

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

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**FORM 10-Q**

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(Mark One)

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

For the three months ended September 30, 2015

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: 001-34720

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**TELENAV, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**77-0521800**  
(I.R.S. Employer  
Identification Number)

**950 De Guigne Drive**  
**Sunnyvale, California 94085**  
(Address of principal executive offices, including zip code)

**(408) 245-3800**  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of September 30, 2015, there were approximately 40,856,701 shares of the Registrant's Common Stock outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

**TELENAV, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except par value)

	September 30, 2015 (unaudited)	June 30, 2015*
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,981	\$ 18,721
Short-term investments	99,763	101,195
Accounts receivable, net of allowances of \$189 and \$211 at September 30, 2015 and June 30, 2015, respectively	38,353	36,493
Deferred income taxes, net	328	327
Restricted cash	4,779	4,878
Income taxes receivable	5,472	6,080
Prepaid expenses and other current assets	5,002	4,288
Total current assets	165,678	171,982
Property and equipment, net	6,803	7,126
Deferred income taxes, non-current	689	443
Goodwill and intangible assets, net	36,820	37,528
Other assets	8,118	6,843
Total assets	<u>\$ 218,108</u>	<u>\$ 223,922</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 740	\$ 830
Accrued compensation	6,966	9,628
Accrued royalties	12,759	9,358
Other accrued expenses	10,314	10,918
Deferred revenue	3,032	2,109
Income taxes payable	751	724
Total current liabilities	34,562	33,567
Deferred rent, non-current	4,577	4,858
Deferred revenue, non-current	7,637	4,719
Other long-term liabilities	4,763	4,595
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value: 50,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.001 par value: 600,000 shares authorized; 40,857 and 40,537 shares issued and outstanding at September 30, 2015 and June 30, 2015, respectively	41	41
Additional paid-in capital	142,135	140,406
Accumulated other comprehensive loss	(1,716)	(1,540)
Retained earnings	26,109	37,276
Total stockholders' equity	166,569	176,183
Total liabilities and stockholders' equity	<u>\$ 218,108</u>	<u>\$ 223,922</u>

\* Derived from audited consolidated financial statements as of and for the year ended June 30, 2015

See accompanying Notes to Condensed Consolidated Financial Statements.

**TELENAV, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(in thousands, except per share amounts)**  
**(unaudited)**

	Three Months Ended	
	September 30,	
	2015	2014
Revenue:		
Product	\$ 31,109	\$ 18,916
Services	12,952	16,071
Total revenue	<u>44,061</u>	<u>34,987</u>
Cost of revenue:		
Product	18,083	10,178
Services	5,304	5,782
Total cost of revenue	<u>23,387</u>	<u>15,960</u>
Gross profit	20,674	19,027
Operating expenses:		
Research and development	17,987	16,998
Sales and marketing	6,998	6,196
General and administrative	6,235	6,213
Total operating expenses	<u>31,220</u>	<u>29,407</u>
Loss from operations	(10,546)	(10,380)
Other income (expense), net	(187)	1,303
Loss before provision (benefit) for income taxes	(10,733)	(9,077)
Provision (benefit) for income taxes	113	(1,140)
Net loss	<u>\$ (10,846)</u>	<u>\$ (7,937)</u>
Net loss per share:		
Basic	<u>\$ (0.27)</u>	<u>\$ (0.20)</u>
Diluted	<u>\$ (0.27)</u>	<u>\$ (0.20)</u>
Weighted average shares used in computing net loss per share:		
Basic	<u>40,601</u>	<u>39,538</u>
Diluted	<u>40,601</u>	<u>39,538</u>
Stock-based compensation expense included above:		
Cost of revenue	\$ 32	\$ 24
Research and development	1,458	1,500
Sales and marketing	840	764
General and administrative	757	1,100
Total stock-based compensation expense	<u>\$ 3,087</u>	<u>\$ 3,388</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

**TELENAV, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(in thousands)**  
**(unaudited)**

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Net loss	\$ (10,846)	\$ (7,937)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment, net of tax	(184)	(645)
Available-for-sale securities:		
Unrealized gain (loss) on available-for-sale securities, net of tax	6	(189)
Reclassification adjustments for gain on available-for-sale securities recognized, net of tax	2	(245)
Net increase (decrease) from available-for-sale securities, net of tax	8	(434)
Other comprehensive loss, net of tax:	(176)	(1,079)
Comprehensive loss	<u>\$ (11,022)</u>	<u>\$ (9,016)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

**TELENAV, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Three Months Ended	
	September 30,	
	2015	2014
<b>Operating activities</b>		
Net loss	\$ (10,846)	\$ (7,937)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,069	1,477
Amortization of net premium on short-term investments	205	543
Stock-based compensation expense	3,087	3,388
Write-off of long term investments	442	—
Gain on disposal of property and equipment	—	(12)
Bad debt expense	73	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,933)	(1,178)
Deferred income taxes	(247)	578
Restricted cash	99	72
Income taxes receivable	608	(1,626)
Prepaid expenses and other current assets	(714)	1,179
Other assets	(1,718)	53
Accounts payable	(97)	325
Accrued compensation	(2,662)	(5,734)
Accrued royalties	3,401	5,010
Accrued expenses and other liabilities	(436)	(1,441)
Income taxes payable	27	26
Deferred rent	(68)	1,403
Deferred revenue	3,841	(79)
Net cash used in operating activities	(5,869)	(3,953)
<b>Investing activities</b>		
Purchases of property and equipment	(242)	(163)
Purchases of short-term investments	(10,249)	(69,300)
Purchase of long-term investments	—	(200)
Proceeds from sales and maturities of short-term investments	11,483	79,075
Net cash provided by investing activities	992	9,412
<b>Financing activities</b>		
Proceeds from exercise of stock options	204	1,353
Repurchase of common stock	(570)	—
Tax withholdings related to net share settlements of restricted stock units	(1,313)	(678)
Net cash provided by (used in) financing activities	(1,679)	675
Effect of exchange rate changes on cash and cash equivalents	(184)	(645)
Net increase (decrease) in cash and cash equivalents	(6,740)	5,489
Cash and cash equivalents, at beginning of period	18,721	14,534
Cash and cash equivalents, at end of period	\$ 11,981	\$ 20,023
<b>Supplemental disclosure of cash flow information</b>		
Income taxes paid (received), net	\$ (549)	\$ 47

See accompanying Notes to Condensed Consolidated Financial Statements.

**TELENAV, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**1. Summary of business and significant accounting policies**

***Description of business***

Telenav, Inc., also referred to in this report as “we,” “our” or “us,” was incorporated in September 1999 in the State of Delaware. We are a leader in personalized mobile navigation. We help on the go people by creating products that (1) provide easily-accessed, relevant, and personalized information for discovery, traffic, local search, and navigation and (2) are available across multiple platforms and devices, including mobile phones, tablets, computers and cars. We operate in three segments - automotive, advertising and mobile navigation. Our fiscal year ends on June 30 and in this report we refer to the fiscal year ended June 30, 2015 as “fiscal 2015” and the fiscal year ending June 30, 2016 as “fiscal 2016.”

***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, or GAAP. The condensed consolidated financial statements include the accounts of Telenav, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The financial statements include all adjustments (consisting only of normal recurring adjustments) that our management believes are necessary for a fair presentation of the periods presented. These interim financial results are not necessarily indicative of results expected for the full fiscal year or for any subsequent interim period. Certain prior period amounts in the consolidated financial statements have been reclassified to conform to current period presentation for comparative purposes.

Our condensed consolidated financial statements also include the financial results of Shanghai Jitu Software Development Ltd., or Jitu, located in China. Based on our contractual arrangements with the shareholders of Jitu, we have determined that Jitu is a variable interest entity, or VIE, for which we are the primary beneficiary and are required to consolidate in accordance with Accounting Standards Codification, or ASC, subtopic 810-10, or ASC 810-10, *Consolidation: Overall*. The results of Jitu did not have a material impact on our overall operating results for the three months ended September 30, 2015 and 2014.

The condensed consolidated financial statements and related financial information should be read in conjunction with the audited consolidated financial statements and the related notes thereto for fiscal 2015, included in our Annual Report on Form 10-K for fiscal 2015 filed with the U.S. Securities and Exchange Commission, or SEC on August 24, 2015.

There have been no material changes to our significant accounting policies as compared to the significant accounting policies described in our Form 10-K for fiscal 2015.

***Use of estimates***

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Significant estimates and assumptions made by us include the determination of revenue recognition and deferred revenue, the recoverability of accounts receivable, the determination of acquired intangibles and goodwill, the fair value of stock awards issued, the determination of income taxes and the recoverability of deferred tax assets. Actual results could differ from those estimates.

***Concentrations of risk and significant customers***

Revenue related to services provided through Ford Motor Company, or Ford, comprised 69% and 53% of revenue for the three months ended September 30, 2015 and 2014, respectively. As of September 30, 2015 and June 30, 2015, receivables due from Ford were 63% and 58% of total accounts receivable, respectively. Revenue related to services provided through AT&T Mobility LLC, or AT&T, comprised 11% and 20% of revenue for the three months ended September 30, 2015 and 2014, respectively. Receivables due from AT&T were 9% and 14% of total accounts receivable at September 30, 2015 and June 30, 2015, respectively. No other customer represented 10% of our revenue or 10% of our accounts receivable for any period presented.

## TELENAV, INC.

## Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

Certain of our licensed map, points of interest, or POI, and traffic data have been provided principally by TomTom North America, Inc., or TomTom, and HERE North America, LLC, or HERE, in the three months ended September 30, 2015 and 2014. To date, we are not aware of circumstances that may impair either party's intent or ability to continue providing such services to us.

**Restricted cash**

As of September 30, 2015 and June 30, 2015, we had restricted cash of \$4.8 million and \$4.9 million, respectively, on our consolidated balance sheets, comprised primarily of an overpayment from a customer that is expected to be refunded.

**Accumulated other comprehensive loss, net of tax**

The components of accumulated other comprehensive loss, net of related taxes, during the three months ended September 30, 2015, were as follows (in thousands):

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Available-for-Sale Securities	Total
Balance, net of tax as of June 30, 2015	\$ (1,377)	\$ (163)	\$ (1,540)
Other comprehensive loss before reclassifications, net of tax	(184)	6	(178)
Amount reclassified from accumulated other comprehensive loss, net of tax	—	2	2
Other comprehensive loss, net of tax	(184)	8	(176)
Balance, net of tax as of September 30, 2015	\$ (1,561)	\$ (155)	\$ (1,716)

The amounts reclassified from accumulated other comprehensive loss, net of tax, were determined using the specific identification method and the amounts were included in other income (expense), net, for the three months ended September 30, 2015, and 2014.

The amount of income tax benefit allocated to each component of accumulated other comprehensive loss was not material for the three months ended September 30, 2015, and 2014.

**Long-term investments**

As of September 30, 2015, the carrying value of our investments in privately-held companies totaled \$2.0 million. Of this amount, a total of \$1.5 million are accounted for as cost-basis investments, as we own less than 20% of the voting securities and do not have the ability to exercise significant influence over operating and financial policies of the entities. Our investments are in entities that are not publicly traded and, therefore, no established market for the securities exists. Our cost-basis investments are carried at historical cost in our condensed consolidated balance sheets and measured at fair value on a nonrecurring basis when indicators of impairment exist. If we believe that the carrying value of the cost-basis investments is in excess of estimated fair value, our policy is to record an impairment charge to adjust the carrying value to estimated fair value, when the impairment is deemed other-than-temporary. We regularly evaluate the carrying value of these cost-basis investments for impairment. We recorded a \$0.4 million impairment charge for cost-method investments during the three months ended September 30, 2015. We did not record any impairment charges for the three months ended September 30, 2014.

In addition to these cost basis investments, in June 2015 we entered into an agreement to spin off a product line developed by our Xian, China team, including certain assets and technology as well as the transfer of 12 employees, and we agreed to invest \$800,000 in the form of a convertible note. We are the primary investor; however, we do not have significant influence over the operations of the business. Accordingly, we record the monthly net change in operating results against the carrying value of the convertible note recorded in long-term investments on our consolidated balance sheet. The entity's success is contingent upon its ability to generate revenue and raise additional capital. As of September 30, 2015, the carrying value of our investment was \$513,000.

## TELENAV, INC.

## Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

**Warranty**

We warrant our automotive navigation products to be free from defects in materials, workmanship and design for periods ranging from three months to seven years. We accrue costs related to warranty claims when they are probable and reasonably estimable. Our warranty costs have historically not been material. From time to time, we experience incidents where it may be necessary for us to expend resources to investigate and remedy a potential warranty claim.

**Recent accounting pronouncements**

In February 2015, the Financial Accounting Standards Board, or FASB, issued new guidance related to consolidations. The new standard amends the guidelines for determining whether certain legal entities should be consolidated and reduces the number of consolidation models. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. We are evaluating the impact, if any, of adopting this new accounting guidance on our financial statements.

In May 2014, the FASB issued guidance related to revenue from contracts with customers, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the full retrospective or cumulative effect transition method. Early adoption is permitted. In August 2015, the FASB deferred by one year the effective date of this guidance. The updated standard will now be effective for us in the first quarter of our fiscal year ending June 30, 2019. We have not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

**2. Net income (loss) per share**

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period, including potential dilutive common shares assuming the dilutive effect of outstanding stock options, restricted stock units and restricted common stock using the treasury-stock method.

