Third Parties"), you will promptly and fully respond to all inquiries from the Releasees, Designated Third Parties and its/their representatives concerning matters relating to the Releasees including but not limited to any claims or lawsuits by or against the Releasees or any third parties. Furthermore, you agree to testify in matters related to the Releasees when requested by the Releasees or Designated Third Parties and, for all matters which are not adverse to you, the Company shall reimburse your reasonable preapproved expenses incident to such cooperation and provide counsel at the Company's sole expense on your behalf. In the event that you would prefer to have your own counsel, you may do so at your own cost and expense.
15. By executing this Agreement, you affirm that you are competent and understand and accept the nature, terms and scope of this Agreement as fully resolving all differences and disputes between you and the Releasees. Moreover, you acknowledge that by signing your name below you have read, understand and accept each of the terms of this Agreement, that you have had sufficient opportunity to review it, to consult with an attorney or other advisor (at your own expense), and have done so to the extent that you deem appropriate.
16. Except for the Non-Disclosure Agreement, which shall remain in full force and effect, this is the entire Agreement between you and the Company. This Agreement may not be modified or canceled in any manner except by a writing signed by both you and an authorized Company official. You acknowledge that the Company has made no promises or representations to you other than those in this Agreement. It is not necessary that the Company sign this Agreement for it to become binding upon you. To the extent there is any conflict or inconsistency between any term of this Agreement and the Non-Disclosure Agreement, the term which provides the greater benefit or protection to Releasees shall control.
17. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without regard to conflicts of laws. The parties agree to the exclusive jurisdiction and venue of the Supreme Court of the State of New York for New York County and/

Initials /s/ MJ

Date 3/27/17

or the United States District Court for the Southern District of New York for the resolution of all disputes arising under this Agreement. Finally, to the extent permissible under applicable law, you hereby agree to waive your right to a jury trial in connection with any claim you may have against the Releasees.

18. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signatures of any party to a counterpart shall be deemed to be a signature to, and may be appended to, any other counterpart. Executed originals transmitted electronically as PDF files (or their equivalent) shall have the same force and effect as signed originals.
19. YOU ACKNOWLEDGE THAT YOU HAVE CAREFULLY READ THIS AGREEMENT, UNDERSTAND IT, AND ARE VOLUNTARILY ENTERING INTO IT OF YOUR OWN FREE WILL, WITHOUT DURESS OR COERCION, AFTER DUE CONSIDERATION OF ITS TERMS AND CONDITIONS. YOU FURTHER ACKNOWLEDGE THAT EXCEPT AS STATED IN THIS AGREEMENT, NEITHER THE COMPANY NOR ANY REPRESENTATIVE OF THE COMPANY HAS MADE ANY REPRESENTATIONS OR PROMISES TO YOU. YOU FURTHER ACKNOWLEDGE THAT YOU HAVE BEEN GIVEN AN OPPORTUNITY TO CONSULT WITH COUNSEL OF YOUR CHOICE BEFORE SIGNING THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER OR NOT YOU DO SO IS YOUR DECISION.
20. Should any provision of this Agreement be declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

If the terms of this Agreement are acceptable to you, please sign both original copies and return them to Shutterstock Inc., General Counsel, 350 Fifth Avenue, 21st Floor, New York, NY 10118 for countersignature. Once we have countersigned the Agreement we will send you a fully executed copy.

Initials /s/ MJ
Date 3/27/17

You must sign and return this Agreement to Shutterstock Inc., General Counsel, 350 Fifth Avenue, 21st Floor, New York, NY 10118 no sooner than the date your employment ends and no later than the close of business on the twenty-first (21st) day following the date your employment ends or irrevocably lose the right to receive the consideration detailed herein. You received the Agreement on March 6, 2017.

Sincerely,

Shutterstock, Inc.