The following table presents the calculation of basic and diluted net loss per share (in thousands, except per share amounts):

	Three Months Ended	
	September 30,	
	2015	2014
Net loss	\$ (10,846)	\$ (7,937)
Weighted average common shares used in computing net loss per share, basic and diluted	40,601	39,538
Net loss per share, basic and diluted	\$ (0.27)	\$ (0.20)

TELENAV, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

The following outstanding shares were excluded from the computation of diluted net loss per share for the periods presented because including them would have had an antidilutive effect (in thousands):

	Three Months Ended	
	September 30,	
	2015	2014
Stock options	5,472	5,676
Restricted stock units	4,750	4,529
Restricted common stock	—	8
Total	10,222	10,213

**3. Cash, cash equivalents and short-term investments**

Cash and cash equivalents consist of highly liquid fixed-income investments with original maturities of three months or less at the time of purchase, including money market funds. Short-term investments consist of readily marketable securities with a remaining maturity of more than three months from the date of purchase. We classify all of our cash equivalents and short-term investments as “available for sale,” as these investments are free of trading restrictions. These marketable securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as accumulated other comprehensive income (loss) and included as a separate component of stockholders’ equity. Gains and losses are recognized when realized. When we have determined that an other-than-temporary decline in fair value has occurred, the amount of the decline that is related to a credit loss is recognized in earnings. Gains and losses are determined using the specific identification method. We had no material realized gains or losses in the three months ended September 30, 2015 and 2014.

Cash, cash equivalents and short-term investments consisted of the following as of September 30, 2015 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash	\$ 7,343	\$ —	\$ —	\$ 7,343
Cash equivalents:				
Money market mutual funds	3,139	—	—	3,139
Commercial paper	1,499	—	—	1,499
Total cash equivalents	4,638	—	—	4,638
Total cash and cash equivalents	11,981	—	—	11,981
Short-term securities:				
U.S. treasury securities	450	1	—	451
Asset-backed securities	15,577	11	(6)	15,582
Municipal securities	9,279	13	(6)	9,286
Commercial paper	4,242	2	—	4,244
Agency bonds	8,959	17	(1)	8,975
Corporate bonds	61,274	48	(97)	61,225
Total short-term investments	99,781	92	(110)	99,763
Cash, cash equivalents and short-term investments	\$ 111,762	\$ 92	\$ (110)	\$ 111,744

## TELENAV, INC.

## Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

Cash, cash equivalents and short-term investments consisted of the following as of June 30, 2015 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash	\$ 10,806	\$ —	\$ —	\$ 10,806
Cash equivalents:				
Money market mutual funds	7,915	—	—	7,915
Total cash equivalents	7,915	—	—	7,915
Total cash and cash equivalents	18,721	—	—	18,721
Short-term investments:				
Asset-backed securities	16,977	9	(3)	16,983
Municipal securities	10,018	8	(9)	10,017
Commercial paper	1,996	2	—	1,998
Agency bonds	7,642	6	(2)	7,646
Corporate bonds	64,587	39	(75)	64,551
Total short-term investments	101,220	64	(89)	101,195
Cash, cash equivalents and short-term investments	\$ 119,941	\$ 64	\$ (89)	\$ 119,916

The following table summarizes the cost and estimated fair value of short-term fixed income securities classified as short-term investments based on stated maturities as of September 30, 2015 (in thousands):

	Amortized Cost	Estimated Fair Value
Due within one year	\$ 52,810	\$ 52,815
Due between one and two years	31,004	30,964
Due after two years	15,967	15,984
Total	\$ 99,781	\$ 99,763

Declines in fair value judged to be other-than-temporary on securities available for sale are included as a component of other income, net. In order to determine whether a decline in value is other-than-temporary, we evaluate, among other factors: the duration and extent to which the fair value has been less than the carrying value and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair market value. As of September 30, 2015, we did not consider any of our investments to be other-than-temporarily impaired.

#### 4. Fair value of financial instruments

We measure certain financial instruments at fair value on a recurring basis. We have established a hierarchy, which consists of three levels, for disclosure of the inputs used to determine the fair value of our financial instruments.

Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are based on inputs that are observable, either directly or indirectly, other than quoted prices included within Level 1. Such inputs used in determining fair value for Level 2 valuations include quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Where applicable, we use quoted prices in active markets for similar assets to determine fair value of Level 2 short-term investments. If quoted prices in active markets for identical assets are not available to determine fair value, we use quoted prices for similar assets and liabilities or inputs that are observable either directly or indirectly. If quoted prices for identical or similar assets are not available, we use third party valuations utilizing underlying assets assumptions.

**TELENAV, INC.**  
**Notes to Condensed Consolidated Financial Statements—(Continued)**  
**(unaudited)**

Level 3 valuations are based on information that is unobservable and significant to the overall fair value measurement. All of our cash equivalents and short-term investments are classified within Level 1 or Level 2. The fair values of these financial instruments were determined using the following inputs at September 30, 2015 (in thousands):

Description	Fair Value Measurements at September 30, 2015 Using			
	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
<b>Cash equivalents:</b>				
Money market mutual funds	\$ 3,139	\$ 3,139	\$ —	\$ —
Commercial paper	1,499	—	1,499	—
Total cash equivalents	4,638	3,139	1,499	—
<b>Short-term investments:</b>				
U.S. treasury securities	451	451	—	—
Asset-backed securities	15,582	—	15,582	—
Municipal securities	9,286	—	9,286	—
Commercial paper	4,244	—	4,244	—
Agency bonds	8,975	—	8,975	—
Corporate bonds	61,225	—	61,225	—
Total short-term investments	99,763	451	99,312	—
Cash equivalents and short-term investments	\$ 104,401	\$ 3,590	\$ 100,811	\$ —

The fair values of our financial instruments were determined using the following inputs at June 30, 2015 (in thousands):

Description	Fair Value Measurements at June 30, 2015 Using			
	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
<b>Cash equivalents:</b>				
Money market mutual funds	\$ 7,915	\$ 7,915	\$ —	\$ —
Total cash equivalents	7,915	7,915	—	—
<b>Short-term investments:</b>				
Asset-backed securities	16,983	—	16,983	—
Municipal securities	10,017	—	10,017	—
Commercial paper	1,998	—	1,998	—
Agency bonds	7,646	—	7,646	—
Corporate bonds	64,551	—	64,551	—
Total short-term investments	101,195	—	101,195	—
Cash equivalents and short-term investments	\$ 109,110	\$ 7,915	\$ 101,195	\$ —

Amortization of net premium on short-term investments totaled \$0.2 million and \$0.5 million in the three months ended September 30, 2015 and 2014, respectively.

There were no transfers between Level 1 and Level 2 financial instruments in the three months ended September 30, 2015 and 2014, respectively.

We did not have any financial liabilities measured at fair value on a recurring basis as of September 30, 2015 or June 30, 2015.

## TELENAV, INC.

## Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

**5. Commitments and contingencies***Operating lease and purchase obligations*

As of September 30, 2015, we had future minimum non-cancelable financial commitments primarily related to office space under non-cancelable operating leases and license fees due to certain of our third party content providers, regardless of usage level. The aggregate future minimum commitments, net of sublease income, were comprised of the following (in thousands):

	Payments Due by Period					
	Total	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020 and Thereafter
Operating lease obligations, net of sublease income	\$ 24,009	\$ 5,057	\$ 5,281	\$ 5,559	\$ 5,847	\$ 2,265
Purchase obligations	3,673	1,296	734	507	207	929
Total contractual obligations	\$ 27,682	\$ 6,353	\$ 6,015	\$ 6,066	\$ 6,054	\$ 3,194

See Note 12. Subsequent Events for information on our lease termination agreement executed in October 2015.

*Joint venture investment commitment*

In September 2015, we entered into an agreement with Ningbo Huazhong Holdings Company Limited, or Huazhong, a subsidiary of a publicly traded automotive OEM supplier in China, whereby we and Huazhong agreed to form a joint venture limited liability company in China for the development, manufacture and sales of connected navigation systems for the China automotive aftermarket and local OEMs. We agreed to invest RMB 9.95 million (approximately \$1.6 million as of September 30, 2015) in cash, which is expected to represent 19.9% of the equity interests of the joint venture. We and Huazhong have also agreed to negotiate a Technology License Agreement, or TLA, whereby we will license our existing navigation platform technologies to the joint venture in exchange for a RMB 5.0 million license fee. Our capital contribution will be made in two installments, with the first installment totaling RMB 4.95 million due on the later date of (a) October 30, 2015, and (b) one week after the date on which the joint venture is established. Our second installment totaling RMB 5.0 million is due upon certain conditions being met, among them completion of the TLA and our receipt of the RMB 5.0 million TLA fee from the joint venture company.

*Contingencies*

From time to time, we may become involved in legal proceedings, claims and litigation arising in the ordinary course of business. When we believe a loss or a cost of indemnification is probable and can be reasonably estimated, we accrue the estimated loss or cost of indemnification in our consolidated financial statements. Where the outcome of these matters is not determinable, we do not make a provision in our financial statements until the loss or cost of indemnification, if any, is probable and can be reasonably estimated or the outcome becomes known. We expense legal fees related to these matters as they are incurred.

On December 31, 2009, Vehicle IP, LLC, or Vehicle IP, filed a patent infringement lawsuit against us in the U.S. District Court for the District of Delaware, seeking monetary damages, fees and expenses and other relief. Verizon Wireless, or Verizon, was named as a co-defendant in the Vehicle IP litigation based on the VZ Navigator product and has demanded that we indemnify and defend Verizon against Vehicle IP. At this time, we have not agreed to defend or indemnify Verizon. AT&T was also named as a co-defendant in the Vehicle IP litigation based on the AT&T Navigator and Telenav Track products. AT&T has tendered the defense of the litigation to us and we are defending the case on behalf of AT&T. After the district court issued its claim construction ruling the parties agreed to focus on early summary judgment motions, the defendants filed motions for summary judgment of noninfringement. On April 10, 2013 the district court granted AT&T and our motion for summary judgment of noninfringement. Plaintiff appealed the district court's claim construction and summary judgment rulings to the U.S. Court of Appeals for the Federal Circuit. On November 18, 2014, the U.S. Court of Appeals for the Federal Circuit reversed the district court's claim construction and overturned the district court's grant of summary judgment of noninfringement. The case has been sent back to the U.S. District Court for the District of Delaware and trial is currently scheduled for February 2017. Due to the uncertainties related to litigation, we are unable to evaluate the likelihood of either a favorable or unfavorable outcome. We believe that it is reasonably possible that we will incur a loss; however, we cannot

TELENAV, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

currently estimate a range of any possible losses we may experience in connection with this case. Accordingly, we are unable at this time to estimate the effects of this lawsuit on our financial condition, results of operations, or cash flows.

On February 6, 2015, Location Services IP, LLC filed a complaint against AT&T, Inc. and Telenav, Inc. in the U.S. District Court for the Eastern District of Texas, alleging that the AT&T Navigator, Telenav GPS Plus, and Telenav Scout Mobile applications infringe four U.S. patents. On April 16, 2015, Location Services IP, LLC dismissed all claims against AT&T, Inc. and Telenav, Inc. and filed a new complaint against AT&T Mobility, AT&T Services, Inc. and Telenav, Inc. in the same court, alleging that the AT&T Navigator, Telenav GPS Plus, Telenav GPS Navigator, and Telenav Scout Mobile applications as well as AT&T Store Locator and the myAT&T Mobile Application infringe the same four U.S. patents. The complaint seeks unspecified monetary damages, fees and expenses and injunctive relief. AT&T has requested that we defend and indemnify them in this matter as it relates to the AT&T Navigator product and we have agreed to do so. On October 5, 2015, we entered into a Settlement and License Agreement with Location Services IP, LLC, pursuant to which Location Services IP, LLC granted us a license to the four U.S. patents at issue and settled and dismissed the complaint. On October 13, 2015, Location Services IP, LLC filed a Dismissal with Prejudice of Defendants Telenav, Inc., AT&T Mobility LLC and AT&T Services, Inc. On October 14, 2015, the District Court entered the dismissal. We do not anticipate any additional liability from this matter.

In addition, we have received, and expect to continue to receive, demands for indemnification from our customers, which demands can be very expensive to settle or defend, and we have in the past offered to contribute to settlement amounts and incurred legal fees in connection with certain of these indemnity demands. A number of these indemnity demands, including demands relating to pending litigation, remain outstanding and unresolved as of the date of this Form 10-Q. Furthermore, in response to these demands we may be required to assume control of and bear all costs associated with the defense of our customers in compliance with our contractual commitments. At this time, we are not a party to the following cases; however our customers have requested that we indemnify them in connection with such cases.

In 2008, Alltel, AT&T, Sprint and T-Mobile USA, or T-Mobile, each demanded that we indemnify and defend them against patent infringement lawsuits brought by patent holding companies EMSAT Advanced Geo-Location Technology LLC and Location Based Services LLC (collectively, EMSAT) in the U.S. District Court for the Northern District of Ohio. In March 2011, EMSAT and AT&T settled their claims. The PTO reexamined two of the patents in suit, confirming the validity of only two of the asserted claims from those patents. All patent claims that EMSAT alleged to be infringed by the Telenav GPS Navigator product were cancelled during reexamination. In the suits against T-Mobile, Alltel and Sprint, EMSAT amended its allegations to remove allegations of infringement of the patent claims that were cancelled during reexamination. EMSAT and T-Mobile stipulated to a dismissal and their case was dismissed on January 28, 2015. On March 20, 2015, the Court dismissed and closed the Alltel case and on April 10, 2015 the Court dismissed and closed the Sprint case. We have not yet determined the extent of our indemnification obligations to AT&T. We believe that it is reasonably possible that we will incur additional loss; however, we cannot currently estimate a range of other possible losses we may experience in connection with this case. Accordingly, we are unable at this time to estimate the overall effects of this matter on our financial condition, results of operations, or cash flows.

In March 2009, AT&T demanded that we indemnify and defend them against a patent infringement lawsuit brought by Tendler Cellular of Texas LLC, or Tendler, in the U.S. District Court for the Eastern District of Texas. In June 2010, AT&T settled its claims with Tendler and we came to an agreement with AT&T as to the extent of our contribution towards AT&T's settlement and the amount of our contribution was not material; however, there continues to be a disagreement as to whether any additional amounts are owed to AT&T for legal fees and expenses related to the defense of the matter. We believe that it is reasonably possible that we will incur additional loss; however, we cannot currently estimate a range of other possible losses we may experience in connection with this case. Accordingly, we are unable at this time to estimate the overall effects on our financial condition, results of operations, or cash flows.

In connection with a software quality issue that was identified related to maps displayed in software deployed to certain vehicles released in North America in 2015, we have accrued a reserve of \$50,000 as of September 30, 2015. The software quality issue does not present a risk to driver safety. The actual costs are uncertain at this time and we are currently working with our customer to evaluate the appropriate solution. If the actual costs exceed our estimates, our results of operations and financial condition may be adversely affected.

TELENAV, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

**6. Guarantees and indemnifications**

Our agreements with our customers generally include certain provisions for indemnifying them against liabilities if our products and services infringe a third party's intellectual property rights or for other specified matters. We have in the past received indemnification requests or notices of their intent to seek indemnification in the future from our customers with respect to specific litigation claims in which our customers have been named as defendants. The maximum amount of potential future indemnification is unlimited.

We have agreed to indemnify our directors, officers and certain other employees for certain events or occurrences, subject to certain limits, while such persons are or were serving at our request in such capacity. We may terminate the indemnification agreements with these persons upon the termination of their services with us, but termination will not affect claims for indemnification related to events occurring prior to the effective date of termination. The maximum amount of potential future indemnification is unlimited. We have a directors and officers insurance policy that limits our potential exposure. We believe that any financial exposure related to these indemnification agreements is not material.

**7. Stock-based compensation**

Under our 2002 Executive Stock Option Plan, 2009 Equity Incentive Plan and 2011 Stock Option and Grant Plan, eligible employees, directors and consultants are able to participate in our future performance through awards of nonqualified stock options, incentive stock options and restricted stock units through the receipt of such awards as authorized by our board of directors. In addition, we have granted restricted common stock in connection with certain acquisitions.

A summary of our stock option activity is as follows (in thousands except per share and contractual life amounts):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Options outstanding as of June 30, 2015	4,781	\$ 5.40		
Granted	845			
Exercised	(64)			
Canceled	(90)			
Options outstanding as of September 30, 2015	<u>5,472</u>	\$ 5.64	5.02	\$ 13,293
As of September 30, 2015:				
Options vested and expected to vest	5,169	\$ 5.56	4.84	\$ 13,011
Options exercisable	3,748	\$ 5.06	3.69	\$ 11,564

A summary of our restricted stock unit, or RSU, activity is as follows (in thousands except contractual life amounts):

	Number of Shares	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
RSUs outstanding as of June 30, 2015	4,290		
Granted	1,230		
Vested	(519)		
Canceled	(251)		
RSUs outstanding as of September 30, 2015	<u>4,750</u>	1.68	\$ 37,084
As of September 30, 2015:			
RSUs expected to vest	3,892	1.54	\$ 30,396

RSUs vested above includes 187,250 shares withheld for taxes related to net share settlements of RSUs.

TELENV, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

During the three months ended September 30, 2015, pursuant to the annual increase provisions of our 2009 Equity Incentive Plan, the number of shares available for grant under this plan increased by 1,621,476 shares. A summary of our shares available for grant activity is as follows (in thousands):

	Number of Shares
Shares available for grant as of June 30, 2015	1,947
Additional shares authorized	1,621
Granted	(2,075)
RSUs withheld for taxes in net share settlements	187
Canceled	341
Shares available for grant as of September 30, 2015	2,021

The following table summarizes the stock-based compensation expense recorded for stock options, RSUs and restricted common stock issued to employees and nonemployees (in thousands):

	Three Months Ended September 30,	
	2015	2014
Stock option awards	\$ 410	\$ 689
RSU awards	2,677	2,242
Restricted common stock	—	457
Total stock-based compensation expense	\$ 3,087	\$ 3,388

We use valuation pricing models to determine the fair value of stock-based awards. The determination of the fair value of stock-based payment awards on the date of grant is affected by the stock price as well as assumptions regarding a number of complex and subjective variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates and expected dividends. The weighted average assumptions used to value stock option awards granted were as follows:

	Three Months Ended September 30,	
	2015	2014
Expected volatility	52%	53%
Expected term (in years)	4.46	4.38
Risk-free interest rate	1.54%	1.63%
Dividend yield	—	—

**Performance-based RSUs**

We established a 2015 Performance Share Program under our 2009 Equity Incentive Plan, under which RSUs and/or cash bonuses may be earned based on the achievement of specified performance conditions measured over periods ranging from approximately 15 to 21 months. Holders of performance-based awards generally have the ability to receive 0% to 100% of the target number of RSUs or cash bonus originally granted. The expense associated with performance-based RSU grants is recorded when the performance condition is determined to be probable. Fully vested restricted stock units and or cash bonuses will be awarded upon management's certification of the level of achievement.

As of June 30, 2015, we had granted 106,000 performance-based RSUs to certain non-executive employees. No RSUs were vested or canceled during the three months ended September 30, 2015.

In addition, in July 2015, our board of directors approved reserving an aggregate of approximately \$1.2 million of shares for performance-based RSUs to be earned by certain non-executive employees based upon the achievement of specified performance milestones measured over approximately six months. Upon achievement and approval of each milestone RSU

TELENAV, INC.

Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

grant by our board of directors, 50% of the RSUs will vest immediately and the remaining 50% will vest one year following the vest date of the first grant. The size of each RSU grant will be determined by dividing the value of the reward for each milestone by the price of our common stock on the date of grant. As of September 30, 2015, no performance-based RSUs had been granted under these milestones.

**8. Stock repurchase program**

In September 2014, we announced that our board of directors authorized a program for the repurchase of shares of our common stock up to an aggregate of \$10.0 million through open market purchases. The timing and amount of repurchase transactions under this program depends on market conditions and other considerations. Under this program, we utilized \$0.6 million of cash to repurchase 75,943 shares of our common stock at an average purchase price of \$7.50 per share during the three months ended September 30, 2015. As of September 30, 2015, this repurchase program had expired.

Repurchased shares are retired and designated as authorized but unissued shares. We use the par value method of accounting for our stock repurchases. Under the par value method, common stock is first charged with the par value of the shares involved. The excess of the cost of shares acquired over the par value is allocated to additional paid-in capital, or APIC, based on an estimated average sales price per issued share with the excess amounts charged to retained earnings. As a result of our stock repurchases during the three months ended September 30, 2015, we reduced common stock and APIC by an aggregate of \$249,000 and charged \$321,000 to retained earnings.

**9. Income taxes**

The effective tax rate for the periods presented is the result of the mix of forecasted fiscal year income earned or loss incurred in various tax jurisdictions that apply a broad range of income tax rates. Our effective tax rate, which resulted in the recognition of a tax expense, was 1% in the three months ended September 30, 2015 compared to an effective tax rate, which resulted in the recognition of a tax benefit, of 13% in the three months ended September 30, 2014. Our effective tax rate of 1% for the three months ended September 30, 2015 was less than the tax benefit computed at the U.S. federal statutory income tax rate due primarily to losses for which no benefit will be recognized since they are not more likely than not to be realized due to the lack of current and future income and the inability to carryback losses within the two year carryback period. Our effective tax rate of 13% for the three months ended September 30, 2014 was less than the tax benefit computed at the U.S. federal statutory income tax rate due primarily to the increase in the valuation allowance as a result of the limitations of benefit from the loss carryback.

We record liabilities related to unrecognized tax benefits in accordance with authoritative guidance on accounting for uncertain tax positions. As of September 30, 2015 and June 30, 2015, our cumulative unrecognized tax benefits were \$6.1 million. Included in the balance of unrecognized tax benefits at September 30, 2015 and June 30, 2015 was \$1.7 million that, if recognized, would affect the effective tax rate.

We recognize interest and penalties related to unrecognized tax benefits as part of our provision for federal, state and foreign income taxes. We had accrued \$517,000 and \$493,000 for the payment of interest and penalties at September 30, 2015 and June 30, 2015, respectively.

We file income tax returns with the Internal Revenue Service, or IRS, California and various states and foreign tax jurisdictions in which we have subsidiaries. The statute of limitations remains open for fiscal 2012 through fiscal 2015 in the U.S., for fiscal 2011 through fiscal 2015 in state jurisdictions, and for fiscal 2010 through fiscal 2015 in foreign jurisdictions. Fiscal years outside the normal statute of limitation remain open to audit by tax authorities due to tax attributes generated in those early years which have been carried forward and may be audited in subsequent years when utilized.

Due to operating losses in previous years and continued earnings volatility, we maintain a valuation allowance on the majority of our deferred tax assets. Our valuation allowance at June 30, 2015 was \$17.7 million. In evaluating our ability to recover our deferred tax assets each quarter, we consider all available positive and negative evidence, including current and previous operating results, ability to carryback losses for a tax refund, and forecasts of future operating results.

On December 19, 2014, the Tax Increase Prevention Act of 2014 became effective, which provides one year retroactive tax relief for businesses by reinstating retroactively to January 1, 2014, certain tax benefits and credits that had expired. These provisions automatically expired again on December 31, 2014. The research and development credit was retroactively extended in this legislation.

## TELENAV, INC.

## Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

**10. Restructuring**

During fiscal 2014, we recorded restructuring charges of \$2.4 million related to severance and benefits for certain eliminated positions and \$2.0 million related to the impairment of facility leases in connection with our consolidation of facilities. As of September 30, 2015, our remaining restructuring liabilities are associated with facility exit costs. Activity related to our restructuring liabilities for the three months ended September 30, 2015 is presented in the following table (in thousands):

Balance at June 30, 2015	\$ 2,644
Restructuring expenses	28
Cash payments	(352)
Balance at September 30, 2015	<u>\$ 2,320</u>

Of the \$2.3 million in total restructuring liabilities, \$1.0 million was recorded in other accrued expenses and \$1.3 million was recorded in other long-term liabilities on our consolidated balance sheet as of September 30, 2015. See Note 12. Subsequent Events for information on our lease termination agreement executed in October 2015.

**11. Segments**

We report segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reportable segments.

Our CEO, the chief operating decision maker, reviews revenue and gross margin information for each of our reportable segments. In addition, with the exception of goodwill and intangible assets, we do not identify or allocate our assets by the reportable segments.

Commencing July 1, 2014, we began to report results in three business segments:

*Automotive* - Our Automotive segment provides our map and navigation platform to auto manufacturers and original equipment manufacturers, or OEMs, for distribution with their vehicles. Our automotive solutions are typically a self-contained solution including software and related services and content within the car, or on-board, and are often enhanced through connection to data services for additional real time capabilities such as maps, POI, or traffic.

*Advertising* - Our Advertising segment provides interactive mobile advertisements on behalf of our advertising clients to consumers based specifically on the location of the user and other sophisticated targeting capabilities. Our customers include advertising agencies, direct advertisers and channel partners.

*Mobile Navigation* - Our Mobile Navigation segment provides our map and navigation platform to end users through mobile devices. We distribute our services through our wireless carrier partners, and directly to consumers through mobile application stores and marketplaces.

Prior to July 1, 2014, we operated in a single segment: location-based platform services.

## TELENAV, INC.

## Notes to Condensed Consolidated Financial Statements—(Continued)

(unaudited)

Our segment results for the three months ended September 30, 2015 and 2014 were as follows (dollars in thousands):

	Three Months Ended September 30,	
	2015	2014
Revenue		
Automotive	\$ 31,743	\$ 19,502
Advertising	4,851	3,975
Mobile Navigation	7,467	11,510
Total revenue	<u>44,061</u>	<u>34,987</u>
Cost of revenue		
Automotive	18,521	10,396
Advertising	2,995	2,540
Mobile Navigation	1,871	3,024
Total cost of revenue	<u>23,387</u>	<u>15,960</u>
Gross profit		
Automotive	13,222	9,106
Advertising	1,856	1,435
Mobile Navigation	5,596	8,486
Total gross profit	<u>\$ 20,674</u>	<u>\$ 19,027</u>
Gross margin		
Automotive	42%	47%
Advertising	38%	36%
Mobile Navigation	75%	74%
Total gross margin	47%	54%

**12. Subsequent events**

On October 16, 2015, we entered into a lease termination agreement with our landlord for the termination of our office lease dated June 28, 2011 for corporate facilities on DeGuigne Drive in Sunnyvale, California. The lease termination is to become effective on (a) March 31, 2016 with respect to 920 DeGuigne Drive and 950 DeGuigne Drive; and (b) June 30, 2016 with respect to 930 DeGuigne Drive. The effect of this lease termination agreement is to reduce our total operating lease obligations, net of sublease income, as of September 30, 2015 by approximately \$19.3 million.

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

*The following discussion and analysis should be read together with our condensed consolidated financial statements and the notes to those statements included elsewhere in this Form 10-Q. This Form 10-Q contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the sections entitled "Risk Factors" and this Management's Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements include information concerning our possible or assumed future results of operations, future sources of revenue, expectations of expenses, business strategies, financing plans, competitive position, industry environment, potential growth opportunities and the effects of competition. Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions and the negatives of those terms.*

*Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in "Risk factors" and elsewhere in this*

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*Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this Form 10-Q.*

*Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. You should read this Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect.*

*In this Form 10-Q, "we," "us," "our" and "Telenav" refer to Telenav, Inc. and its subsidiaries. We operate on a fiscal year ending June 30 and refer to the fiscal year ended June 30, 2015 as "fiscal 2015" and the fiscal year ending June 30, 2016 as "fiscal 2016."*

### **Overview**

Telenav is a leading provider of location-based platform services. These services consist of our automotive and mobile navigation platform and our advertising delivery platform. Our auto and mobile navigation platform allows Telenav to deliver enhanced location-based services to auto manufacturers, developers, and end users through various distribution channels, including wireless carriers. Our advertising delivery platform delivers highly targeted advertising services leveraging our location expertise. We report operating results in three business segments: automotive, advertising and mobile navigation.