By: /s/ Steven Berns 03/27/17
Steven Berns Date

Read, Agreed to and Accepted:

/s/ Matthew Jagoda 03/27/17
Matthew Jagoda Date

Initials /s/ MJ
Date 3/27/17

EXHIBIT A
Illustrative List of Company Competitors

(see attached)

Initials /s/ MJ
Date 3/27/17

Shutterstock, Inc.
Empire State Building
350 Fifth Avenue, 21st Floor
New York, NY 10118
1-866-663-3954 (US)
1-646-419-4452 (Int'l)

November 15, 2016

Dear Steve,

We're happy to extend an offer of employment for the position of Chief Accounting Officer at Shutterstock Inc. ("Shutterstock" or "Company"). This offer is contingent upon your written consent to, and the satisfactory completion of a background check and verification of your employment eligibility to work in the United States.

Your employment will be "at-will", meaning that Shutterstock and you each have the right to end the employment relationship at any time, without reason or notice. You will be required to comply with and consent to all policies and procedures applicable to Shutterstock employees.

The job responsibilities will be as described in our interview process but are subject to change as necessary, and as directed.

Your pre-tax annual salary (Base Salary) will be \$350,000 per year, paid bi-weekly at a rate of \$13,461.54 minus appropriate withholding taxes and deductions. There are 26 pay periods annually.

For 2017 you will be eligible to be considered for an annual discretionary cash bonus of up to 50% of your Base Salary (less all applicable taxes and deductions). Bonus payments will be prorated in an amount proportional to the length of time you are employed by Shutterstock during the applicable calendar year. The determination of bonus payments will be based on the achievement of certain objective or subjective criteria established by, and in the sole discretion of the Company. Further, payment of any bonus is subject to you being employed by Shutterstock at the time of payment.

Pending Shutterstock's Board of Directors' approval, you will receive a grant of 18,000 unvested restricted stock units (RSUs). Vesting of the grant will be over 3 years. 33% of the grant will vest on each of the first and second anniversaries of the original grant date and 34% of the grant will vest on the third anniversary of the original grant date. Vesting will cease if your employment terminates for any reason. Complete details of the grant will be provided to you in a separate Stock Award Agreement, which will govern the terms of your Stock Award, including vesting.

If your employment with the Company is terminated without Cause (as defined below), then the Company shall pay you any earned but unpaid base salary and unused vacation benefits accrued through the date of termination, at the rates then in effect, less standard deductions and withholdings. In addition, if you sign a waiver and release of claims in a form to be provided by the Company (the "Release") within the time period specified therein, and allow it to become effective in accordance with its terms, then the Company shall pay you an amount equal to three months of your base salary in effect at the time of termination. This amount shall be paid in equal monthly installments over a three-month period (the "Severance Period"), with the first payment to be made within fifteen days following the effective date of the Release and will be subject to required withholding. In addition, if you are eligible for and timely elect COBRA coverage, the Company will pay your COBRA premiums until the earlier of (x) three months after your termination of employment or (y) the date upon which you become eligible for coverage under another employer's group health plan; provided, however, such payment will be taxable to the extent required to avoid adverse consequences to you or the Company under either Code Section 105(h) or the Patient Protection and Affordable Care Act of 2010. Notwithstanding the foregoing, in the event you become employed during the Severance Period, all severance amounts due and payable hereunder shall immediately cease as of the date you accept such employment without any further obligation by the Company.

"Cause" shall mean the occurrence of any of the following: (i) your gross negligence or willful misconduct in the performance of your duties and responsibilities to the Company or your violation of any written Company policy; (ii) your commission of any act of fraud, theft, embezzlement, financial dishonesty or any other willful misconduct that has caused or is reasonably expected to

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan Oringer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shutterstock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and 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 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.

Date: May 3, 2017

By: /s/ Jonathan Oringer

Jonathan Oringer

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven Berns, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shutterstock, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and 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 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.

Date: May 3, 2017

By: /s/ Steven Berns

Steven Berns

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Shutterstock, Inc., for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan Oringer, as Chief Executive Officer of Shutterstock, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shutterstock, Inc.

Date: May 3, 2017

By: /s/ Jonathan Oringer

Jonathan Oringer

Chief Executive Officer

(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Shutterstock, Inc., for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven Berns, as Chief Financial Officer of Shutterstock, Inc., hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shutterstock, Inc.

Date: May 3, 2017

By: /s/ Steven Berns

Steven Berns

Chief Financial Officer

(Principal Financial Officer)