For our automotive segment customers, we offer our auto and mobile navigation platform services to vehicle manufacturers and original equipment manufacturers, or OEMs, for distribution with their vehicles. Our primary automotive customer to date, Ford Motor Company, or Ford, currently distributes our on-board product as an optional feature with all of its models in the U.S. Our automotive products are now included on models manufactured in the U.S., Canada, Mexico, Europe and China, as well as offered in models in South America, Australia and New Zealand. In addition, in July 2015, Ford New Zealand and Australia adopted a map update program as part of its Sync 2 product distribution. Under this program, Ford owners with Sync 2 will be eligible to receive annual map updates at no additional cost through December 2023. Ford will pay us an annual fee and a per unit fee for these updates.

In January 2014 we entered into an agreement with General Motors Corporation, or GM, for integration of our on-board and connected navigation solutions in its vehicles, which we expect to launch in model year 2017. Our relationship with GM also includes brought-in services for vehicles, and in January 2015 GM launched the new version of its OnStar RemoteLink® mobile application powered by our location-based services platform, which includes mapping and one-box search. In July 2015, we and Toyota Motor Corporation, or Toyota, announced a partnership for brought-in navigation services where our Scout GPS Link will be available in Entune™ Audio Plus equipped model year 2016 Toyota vehicles in the United States. In August 2015, Toyota began shipping vehicles enabled to connect with our Scout GPS Link mobile application. These models now include select 2016 Camry, Corolla, 4Runner, Sequoia and Tundra models, in addition to the previously announced Tacoma. We believe our history as a supplier of cloud-based navigation services provides a unique advantage in the automotive navigation marketplace over our competitors.

For our advertising segment customers, we believe our advertising delivery platform offers significant audience reach, sophisticated targeting capabilities and the ability to deliver interactive and engaging ad experiences to consumers on their mobile devices. We are experts in location-based advertising and believe we offer unique value to brick-and-mortar and brand advertisers through our location targeting capabilities. Our technology focuses on managing the complexity and scale associated with mobile location data to deliver better mobile campaigns for our advertising partners. We deliver mobile advertisements by leveraging our proprietary in-house ad serving technology. Our inventory, or accessible market, is comprised of thousands of mobile applications and mobile websites that are accessed through programmatic real-time bidding, or RTB, tools.

We derive revenue from automobile manufacturers and OEMs, advertisers and advertising agencies, and wireless carriers. We receive revenue from automobile manufacturers whose vehicles contain our proprietary software and are able to access our personalized navigation services. These manufacturers have typically not provided us with any volume or revenue guarantees. In addition, we have a growing business in mobile advertising where our customers are primarily advertising agencies, which represent national and regional brands, and channel partners, which work closely with local and small business advertisers. We also derive revenue from our partnerships with wireless carriers, who pay us to enable their subscribers to use our mobile navigation services. Some of these wireless carriers bill their subscribers on a monthly recurring basis and the number of those monthly recurring subscribers to which we provide services continues to decline, resulting in substantial declines in our revenue from wireless carriers.

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We generate revenue from the delivery of customized software and royalties from the distribution of this customized software in automotive navigation applications. For example, Ford utilizes our on-board automotive navigation product in its Ford SYNC platform. Ford pays us a royalty fee on Sync 2 on-board solutions as the software is reproduced for installation in vehicles with our automotive navigation solutions and pays us a royalty fee on Sync 3 on-board solutions as the hardware that includes our software is received by Ford. In addition, we earn a one-time royalty for each new vehicle owner who downloads the GM OnStar RemoteLink® application, whereby we provide enhanced search capabilities for contracted service periods. We also earn a one-time royalty for each new Toyota enabled to connect with our mobile application.

We generate revenue from advertising network services through the delivery of search and display advertising impressions based on the specific terms of the advertising contract.

We also generate revenue from subscriptions to our mobile navigation services. End users with subscriptions for our services are generally billed for our services through their wireless carrier or through mobile application stores and marketplaces. Our wireless carrier customers pay us based on several different revenue models, including (1) a revenue sharing arrangement that may include a minimum fee per end user, (2) a monthly or annual subscription fee per end user, or (3) based on usage.

### ***Recent Developments***

In September 2015, we entered into an agreement with Ningbo Huazhong Holdings Company Limited, or Huazhong, a subsidiary of a publicly traded automotive OEM supplier in China, whereby we and Huazhong agreed to form a joint venture limited liability company in China for the development, manufacture and sales of connected navigation systems for the China automotive aftermarket and local OEMs. We agreed to invest RMB 9.95 million (approximately \$1.6 million as of September 30, 2015) in cash, which is expected to represent 19.9% of the equity interests of the joint venture. We and Huazhong have also agreed to negotiate a Technology License Agreement, or TLA, whereby we will license our existing navigation platform technologies to the joint venture in exchange for a RMB 5.0 million license fee. Our capital contribution will be made in two installments, with the first installment totaling RMB 4.95 million due on the later date of (a) October 30, 2015, and (b) one week after the date on which the joint venture is established. Our second installment totaling RMB 5.0 million is due upon certain conditions being met, among them completion of the TLA and our receipt of the RMB 5.0 million TLA fee from the joint venture company.

On October 16, 2015, we entered into a lease termination agreement with our landlord for the termination of our office lease dated June 28, 2011 for corporate facilities on DeGuigne Drive in Sunnyvale, California. The lease termination is to become effective on (a) March 31, 2016 with respect to 920 DeGuigne Drive and 950 DeGuigne Drive; and (b) June 30, 2016 with respect to 930 DeGuigne Drive. The effect of this lease termination agreement is to reduce our total operating lease obligations, net of sublease income, as of September 30, 2015 by \$19.3 million.

### ***Key operating and financial performance metrics***

We monitor the key operating and financial performance metrics set forth in the tables below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess our operational efficiencies. Certain of these measures such as billings, non-GAAP net income (loss), adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, and diluted non-GAAP net income (loss) per share are not measures calculated in accordance with U.S. generally accepted accounting principles, or GAAP, and should not be considered as an alternative to any measure of financial performance calculated and presented in accordance with GAAP. In addition, these non-GAAP measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do (in thousands, except percentages and per share amounts):

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	Three Months Ended	
	September 30,	
	2015	2014
Revenue	\$ 44,061	\$ 34,987
Billings (Non-GAAP)	\$ 47,902	\$ 34,908
Gross margin	47%	54%
Non-GAAP gross margin	49%	57%
Automotive gross margin	42%	47%
Automotive non-GAAP gross margin	43%	48%
Advertising gross margin	38%	36%
Advertising non-GAAP gross margin	47%	47%
Mobile navigation gross margin	75%	74%
Mobile navigation non-GAAP gross margin	75%	76%
Net loss	\$ (10,846)	\$ (7,937)
Non-GAAP net loss	\$ (7,051)	\$ (3,872)
Adjusted EBITDA	\$ (6,390)	\$ (5,515)
Diluted net loss per share	\$ (0.27)	\$ (0.20)
Diluted non-GAAP net loss per share	\$ (0.17)	\$ (0.10)
	September 30,	June 30,
	2015	2015
Deferred revenue	\$ 10,669	\$ 6,828

Billings measures revenue recognized plus the change in deferred revenue from the beginning to the end of the period. We consider billings to be a useful metric for management and investors because billings drives deferred revenue, which is an important indicator of the health and viability of our business. There are a number of limitations related to the use of billings versus revenue calculated in accordance with GAAP. First, billings include amounts that have not yet been recognized as revenue and may require additional services to be provided over contracted service periods; for example, billings related to certain connected solutions cannot be fully recognized as revenue in a given period due to requirements for ongoing provisioning of services such as hosting, monitoring and customer support. Second, we may calculate billings in a manner that is different from peer companies that report similar financial measures. When we use these measures, we compensate for these limitations by providing specific information regarding revenue and evaluating billings together with revenue calculated in accordance with GAAP.

Gross margin is our gross profit, or total revenue less cost of revenue, expressed as a percentage of our total revenue. Our gross margin has been and will continue to be impacted by the increasing percentage of our revenue base derived from automotive navigation solutions and advertising network services, which generally have higher associated third party content costs and third party display ad inventory costs, respectively, than our mobile navigation offerings provided through wireless carriers.

Non-GAAP gross margin measures our gross margin, excluding the impact of stock-based compensation expense and capitalized software and developed technology amortization expenses. Non-GAAP net loss measures GAAP net loss, excluding the impact of stock-based compensation expense, capitalized software and developed technology amortization expenses, and other applicable items such as legal settlements, certain unique tax matters and restructuring costs, net of taxes or tax benefits. Stock-based compensation expense relates to equity incentive awards granted to our employees, directors, and consultants. Stock-based compensation expense has been and will continue to be a significant recurring non-cash expense for us. While we include the dilutive impact of such equity awards in weighted average shares outstanding, the expense associated with stock-based awards reflects a non-cash charge that we exclude from non-GAAP net loss, non-GAAP net loss per share, and adjusted EBITDA. Capitalized software amortization expense represents internal software costs that are previously capitalized and charged to expense as the software is used in our operations. Developed technology amortization expense relates to the amortization of acquired intangible assets. Our non-GAAP tax rate differs from the tax rate due to the elimination of any tax effect of the stock-based compensation expenses, capitalized software and developed technology amortization expenses, and applicable legal settlements, restructuring costs, and other items, including unique tax matters, that are being eliminated to arrive at the non-GAAP net income (loss).

Adjusted EBITDA measures our GAAP net loss excluding the impact of stock-based compensation expense, depreciation, amortization, interest income, other income (expense), provision (benefit) for income taxes, and other applicable items such as

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legal settlements and restructuring costs, net of tax. Adjusted EBITDA, while generally a measure of profitability, can also represent a loss and this metric excludes certain non-cash expenses, interest and other income (expense), income taxes, and certain other items that management believes affect the comparability of operating results.

Non-GAAP gross margin, non-GAAP net income (loss) and adjusted EBITDA are key measures used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, we believe that the exclusion of the expenses eliminated in calculating non-GAAP gross margin, non-GAAP net income (loss) and adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. In addition, non-GAAP net income (loss) and adjusted EBITDA are key financial measures used by the compensation committee of our board of directors in connection with the development of incentive-based compensation for our executive officers. Accordingly, we believe that non-GAAP gross margin, non-GAAP income (loss) from continuing operations, net of tax, and adjusted EBITDA provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Diluted non-GAAP net income (loss) per share is calculated as non-GAAP net income (loss) divided by the diluted weighted average number of shares outstanding during the period.

These non-GAAP measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditures;
- non-GAAP gross margin, non-GAAP net income (loss) and adjusted EBITDA do not reflect the potentially dilutive impact of equity-based compensation;
- non-GAAP net income (loss) and adjusted EBITDA do not reflect the use of cash for net share settlements of RSUs;
- adjusted EBITDA does not reflect tax payments that historically have represented a reduction in cash available to us or tax benefits that may arise as a result of generating net losses; and
- other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider non-GAAP gross margin, non-GAAP net income (loss), adjusted EBITDA and diluted non-GAAP net income (loss) per share alongside other GAAP-based financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP financial results.

The following tables present reconciliations of revenue to billings, gross margin to non-GAAP gross margin, net loss to non-GAAP net loss and net loss to adjusted EBITDA for each of the periods indicated (dollars in thousands):

	Three Months Ended September 30, 2015			
	Auto	Ads	Mobile Navigation	Total
Revenue	\$ 31,743	\$ 4,851	\$ 7,467	\$ 44,061
Adjustments:				
Change in deferred revenue	3,817	124	(100)	3,841
Billings (Non-GAAP)	\$ 35,560	\$ 4,975	\$ 7,367	\$ 47,902

	Three Months Ended September 30, 2014			
	Auto	Ads	Mobile Navigation	Total
Revenue	\$ 19,502	\$ 3,975	\$ 11,510	\$ 34,987
Adjustments:				
Change in deferred revenue	22	—	(101)	(79)
Billings (Non-GAAP)	\$ 19,524	\$ 3,975	\$ 11,409	\$ 34,908

	Automotive		Advertising		Mobile Navigation		Total	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
Gross margin	42%	47%	38%	36%	75%	74%	47%	54%
Adjustments:								
Capitalized software and developed technology amortization	1%	1%	9%	11%	—%	2%	2%	3%
Non-GAAP gross margin	43%	48%	47%	47%	75%	76%	49%	57%

The impact of adjusting for stock-based compensation in determining non-GAAP gross margin is less than 1% for all periods presented.

	Three Months Ended September 30,	
	2015	2014
GAAP net loss	\$ (10,846)	\$ (7,937)
Adjustments:		
Capitalized software and developed technology amortization	708	903
Stock-based compensation expense:		
Cost of revenue	32	24
Research and development	1,458	1,500
Sales and marketing	840	764
General and administrative	757	1,100
Total stock-based compensation expense	3,087	3,388
Tax effect of adding back adjustments	—	(226)
Non-GAAP net loss	\$ (7,051)	\$ (3,872)
Non-GAAP net loss per share, basic and diluted	\$ (0.17)	\$ (0.10)
Weighted average shares used in computing non-GAAP net loss per share, basic and diluted	40,601	39,538

	Three Months Ended September 30,	
	2015	2014
GAAP net loss	\$ (10,846)	\$ (7,937)
Adjustments:		
Stock-based compensation expense	3,087	3,388
Depreciation and amortization	1,069	1,477
Interest and other income (expense), net	187	(1,303)
Provision (benefit) for income taxes	113	(1,140)
Adjusted EBITDA	\$ (6,390)	\$ (5,515)

### ***Key components of our results of operations***

#### *Sources of revenue*

We classify our revenue as either product or services revenue. Product revenue consists primarily of revenue we receive from the delivery of customized software and royalties from the distribution of this customized software in certain automotive navigation applications. Services revenue consists primarily of revenue we derive from our brought-in automotive navigation services, advertising services and mobile navigation services.

We report operating results in three business segments: Automotive, Advertising and Mobile Navigation. Our chief executive officer, or CEO, the chief operating decision maker, reviews revenue and gross margin information for each of our reportable segments. See " - Results of operations" and Note 11 to the financial statements in this Form 10-Q for more information about our business segments.

Revenue from our Automotive segment represented 72% and 56% of our revenue in the three months ended September 30, 2015 and 2014, respectively. Ford represented 69% and 53% of our revenue in the three months ended September 30, 2015 and 2014, respectively. Our contract with Ford expires in December 2017. The agreement may be renewed for successive 12-month periods if either party provides notice of renewal at least 45 days prior to the expiration of the applicable term and the other party agrees to such renewal.

We provide both on-board and brought-in connected navigation solutions to Ford. Our on-board solution consists of software, map and POI data loaded in the vehicle that provides voice-guided turn by turn navigation displayed on the vehicle screen. Our brought-in connected solution enables a mobile device that is paired with the vehicle to activate in-vehicle text-based and voice-guided turn by turn navigation. We recognize revenue from our brought-in connected solutions monthly based on annual subscriptions, which are subject to a maximum annual fee with Ford. This revenue is classified as services revenue and represented less than 5% of overall automotive navigation solutions revenue.

Our product revenue is primarily derived from our automotive on-board solutions as the related customized software is delivered to, and accepted by our customers. In addition, we recognize royalties earned from our Ford Sync 2 on-board solutions as the software is reproduced for installation in vehicles; however, we currently recognize revenue from Ford Sync 3 as the hardware that includes our software is received by Ford. By June 2016, we anticipate that our Ford Sync 3 arrangement will transition to title transfer as our software is installed in the vehicle and, accordingly, the timing of our revenue recognition will change. As Ford ramps up sales of vehicles with Sync 3, this transition could result in a lag period during which we have reduced revenue. The effect of this change in timing of revenue recognition may be greater for vehicles manufactured outside North America. We anticipate that we will continue to depend on Ford for a material portion of our revenue for the foreseeable future.

In January 2015, GM launched the new version of its OnStar RemoteLink® mobile application powered by our location-based services platform. We earn a one-time royalty for each new vehicle owner who downloads the RemoteLink® application. We record the royalty earned as deferred revenue and recognize this revenue over the estimated service period.

In July 2015, Ford New Zealand and Australia adopted a map update program as part of its Sync 2 product distribution. Under this program, Ford owners with Sync 2 will be eligible to receive annual map updates at no additional cost through December 2023. Ford will pay us an annual fee and a per unit fee for these updates. We record the amount billed for these map updates as deferred revenue and recognize this revenue over the estimated service period.

In August 2015, Toyota began shipping vehicles enabled to connect with our Scout GPS Link mobile application. We earn a one-time royalty for each new Toyota sold and equipped with Entune™ Audio Plus, and we record the royalty earned as

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deferred revenue. Upon delivery of all elements of the contract, we will recognize this revenue over the estimated service period. Royalties earned and revenue recognized related to Toyota were not material in the three months ended September 30, 2015.

Revenue from our Advertising segment, which includes the delivery of search and display, location-based ads, represented 11% of our revenue in each of the three months ended September 30, 2015 and 2014. Our advertising revenue is derived from ad insertion orders contracted with advertising agencies, direct customers, and channel partners. Our ad search revenue is earned from the delivery of location-based ad impressions targeted to end users engaged in a specific search task utilizing our mobile navigation solutions. Such ad search revenue represented less than 10% of our overall advertising revenue. Our display revenue relates to the advertising business developed via our Thinknear acquisition that delivers targeted location-based impressions to end users of third party developer applications.

We also offer voice-guided, real-time, turn by turn, mobile navigation service under several brand names including Scout by Telenav and Telenav GPS as well as under wireless carrier brands (or “white label” brands). Revenue from our Mobile Navigation segment represented 17% and 33% of our revenue in the three months ended September 30, 2015 and 2014, respectively. Subscription fee revenue from our mobile navigation service declined from the three months ended September 30, 2014 to 2015, primarily due to the termination of the fixed fee with Sprint in September 2013 and a substantial decrease in the number of paying subscribers for navigation services provided through AT&T and others, including T-Mobile USA, or T-Mobile, U.S. Cellular Corporation, or USCC, and Comunicaciones Nextel de Mexico, S.A. de C.V., a subsidiary of NII Holdings, Inc., or NII Mexico.

AT&T represented 11% and 20% of our revenue in the three months ended September 30, 2015 and 2014, respectively. In March 2015, our agreement with AT&T was automatically renewed, under its existing terms through March 2016, and provides that we will continue to be the exclusive provider of white label GPS navigation services to AT&T. AT&T is not required to offer our navigation services. During fiscal 2016, we anticipate that we will continue to depend on AT&T for a material portion of our revenue; however, we have seen substantial declines in the number of paying subscribers for our services through AT&T over the past few years and we expect them to continue to decline substantially.

We derive services revenue primarily from our wireless carrier customers for their end users' subscriptions to our mobile navigation services. Our wireless carrier customers pay us based on several different revenue models, including (1) a revenue sharing arrangement that may include a minimum fee per end user, (2) a monthly or annual subscription fee per end user, or (3) based on usage. Certain of our contracts provide our wireless carrier customers with discounts based on the number of end users paying for our services in a given month. In general, our wireless carrier customers pay us a lower monthly fee per end user if an end user subscribes to our mobile navigation services as part of a bundle of mobile data or voice services than if an end user subscribes to our mobile navigation services on a standalone basis. We also offer our applications directly to end users through application stores such as the Apple App Store and the Google Play marketplace. Finally, we provide free versions of our services which can generate revenue through advertising supported arrangements, and subscriber upgrades to premium versions for a fee. We also derive services revenue from advertising network services through the delivery of search and display advertising impressions based on the specific terms of the advertising contract. In the future, we may have other revenue models.

For services that our subscribers purchase through our wireless carriers, our wireless carrier customers are responsible for billing and collecting the fees they charge their subscribers for the right to use our navigation services. When we are paid on a revenue sharing basis with our wireless carrier customers, the amount we receive varies depending on several factors, including the revenue share rate negotiated with the wireless carrier customer, the price charged to the subscriber by the wireless carrier customer, the specific sales channel of the wireless carrier customer in which the service is offered and the features and capability of the service. As a result of these factors, the amount we receive for a subscriber may vary considerably and is subject to change over time.

In addition, the amount we are paid per end user in our revenue sharing arrangements may also vary depending upon the metric used to determine the amount of the payment, including the number of end users at any time during a month, the average monthly paying end users, the number and timing of end user billing cycles and end user activity. Although our wireless carrier customers generally have sole discretion about how to price our mobile navigation services to their subscribers, our revenue sharing arrangements generally include monthly minimum fees per end user. To a much lesser extent, we also sell our services directly to consumers through application stores and marketplaces.

For fiscal 2016, we expect automotive and advertising revenue to represent the growing components of our revenue but our expectations may not be realized. However, while we anticipate our revenue to increase in fiscal 2016, the lower gross margins generally experienced with automotive and advertising revenue are expected to result in an overall lower gross profit in

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fiscal 2016. We expect that services revenue from wireless carrier customers will continue to decline substantially in fiscal 2016 due to the continued decline in the number of monthly recurring subscribers.

In the three months ended September 30, 2015 and 2014, we generated 97% and 94% of our revenue, in the United States, respectively. With respect to revenue we receive from automobile manufacturers and OEMs for sales of vehicles in other countries, we classify that revenue as being generated in the United States, because we provide deliverables to and receive compensation from the manufacturer's or OEM's United States' entity.

As we continue to increase our offering of various embedded and connected solutions for automotive customers, it is likely that the complexity of various accounting rules and required criteria may make revenue recognition more challenging in the years to come. Consequently, we believe that billings, a non-GAAP metric, in conjunction with revenue and deferred revenue will be important metrics to measure in assessing the growth and health of the business. See "*Key operating and financial performance metrics*" for further discussion about billings.

### *Cost of revenue*

We classify our cost of revenue as either cost of product revenue or cost of services revenue. Cost of product revenue consists primarily of the cost of third party content we incur in providing our on-board automotive navigation solutions and recognition of deferred development costs. Cost of services revenue consists primarily of the costs associated with third party content, third party exchange ad inventory, data center operations and outsourced hosting services, customer support, amortization of capitalized software, stock-based compensation and amortization of developed technology that we incur in providing our navigation and advertising network services.

We also capitalize and defer recognition of certain licensed map and POI content costs from third parties in a manner similar to deferred revenue for our connected and value-added automotive solutions. Such deferred costs are recognized over the requisite service period and amounted to \$5.8 million as of September 30, 2015. As the deferred revenue and related deferred costs are recognized as the underlying services are provided, we will also incur ongoing costs of revenue for network operations, hosting and data center, and customer service support over time.

We primarily provide mobile navigation service customer support through a third party provider to whom we provide training and assistance with problem resolution. In addition, we use outsourced, hosting services and industry standard hardware to provide our navigation services. We generally offer to our wireless carrier customers and generally maintain at least 99.9% uptime every month, excluding designated periods of maintenance. Our internal targets for service uptime are even higher. We have in the past, and may in the future, not achieve our targets for service availability and may incur penalties for failure to meet contractual service availability requirements, including loss of a portion of subscriber fees for the month or termination of our wireless carrier customer agreement.

The largest component of cost of revenue as it relates to our advertising business is the cost of location-based, third party advertising inventory which we acquire from advertising exchanges. Our search ad inventory is generated from our user base of paid and freemium users of our Scout and Telenav branded and carrier branded mobile navigation solutions. Other notable costs of our advertising business are the cost of ad delivery via contracted hosted relationships and the cost of our advertising operations.

While we expect that our services revenue from wireless carrier customers will continue to decline substantially in fiscal 2016, we do not expect to be able to reduce our cost of services revenue at the same rate, if at all, as the decline in services revenue. Although we successfully transitioned to utilizing OSM content for the majority of our mobile user base resulting in notable cost savings, we expect to continue to incur significant costs, especially related to third party content as well as for outsourced hosting services. Cost of services revenue related to our advertising business will be impacted by our ability to grow advertising revenue, as well as the cost and availability of display ad inventory sourced from third party exchanges. While our product revenue is expected to increase in fiscal 2016 due to continued growth in automotive, much of this growth will be generated from distribution of our automotive solution with Ford in China and Europe where the underlying content costs are significantly higher on a per unit basis. Consequently, we expect that our overall total cost of revenue will increase as a percentage of revenue as we increase the percentage of our revenue from automotive navigation solutions and advertising network services, which generally have higher associated third party content costs and third party display ad costs, respectively, than our mobile navigation offerings provided through wireless carriers.

### *Operating expenses*

We classify our operating expenses into three categories: research and development, sales and marketing and general and administrative. Our operating expenses consist primarily of personnel costs, which include salaries, bonuses, advertising sales commissions, payroll taxes, employee benefit costs and stock-based compensation expense. Other expenses include marketing program costs, third party contractor and temporary staffing services, facilities-related costs including rent expense, legal, audit and tax consulting and other professional service fees. We allocate stock-based compensation expense resulting from the amortization of the fair value of stock-based awards granted, based on the department in which the award holder works. We allocate overhead, such as rent and depreciation, to each expense category based on headcount. We anticipate continued investment of resources, including the hiring of additional headcount in, or reallocation of employee personnel into, our growth areas, which include automotive and advertising, with a recent emphasis on hiring advertising sales personnel and related support functions.

*Research and development.* Research and development expenses consist primarily of personnel costs for our development and product management employees and costs of outside consultants and temporary staffing. We have focused our research and development efforts on improving the ease of use and functionality of our existing services, as well as developing new service and product offerings in our existing markets and in new markets. In addition to our U.S. employee base, a significant number of our research and development employees are located in our development centers in China and, as a result, a portion of our research and development expense is subject to changes in foreign exchange rates, notably the Chinese Renminbi, or RMB. In addition, with our January 2014 acquisition of skobbler, we have a significant number of employees in Romania and incur research and development expenses in the Romanian Leu.

*Sales and marketing.* Sales and marketing expenses consist primarily of personnel costs for our sales and marketing staff, commissions earned by our sales personnel and the cost of marketing programs, advertising and promotional activities. Historically, a majority of our revenue has been derived from wireless carriers, which bore much of the expense of marketing and promoting our services to their subscribers, as well as consumers acquired through open market application stores. More recently, our automotive and advertising revenue have represented the most rapidly growing components of our revenue, and we have recently invested significantly in building our advertising sales team. Our sales and marketing activities supporting our automotive navigation services include the costs of our business development efforts. Our automotive manufacturer partners and OEMs also provide primary marketing for our on-board and brought-in navigation services at the time a vehicle is sold to their end customer.

*General and administrative.* General and administrative expenses consist primarily of personnel costs for our executive, finance, legal, human resources and administrative personnel, legal, audit and tax consulting and other professional services and corporate expenses.

*Other income (expense), net.* Other income (expense), net consists primarily of interest we earn on our cash and cash equivalents and short-term investments, gain or loss on investments and foreign currency transaction gains or losses.

*Provision (benefit) for income taxes.* Our provision (benefit) for income taxes primarily consists of corporate income taxes related to profits earned or losses incurred in the United States or corporate income tax refunds expected to be derived from losses incurred in the United States that may be carried back to prior fiscal years. Our effective tax rate could fluctuate significantly from period to period, particularly in those periods in which we incur losses, due to our ability to benefit from the carryback of net operating losses within the carryback period and the available amount therein, if any. Furthermore, on a quarterly basis our tax rates can fluctuate and could be adversely affected by increases in nondeductible stock-based compensation or other nondeductible expenses, as well as changes in our tax reserves. Our effective tax rate could also fluctuate due to a change in our earnings or loss projections, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

### *Critical accounting policies and estimates*

We prepare our condensed consolidated financial statements in accordance with GAAP. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require our judgment in its application. In other cases, our judgment is required in selecting among available alternative accounting policies that allow different accounting treatment for similar transactions. The preparation of condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances. In many instances, we could reasonably use different accounting estimates, and in some instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial condition, results of operations and cash flows will be affected.

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There have been no material changes in our critical accounting policies and estimates during the three months ended September 30, 2015 as compared to the critical accounting policies and estimates disclosed in Part II, Item 7 of our Annual Report on Form 10-K for fiscal 2015.

**Recent Accounting Pronouncements**

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Form 10-Q.

**Results of operations**

The following tables set forth our results of operations for the three months ended September 30, 2015 and 2014, as well as a percentage that each line item represents of our total revenue for those periods. The additional key metrics presented are used in addition to the financial measures reflected in the condensed consolidated statements of operations data to help us evaluate growth trends, establish budgets and measure the effectiveness of our sales and marketing efforts. The period to period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

Consolidated Statements of Operations Data	Three Months Ended September 30,	
	2015	2014
	(in thousands)	
Revenue:		
Product	\$ 31,109	\$ 18,916
Services	12,952	16,071
Total revenue	44,061	34,987
Cost of revenue:		
Product	18,083	10,178
Services	5,304	5,782
Total cost of revenue	23,387	15,960
Gross profit	20,674	19,027
Operating expenses:		
Research and development	17,987	16,998
Sales and marketing	6,998	6,196
General and administrative	6,235	6,213
Total operating expenses	31,220	29,407
Loss from operations	(10,546)	(10,380)
Other income (expense), net	(187)	1,303
Loss before provision (benefit) for income taxes	(10,733)	(9,077)
Provision (benefit) for income taxes	113	(1,140)
Net loss	\$ (10,846)	\$ (7,937)

	Three Months Ended	
	September 30,	
	2015	2014
Revenue:	(as a percentage of revenue)	
Product	71 %	54 %
Services	29 %	46 %
Total revenue	100 %	100 %
Cost of revenue:		
Product	41 %	29 %
Services	12 %	17 %
Total cost of revenue	53 %	46 %
Gross profit	47 %	54 %
Operating expenses:		
Research and development	41 %	48 %
Sales and marketing	16 %	18 %
General and administrative	14 %	18 %
Total operating expenses	71 %	84 %
Loss from operations	(24)%	(30)%
Other income (expense), net	(1)%	4 %
Loss before provision (benefit) for income taxes	(25)%	(26)%
Provision (benefit) for income taxes	— %	(3)%
Net loss	(25)%	(23)%

*Comparison of the three months ended September 30, 2015 and 2014*

*Revenue, cost of revenue and gross profit.*

*Consolidated overview.* Product revenue increased 64% to \$31.1 million in the three months ended September 30, 2015 from \$18.9 million in the three months ended September 30, 2014. The increase in product revenue was due primarily to an increase in royalty revenue from automotive navigation solutions we provide for our automotive customers. Services revenue decreased 19% to \$13.0 million in the three months ended September 30, 2015 from \$16.1 million in the three months ended September 30, 2014. The decrease in services revenue for the comparable three month period was due primarily to lower subscription fees resulting from decreases in the number of paying subscribers for mobile navigation services, partially offset by an increase in advertising revenue.

Our cost of product revenue increased 78% to \$18.1 million in the three months ended September 30, 2015 from \$10.2 million in the three months ended September 30, 2014. The increase was due primarily to an increase in third party content costs associated with automotive navigation solutions as our business shifts from deriving a majority of revenue from carrier-based revenue to automobile navigation-based revenue. Our cost of service revenue decreased 8% to \$5.3 million in the three months ended September 30, 2015 from \$5.8 million in the three months ended September 30, 2014. The decrease in the comparable three month period was due primarily to a decrease in cost of mobile navigation revenue associated with the decline in such revenue, partially offset by an increase in cost of advertising revenue resulting from increases in third party ad exchange inventory costs and hosting services associated with the increased impressions delivered.

Our gross profit increased to \$20.7 million in the three months ended September 30, 2015 from \$19.0 million in the three months ended September 30, 2014. Our gross margin decreased to 47% in the three months ended September 30, 2015 from 54% in the three months ended September 30, 2014. The decrease in gross margin for the comparable three month period was primarily due to lower services revenue and the increased proportion of product revenue contributed from our on-board automotive navigation solutions provided to our automotive customers, which generally has higher associated content costs and resulting lower gross margins than our mobile navigation services provided through our wireless carrier customers. We expect our overall gross margin to continue to decline as the percentage of our revenue from automotive offerings increases, and as a result of increased competition on our offering of mobile navigation services, especially from other freemium offerings. In addition, our gross margin will continue to be negatively impacted in the future by the amortization of developed technology acquired as part of our January 2014 acquisition of skobbler.

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*Revenue concentrations.* In the three months ended September 30, 2015 and 2014, revenue from Ford represented 69% and 53% of our total revenue, respectively, and revenue from AT&T represented 11% and 20% of our total revenue, respectively. No other customer represented more than 10% of our total revenue in such periods.

We primarily sell our services in the United States. In the three months ended September 30, 2015 and 2014, revenue derived from U.S. sources represented 97% and 94% of our total revenue, respectively.

*Segments information.* The information below is organized in accordance with our three reportable business segments (dollars in thousands):

	Three Months Ended September 30,	
	2015	2014
<b>Revenue</b>		
Automotive	\$ 31,743	\$ 19,502
Advertising	4,851	3,975
Mobile Navigation	7,467	11,510
<b>Total revenue</b>	<b>44,061</b>	<b>34,987</b>
<b>Cost of revenue</b>		
Automotive	18,521	10,396
Advertising	2,995	2,540
Mobile Navigation	1,871	3,024
<b>Total cost of revenue</b>	<b>23,387</b>	<b>15,960</b>
<b>Gross profit</b>		
Automotive	13,222	9,106
Advertising	1,856	1,435
Mobile Navigation	5,596	8,486
<b>Total gross profit</b>	<b>\$ 20,674</b>	<b>\$ 19,027</b>
<b>Gross margin</b>		
Automotive	42%	47%
Advertising	38%	36%
Mobile Navigation	75%	74%
<b>Total gross margin</b>	<b>47%</b>	<b>54%</b>

*Automotive.* Automotive revenue increased 63% to \$31.7 million in the three months ended September 30, 2015 from \$19.5 million in the three months ended September 30, 2014. The increase in the comparable three month period was due primarily to an increase in production royalty revenue of \$11.9 million. Automotive revenue included customized software and map content revenue of \$0.3 million and zero in the three months ended September 30, 2015 and 2014, respectively. In addition, during the three months ended September 30, 2015, our automotive deferred revenue increased \$3.8 million, primarily related to royalties earned from new vehicle owner downloads of GM's OnStar RemoteLink® mobile application powered by our location-based services platform, the new Ford New Zealand and Australia map update program and, to a lesser extent, our agreement with Toyota utilizing our Scout GPS Link in select 2016 model Toyotas. Automotive revenue represented 72% and 56% of total revenue in the three months ended September 30, 2015 and 2014, respectively.

Cost of automotive revenue increased 78% to \$18.5 million in the three months ended September 30, 2015 from \$10.4 million in the three months ended September 30, 2014. The increase in the comparable three month period was due primarily to an increase in third party content costs of \$7.9 million associated with the increased royalty revenue and mix of revenue from Ford on vehicles sold in Europe and China, which generally has higher associated content costs.

Automotive gross profit increased 45% to \$13.2 million in the three months ended September 30, 2015 from \$9.1 million in the three months ended September 30, 2014. Automotive gross margin decreased to 42% in the three months ended September 30, 2015 from 47% in the three months ended September 30, 2014. The decrease in gross margin in the comparable

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three month period was due primarily to the higher proportion of revenue from vehicles sold in Europe and China, which generally has higher associated content costs.

*Advertising.* Advertising revenue increased 22% to \$4.9 million in the three months ended September 30, 2015 from \$4.0 million in the three months ended September 30, 2014. The increase in the comparable three month period was due primarily to an increase in the value of contracted insertion orders along with the number of impressions delivered. Advertising revenue represented 11% of total revenue in the three months ended September 30, 2015 and 2014.

Cost of advertising revenue increased 18% to \$3.0 million in the three months ended September 30, 2015 from \$2.5 million in the three months ended September 30, 2014. The increase in the comparable three month period was due primarily to increased third party ad exchange inventory costs of \$0.4 million and increased third party hosting service fees of \$0.1 million, associated with the increased impressions delivered.

Advertising gross profit increased 29% to \$1.9 million in the three months ended September 30, 2015 from \$1.4 million in the three months ended September 30, 2014. Advertising gross margin increased slightly to 38% in the three months ended September 30, 2015 from 36% in the three months ended September 30, 2014.

*Mobile Navigation.* Mobile navigation revenue decreased 35% to \$7.5 million in the three months ended September 30, 2015 from \$11.5 million in the three months ended September 30, 2014. The decrease in the comparable three month period was primarily due to lower subscription revenue resulting from decreases in the number of paying subscribers for mobile navigation services provided through AT&T, T-Mobile and USCC and a decrease in mobile navigation revenue internationally. Accordingly, in the three months ended September 30, 2015, services revenue from AT&T, Sprint, T-Mobile, USCC and international customers decreased by \$4.0 million. Mobile navigation revenue represented 17% and 33% of total revenue in the three months ended September 30, 2015 and 2014, respectively.

Cost of mobile navigation revenue decreased 38% to \$1.9 million in the three months ended September 30, 2015 from \$3.0 million in the three months ended September 30, 2014. The decrease in the comparable three month period was due primarily to decreases in data center and hosted services costs of \$0.4 million, third party content costs of \$0.3 million and compensation and benefits costs of \$0.1 million.

Mobile navigation gross profit decreased 34% to \$5.6 million in the three months ended September 30, 2015 from \$8.5 million in the three months ended September 30, 2014. Mobile navigation gross margin was comparable at 75% and 74% in the three months ended September 30, 2015 and 2014, respectively. The relatively consistent margins reflect the net impact of lower revenue levels, offset by the lower cost from our successful transition to utilizing OSM maps for the majority of our mobile user base.

### *Operating expenses*

*Research and development.* Our research and development expenses increased 6% to \$18.0 million in the three months ended September 30, 2015 from \$17.0 million in the three months ended September 30, 2014. The increase in the comparable three month period was due primarily to an increase in compensation and benefits expense of \$0.4 million and a reduction in the amount of development costs deferred of \$0.4 million. As a percentage of revenue, research and development expenses decreased to 41% in the three months ended September 30, 2015 from 48% in the three months ended September 30, 2014. The total number of research and development personnel decreased 5% to 437 at September 30, 2015 from 461 at September 30, 2014. We believe that as we deliver our contracted customer requirements for our automotive customers, establish relationships with new automotive manufacturers and OEMs, enhance our service offerings around our OSM capabilities, and develop new services and products for advertisers, revenue from those investments and development efforts will lag the related research and development expenses.

*Sales and marketing.* Our sales and marketing expenses increased 13% to \$7.0 million in the three months ended September 30, 2015 from \$6.2 million in the three months ended September 30, 2014. The increase in the comparable three month period was primarily due to increases in compensation and benefits expense of \$0.6 million and travel and entertainment expense of \$0.3 million primarily associated with the ongoing expansion of our advertising sales team. As a percentage of revenue, sales and marketing expenses decreased to 16% in the three months ended September 30, 2015 from 18% in the three months ended September 30, 2014. The total number of sales and marketing personnel increased 16% to 80 at September 30, 2015 from 69 at September 30, 2014.

*General and administrative.* Our general and administrative expenses were comparable at \$6.2 million in each of the three months ended September 30, 2015 and 2014. General and administrative expenses in the comparable three month period primarily reflect an increase in legal expenses of \$0.9 million, resulting primarily from ongoing intellectual property litigation, that was offset by decreases in compensation and benefits expense of \$0.3 million, stock-based compensation expense of \$0.3

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million, severance pay of \$0.2 million and travel and entertainment expense of \$0.2 million. As a percentage of revenue, general and administrative expenses decreased to 14% in the three months ended September 30, 2015 from 18% in the three months ended September 30, 2014. The total number of general and administrative personnel decreased 12% to 57 at September 30, 2015 from 65 at September 30, 2014. We anticipate that our general and administrative expenses may vary substantially from period to period as our legal expenses associated with ongoing intellectual property litigation and requests for indemnification related to intellectual property litigation proceed.

*Other income (expense), net.* Our other income (expense), net was \$(0.2) million in the three months ended September 30, 2015 and \$1.3 million in the three months ended September 30, 2014. Other income, net for the three months ended September 30, 2014 included a \$0.5 million foreign exchange gain and \$0.4 million other income from our transaction services agreement with Fleetcor Technologies Operating Company, LLC.

*Provision (benefit) for income taxes.* Our provision (benefit) for income taxes was \$0.1 million in the three months ended September 30, 2015 compared to \$(1.1) million in the three months ended September 30, 2014. Our effective tax rate, which resulted in the recognition of a tax expense, was 1% in the three months ended September 30, 2015 compared to an effective tax rate, which resulted in the recognition of a tax benefit, of 13% in the three months ended September 30, 2014. Our effective tax rate of 1% for the three months ended September 30, 2015 was less than the tax benefit computed at the U.S. federal statutory income tax rate due primarily to losses for which no benefit will be recognized since they are not more likely than not to be realized due to the lack of current and future income and the inability to carryback losses within the two year carryback period. Our effective tax rate of 13%, which resulted in the recognition of a tax benefit for the three months ended September 30, 2014 was less than the tax benefit computed at the U.S. federal statutory income tax rate due primarily to the increase in the valuation allowance as a result of the limitations of benefit from the loss carryback.

We record liabilities related to uncertain tax positions in accordance with authoritative guidance on accounting for uncertainty in income taxes. As of September 30, 2015 and June 30, 2015, our cumulative unrecognized tax benefits were \$6.1 million. Included in the balance of unrecognized tax benefits at September 30, 2015 and June 30, 2015 was \$1.7 million that, if recognized, would affect the effective tax rate.

We recognize interest and penalties related to unrecognized tax benefits as part of our provision for income taxes. We had \$0.5 million accrued for the payment of interest and penalties at September 30, 2015 and June 30, 2015.

We file income tax returns with the Internal Revenue Service, or IRS, California, various states and foreign tax jurisdictions in which we have subsidiaries. The statute of limitations remains open for fiscal 2012 through fiscal 2015 in the U.S., for fiscal 2011 through fiscal 2015 in state jurisdictions, and for fiscal 2010 through fiscal 2015 in foreign jurisdictions. Fiscal years outside the normal statute of limitations remain open to audit by tax authorities due to tax attributes generated in those early years which have been carried forward and may be audited in subsequent years when utilized.

Due to operating losses in previous years and continued earnings volatility, we maintain a valuation allowance on the majority of our foreign deferred tax assets. Our valuation allowance at June 30, 2015 was \$17.7 million. In evaluating our ability to recover our deferred tax assets each quarter, we consider all available positive and negative evidence, including current and previous operating results, ability to carryback losses for a tax refund, and forecasts of future operating results.

On December 19, 2014, the Tax Increase Prevention Act of 2014 became effective, which provides one year retroactive tax relief for businesses by reinstating retroactively to January 1, 2014, certain tax benefits and credits that had expired. These provisions automatically expired again on December 31, 2014. The research and development credit was retroactively extended in this legislation.

**Liquidity and capital resources**

The following table sets forth the major sources and uses of cash and cash equivalents for each of the periods set forth below (in thousands):

	Three Months Ended	
	September 30,	
	2015	2014
Net cash used in operating activities	\$ (5,869)	\$ (3,953)
Net cash provided by investing activities	992	9,412
Net cash provided by (used in) financing activities	(1,679)	675
Effect of exchange rate changes on cash and cash equivalents	(184)	(645)
Net increase (decrease) in cash and cash equivalents	\$ (6,740)	\$ 5,489

At September 30, 2015, we had cash, cash equivalents and short-term investments of \$111.7 million, which primarily consisted of money market mutual funds, asset-backed securities, municipal securities and agency and corporate bonds held. Our cash, cash equivalents and short-term investments are held and managed by financial institutions that are required to adhere to our investment policy.

Our accounts receivable are heavily concentrated in a small number of customers. As of September 30, 2015, our accounts receivable balance was \$38.4 million, of which Ford and AT&T represented 63% and 9%, respectively.

Our future capital requirements will depend on many factors, including our ability to grow our revenue and control expenses in fiscal 2016 and beyond, whether we return to profitability, the timing and extent of expenditures to support development efforts, the expansion of research and development and sales and marketing activities and headcount, the introduction of our new and enhanced service and product offerings and the growth in our end user base. We believe our cash, cash equivalents and short-term investments will be sufficient to satisfy our financial obligations through at least the next 12 months. However, we expect to use cash in operating activities in fiscal 2016 and possibly beyond, and we may experience greater than expected cash usage in operating activities if revenue is lower than we anticipate or we incur greater than expected cost of revenue or operating expenses. Our revenue and operating results could be lower than we anticipate if, among other reasons, our customers, two of which we are substantially dependent upon for a large portion of our revenue, were to limit or terminate our relationships with them; we were to fail to successfully compete in our highly competitive market, including against competitors who offer their services for free; our revenue did not grow as expected or we were unable to reduce our costs by using OSM. In the future, we may acquire businesses or technologies or license technologies from third parties, and we may decide to raise additional capital through debt or equity financing to the extent we believe this is necessary to successfully complete these acquisitions or license these technologies. However, additional financing may not be available to us on favorable terms, if at all, at the time we make such determinations, which could have a material adverse effect on our business, operating results, financial condition and liquidity and cash position.

*Net cash used in operating activities.* Net cash used in operating activities was \$5.9 million and \$4.0 million in the three months ended September 30, 2015 and 2014, respectively. Cash provided by or used in operating activities is affected by changes in our declining mobile navigation end user base, anticipated growth in our auto and advertising businesses, and increases in our operating costs, which are primarily driven by headcount related costs and royalty payments for portions of the content provided in our products. In the three months ended September 30, 2015, cash used in operating activities was primarily the result of a net loss of \$10.8 million which was offset by non-cash charges for depreciation and amortization of \$1.1 million, stock-based compensation of \$3.1 million, accretion of net premium on short-term investments of \$0.2 million and \$0.1 million from changes in our operating assets and liabilities. In the three months ended September 30, 2014, cash used in operating activities was the result of a net loss of \$7.9 million and \$1.4 million from changes in our operating assets and liabilities, partially offset by non-cash charges for depreciation and amortization of \$1.5 million, stock-based compensation of \$3.4 million, and accretion of net premium on short-term investments of \$0.5 million.

*Net cash provided by investing activities.* Our investing activities provided \$1.0 million and \$9.4 million during the three months ended September 30, 2015 and 2014, respectively. Cash flows from investing activities have historically been affected by purchases, sales and maturities of short-term investments, purchases of property and equipment, internal software development costs, and acquisitions. In the three months ended September 30, 2015, cash provided by investing activities was principally the result of proceeds from sales and maturities of short-term investments, net of purchases, of \$1.2 million. In the three months ended September 30, 2014, cash provided by investing activities was principally the result of proceeds from sales and maturities of short-term investments, net of purchases, of \$9.8 million.

*Net cash provided by (used in) financing activities.* During the three months ended September 30, 2015 and 2014, our financing activities provided (used) cash of \$(1.7) million and \$0.7 million, respectively. In the three months ended September 30, 2015, we utilized \$0.6 million of cash to repurchase our common stock and \$1.3 million for payment of tax withholdings related to net share settlements of RSUs, partially offset by proceeds of \$0.2 million provided from the exercise of stock options. In the three months ended September 30, 2014, proceeds of \$1.4 million were provided from the exercise of stock options, partially offset by \$0.7 million of tax withholdings related to net share settlements of RSUs.

***Off-balance sheet arrangements***

We do not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

***Contractual obligations, commitments and contingencies***

As of September 30, 2015, we had an aggregate of \$27.7 million of future minimum noncancelable financial commitments primarily related to office space under noncancelable operating leases and license fees due to certain of our third party content providers, regardless of usage level. The aggregate of \$27.7 million of future minimum commitments were comprised of \$6.3 million due in fiscal 2016; \$6.0 million due in fiscal 2017; \$6.1 million due in fiscal 2018; \$6.1 million due in fiscal 2019; and \$3.2 million due in fiscal 2020.

On October 16, 2015, we entered into a lease termination agreement with our landlord for the termination of our office lease dated June 28, 2011 for corporate facilities on DeGuigne Drive in Sunnyvale, California. The lease termination is to become effective on (a) March 31, 2016 with respect to 920 DeGuigne Drive and 950 DeGuigne Drive; and (b) June 30, 2016 with respect to 930 DeGuigne Drive. The effect of this lease termination agreement is to reduce our total operating lease obligations, net of sublease income, as of September 30, 2015 by approximately \$19.3 million.

In September 2015, we entered into an agreement with Ningbo Huazhong Holdings Company Limited, or Huazhong, a subsidiary of a publicly traded automotive OEM supplier in China, whereby we and Huazhong agreed to form a joint venture limited liability company in China for the development, manufacture and sales of auto entertainment systems. We agreed to invest RMB 9.95 million (approximately \$1.6 million as of September 30, 2015) in cash, which is expected to represent 19.9% of the equity interests of the joint venture. We and Huazhong have also agreed to negotiate a Technology License Agreement, or TLA, whereby we will license our existing navigation platform technologies to the joint venture in exchange for a RMB 5.0 million license fee. Our capital contribution will be made in two installments, with the first installment totaling RMB 4.95 million due on the later date of (a) October 30, 2015, and (b) one week after the date on which the joint venture is established. Our second installment totaling RMB 5.0 million is due upon certain conditions being met, among them completion of the TLA and our receipt of the RMB 5.0 million TLA fee from the joint venture company.

In connection with a software quality issue that was identified related to maps displayed in software deployed to certain vehicles released in North America in 2015, we have accrued a reserve of \$0.1 million as of September 30, 2015. The software quality issue does not present a risk to driver safety. The actual costs are uncertain at this time and we are currently working with our customer to evaluate the appropriate solution. If the actual costs exceed our estimates, our results of operations and financial condition may be adversely affected.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

*Interest rate sensitivity.* The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing risk. By policy, we do not enter into investments for trading or speculative purposes. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the fair value of the investment to fluctuate. To minimize this risk, we invest in a variety of securities, which primarily consist of money market funds, commercial paper, municipal securities and other debt securities of domestic corporations. Due to the nature of these investments and relatively short duration of the underlying securities, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, will reduce future interest income. During the three months ended September 30, 2015, a 10% appreciation or depreciation in overall interest rates would not have had a material impact on our interest income or the fair value of our marketable securities.

*Foreign currency risk.* A substantial majority of our revenue has been generated to date from our end users and customers in the United States and, as such, our revenue has not been substantially exposed to fluctuations in currency exchange rates. However, some of our contracts with our wireless carrier customers outside of the United States are denominated in currencies other than the U.S. dollar and therefore expose us to foreign currency risk. Should the revenue generated outside of the United

States grow in absolute amounts and as a percentage of our revenue, we will increasingly be exposed to foreign currency exchange risks. In addition, a substantial portion of our operating expenses are incurred outside the United States, are denominated in foreign currencies and are subject to changes in foreign currency exchange rates, particularly the Euro. Additionally, changes in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations.

To date, we have not used any foreign currency forward contracts or similar instruments to attempt to mitigate our exposure to changes in foreign currency rates.

**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2015. 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, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2015, 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 that occurred during the three months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Limitations on the Effectiveness of Controls***

Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We have received, and may in the future continue to receive, claims from third parties asserting infringement of their intellectual property rights. Future litigation may be necessary to defend ourselves and our customers by determining the scope, enforceability and validity of third party proprietary rights or to establish our proprietary rights. From time to time we also may be subject to claims from our third party content providers that we owe them additional royalties and interest, which claims may result in litigation if we and the third party content provider are unable to resolve the matter. There can be no assurance with respect to the outcome of any current or future litigation brought against us or pursuant to which we have indemnification obligations and the outcome could have a material adverse impact on our business, operating results and financial condition.

On December 31, 2009, Vehicle IP, LLC, or Vehicle IP, filed a patent infringement lawsuit against us in the U.S. District Court for the District of Delaware, seeking monetary damages, fees and expenses and other relief. Verizon Wireless, or Verizon, was named as a co-defendant in the Vehicle IP litigation based on the VZ Navigator product and has demanded that we indemnify and defend Verizon against Vehicle IP. At this time, we have not agreed to defend or indemnify Verizon. AT&T was also named as a co-defendant in the Vehicle IP litigation based on the AT&T Navigator and Telenav Track products. AT&T has tendered the defense of the litigation to us and we are defending the case on behalf of AT&T. After the district court issued its claim construction ruling the parties agreed to focus on early summary judgment motions, the defendants filed motions for summary judgment of noninfringement. On April 10, 2013 the district court granted AT&T and our motion for summary judgment of noninfringement. Plaintiff appealed the district court's claim construction and summary judgment rulings to the U.S. Court of Appeals for the Federal Circuit. On November 18, 2014, the U.S. Court of Appeals for the Federal Circuit reversed the district court's claim construction and overturned the district court's grant of summary judgment of noninfringement. The case has been sent back to the U.S. District Court for the District of Delaware and trial is currently scheduled for February 2017. Due to the uncertainties related to litigation, we are unable to evaluate the likelihood of either a favorable or unfavorable outcome. We believe that it is reasonably possible that we will incur a loss; however, we cannot currently estimate a range of any possible losses we may experience in connection with this case. Accordingly, we are unable at this time to estimate the effects of this lawsuit on our financial condition, results of operations, or cash flows.

On February 6, 2015, Location Services IP, LLC filed a complaint against AT&T, Inc. and Telenav, Inc. in the U.S. District Court for the Eastern District of Texas, alleging that the AT&T Navigator, Telenav GPS Plus, and Telenav Scout Mobile applications infringe four U.S. patents. On April 16, 2015, Location Services IP LLC dismissed all claims against AT&T, Inc. and Telenav, Inc. and filed a new complaint against AT&T Mobility, AT&T Services, Inc. and Telenav, Inc. in the same court, alleging that the AT&T Navigator, Telenav GPS Plus, Telenav GPS Navigator, and Telenav Scout Mobile applications as well as AT&T Store Locator and the myAT&T Mobile Application infringe the same four U.S. patents. The complaint seeks unspecified monetary damages, fees and expenses and injunctive relief. AT&T has requested that we defend and indemnify them in this matter as it relates to the AT&T Navigator product and we have agreed to do so. On October 13, 2015, Location Services IP, LLC filed a Dismissal with Prejudice of Defendants Telenav, Inc., AT&T Mobility LLC and AT&T Services, Inc. On October 14, 2015, the District Court entered the dismissal. We do not anticipate any additional liability from this matter.

In addition, we have received, and expect to continue to receive, demands for indemnification from our customers, which demands can be very expensive to settle or defend, and we have in the past offered to contribute to settlement amounts and incurred legal fees in connection with certain of these indemnity demands. A number of these indemnity demands, including demands relating to pending litigation, remain outstanding and unresolved as of the date of this Form 10-Q. Furthermore, in response to these demands we may be required to assume control of and bear all costs associated with the defense of our customers in compliance with our contractual commitments. At this time, we are not a party to the following cases; however our customers have requested that we indemnify them in connection with such cases.

In 2008, Alltel, AT&T, Sprint and T-Mobile USA, or T-Mobile, each demanded that we indemnify and defend them against patent infringement lawsuits brought by patent holding companies EMSAT Advanced Geo-Location Technology LLC and Location Based Services LLC (collectively, EMSAT) in the U.S. District Court for the Northern District of Ohio. In March 2011, EMSAT and AT&T settled their claims. The PTO reexamined two of the patents in suit, confirming the validity of only two of the asserted claims from those patents. All patent claims that EMSAT alleged to be infringed by the Telenav GPS Navigator product were cancelled during reexamination. In the suits against T-Mobile, Alltel and Sprint, EMSAT amended its allegations to remove allegations of infringement of the patent claims that were cancelled during reexamination. EMSAT and T-Mobile stipulated to a dismissal and their case was dismissed on January 28, 2015. On March 20, 2015, the Court dismissed and closed the Alltel case and on April 10, 2015 the Court dismissed and closed the Sprint case. We have not yet determined the extent of our indemnification obligations to AT&T. We believe that it is reasonably possible that we will incur additional loss; however, we cannot currently estimate a range of other possible losses we may experience in connection with this case.

Accordingly, we are unable at this time to estimate the overall effects of this matter on our financial condition, results of operations, or cash flows.

In March 2009, AT&T demanded that we indemnify and defend them against a patent infringement lawsuit brought by Tendler Cellular of Texas LLC, or Tendler, in the U.S. District Court for the Eastern District of Texas. In June 2010, AT&T settled its claims with Tendler and we came to an agreement with AT&T as to the extent of our contribution towards AT&T's settlement and the amount of our contribution was not material; however, there continues to be a disagreement as to whether any additional amounts are owed to AT&T for legal fees and expenses related to the defense of the matter. We believe that it is reasonably possible that we will incur additional loss; however, we cannot currently estimate a range of other possible losses we may experience in connection with this case. Accordingly, we are unable at this time to estimate the overall effects on our financial condition, results of operations, or cash flows.

In connection with a software quality issue that was identified related to maps displayed in software deployed to certain vehicles released in North America in 2015, we have accrued a reserve of \$50,000 as of September 30, 2015. The software quality issue does not present a risk to driver safety. The actual costs are uncertain at this time and we are currently working with our customer to evaluate the appropriate solution. If the actual costs exceed our estimates, our results of operations and financial condition may be adversely affected.

While we presently believe that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, cash flows or overall trends in results of operations, legal proceedings are subject to inherent uncertainties and unfavorable rulings could occur. Nevertheless, were unfavorable final outcomes to occur, there exists the possibility of a material adverse impact on our business, financial position, cash flows or overall trends in results of operations.

Large future indemnity payments and associated legal fees and expenses, including potential indemnity payments and legal fees and expenses relating to our wireless carrier and other customers' indemnity demands with respect to pending litigation, could materially harm our business, operating results and financial condition. When we believe a loss or a cost of indemnification is probable and can be reasonably estimated, we accrue the estimated loss or cost of indemnification in our consolidated financial statements. Where the outcome of these matters is not determinable, we do not make a provision in our financial statements until the loss or cost of indemnification, if any, is probable and can be reasonably estimated or the outcome becomes known. Although to date we have not agreed to defend or indemnify our customers for outstanding and unresolved indemnity demands where we do not believe we have an obligation to do so or that our solution infringes on asserted intellectual property rights, we may in the future agree to defend and indemnify our customers in connection with demands for indemnification, irrespective of whether we believe that we have an obligation to indemnify them or whether we believe our solution infringes the asserted intellectual property rights. Alternatively, we may reject certain of our customers' indemnity demands, including the outstanding demands, which may lead to disputes with our customers, negatively impact our relationships with them or result in litigation against us. Our wireless carrier or other customers may also claim that any rejection of their indemnity demands constitutes a material breach of our agreements with them, allowing them to terminate such agreements. If we make substantial payments as a result of indemnity demands, our relationships with our customers are negatively impacted, or any of our customer agreements is terminated, our business, operating results and financial condition could be materially harmed.

**Item 1A. Risk Factors.**

*We operate in a rapidly changing environment that involves numerous uncertainties and risks. The following risks and uncertainties may have a material and adverse effect on our business, financial condition or results of operations. You should consider these risks and uncertainties carefully, together with all of the other information included or incorporated by reference in this Form 10-Q. If any of the risks or uncertainties we face were to occur, the trading price of our securities could decline, and you may lose all or part of your investment.*

***Risk related to our business***

***We incurred losses in fiscal 2014, 2015 and the first three months of fiscal 2016. We expect that we will continue to incur losses in fiscal 2016 and we do not know when, or if, we will return to profitability, as we make further expenditures to enhance and expand our operations in order to support growth and diversification of our business.***

As a percentage of revenue, our net loss was (25)% and (23)% in the three months ended September 30, 2015 and 2014, respectively. Our revenue from paid wireless carrier mobile navigation has substantially declined and we expect it to continue to do so. Our gross margin declined to 47% in the three months ended September 30, 2015 from 54% in the three months ended September 30, 2014 due primarily to the increased proportion of product revenue contributed from our on-board automotive navigation solutions, which generally have higher associated content costs and resulting lower gross margins than our mobile navigation services provided through our wireless carrier customers, and the increased revenue contribution of our advertising business, which has lower gross margins than our automotive and mobile navigation businesses.

We anticipate that we will continue to incur net operating losses in fiscal 2016, as we anticipate increased expenditures to operate our business. These expected losses are due in part to the expected continued decline in our higher margin mobile navigation revenue. Furthermore, there will be a lengthy delay between the time we secured the award of a new contract with GM, and the timing of revenue thereto, as well as a substantial required upfront investment in research and development resources for this new contract, and continued investments necessary due to the early nature of our advertising business.

Although we are working to replace the continued decline in wireless carrier revenue, our efforts to develop new services and products and attract new customers require investments in anticipation of longer term revenue. For example, the design cycle for automotive navigation products and services is 18 to 24 months and in order to win designs and achieve revenue from this growth area, we typically have to make investments two to four years before we anticipate receiving revenue, if any. This is the case for our relationship with GM. In addition, once we begin to recognize revenue from new automotive products, we may be required to recognize that revenue over time if there are contractual service periods or other obligations to fulfill. We intend to make additional investments in systems and continue to expand our operations to support diversification of our business, but it is likely that these efforts at diversification will not replace our declining wireless carrier revenue in the short-term, if at all. We also anticipate that as we replace some of our personnel, we will do so with some employees hired in higher cost geographic areas who have different skills. As a result of these factors, we believe we will incur a net operating loss and that we will incur net losses at least through fiscal 2016 and we cannot predict when, or if, we will return to profitability. Our investments and expenditures may not result in the growth that we anticipate. Although we acquired skobbler and have expended additional internal resources to develop our own OSM-based maps to reduce our mapping costs in the long-term, in the short-term, those development efforts will have a negative effect on our ability to become profitable.

***Our quarterly revenue and operating results have fluctuated in the past and may fluctuate in the future due to a number of factors. As a result, we may fail to meet or exceed the expectations of securities analysts or investors, which could cause our stock price to decline.***

Our quarterly revenue and operating results may vary significantly in the future. Therefore, you should not rely on the results achieved in any one quarter as an indication of future performance. Period to period comparisons of our revenue and operating results may not be meaningful. Our quarterly results of operations may fluctuate as a result of a variety of factors, including, but not limited to, those listed below, many of which are outside of our control:

- the transition away from paid carrier navigation to freemium offerings for mobile phone based navigation services;
- the ability of automobile manufacturers to sell automobiles equipped with our products;
- the introduction of competitive in-car platforms and products, such as Apple's CarPlay and Google's auto initiatives, including Open Automotive Alliance;
- the seasonality of new vehicle model introductions and consumer buying patterns, as well as the effects of economic uncertainty on vehicle purchases, particularly outside of the U.S.;
- the effectiveness of our entry into new business areas, such as advertising;
- changes made to existing contractual obligations with a customer that may affect the nature and timing of revenue recognition;

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- the loss of our relationship or a change in our revenue model with any particular wireless carrier customer;
- poor reviews of automotive service offerings into which our navigation solutions are integrated resulting in limited uptake of navigation options by car buyers;
- warranty claims based on the performance of our products and the potential impact on our reputation with navigation users and automotive OEMs;
- loss of subscribers by our wireless carrier customers or a reduction in the number of subscribers to plans that include our services;
- the timing and quality of information we receive from our customers;
- our inability to attract new end users;
- the amount and timing of operating costs and capital expenditures related to the expansion of our operations and infrastructure through acquisitions or organic growth;
- the timing of expenses related to the development or acquisition of technologies, products or businesses;
- the timing and success of new service introductions by us or our competitors;
- the timing and success of marketing expenditures for our products;
- the extent of any interruption in our services;
- potential foreign currency exchange gains and losses associated with expenses and sales denominated in currencies other than the U.S. dollar;
- general economic, industry and market conditions that impact expenditures for new vehicles, smartphones and mobile location services in the United States and other countries where we sell our services and products;
- changes in interest rates and our mix of investments, which would impact our return on our investments in cash and marketable securities;
- changes in our effective tax rates; and
- the impact of new accounting pronouncements.

Fluctuations in our quarterly operating results might lead analysts and investors to change their models for valuing our common stock. As a result, our stock price could decline rapidly and we could face costly securities class action lawsuits or other unanticipated issues.

***We are dependent on Ford for a substantial and increasing portion of our revenue and our business, financial condition and results of operations will be harmed if our revenue from Ford does not continue to grow or declines.***

Ford represented approximately 69% and 53% of our revenue in the three months ended September 30, 2015 and 2014, respectively. We expect that Ford, other automobile manufacturers and OEMs will account for an increasing portion of our revenue, as our revenue from paid wireless carrier provided navigation declines. However, our revenue could potentially decline if Ford increases the cost to consumers of our navigation product or reduces the number of vehicles or the geographies in which vehicles with our product as an option are sold, or its sales of vehicles fall below forecast due to competition or global macro-economic conditions. Our agreement with Ford expires in December 2017 and also allows either party to terminate the agreement if the other party is insolvent or materially breaches its obligations and fails to cure such breach. In the event that Ford does not elect to renew our contract after December 2017, or chooses to renegotiate our contract on less favorable terms, our revenue may decline and our business operating results and financial condition could be harmed. The agreement may be renewed for successive 12-month periods if either party provides notice of renewal at least 45 days prior to the expiration of the applicable term, and the other party agrees to such renewal. We may not successfully increase our revenue from Ford if our products are replaced within vehicles by Ford with our competitors' products or from price competition from third parties.

For on-board automotive navigation, we recognize revenue as the related customized software is delivered to and accepted by our customers. In addition we recognize royalties earned from our on-board solutions generally as the software is reproduced for installation in vehicles. We have limited experience managing, supporting and retaining automobile manufacturers and OEMs as customers and if we are not able to maintain Ford as a customer our revenue will decline.

***We may not be successful in generating material revenue from automotive manufacturers and OEMs other than Ford, and our automotive revenue could fluctuate due to the complexities of revenue recognition. As a result, our business, financial condition and results of operations will be harmed if we are unable to diversify our automotive revenue.***

Although we have attempted to mitigate our dependence on Ford by establishing relationships with other automobile manufacturers and OEMs, these relationships may not produce significant revenue if the products are launched in limited models or due to competition from third parties. In addition, due to the complexities of revenue recognition in accordance with GAAP, when and if we generate revenue we may be required to recognize certain revenue over extended periods. Revenue recognition could also be impacted by changes in procurement patterns, shipping terms and title transfer. For example, we recognize revenue from our Ford Sync 2 on-board solutions as the software is reproduced for installation in vehicles; however, we currently recognize revenue from Ford Sync 3 on-board solutions as the hardware that includes our software is received by Ford. By June 2016, we anticipate that our Ford Sync 3 arrangement will transition to title transfer as our software is installed in the vehicle and, accordingly, the timing of our revenue recognition will change. As Ford ramps up sales of vehicles with Sync 3, this transition could result in a lag period during which we have reduced revenue. The effect of this change in timing of revenue recognition may be greater for vehicles manufactured outside North America. Furthermore, we may incur significant expense to develop products for automobile manufacturers, such as under our worldwide connected navigation services agreement with GM, without ever receiving any revenue related to the sale of vehicles with our navigation services. Our ability to attract automobile manufacturers may also be limited if the OEMs chosen to provide navigation services have existing relationships with other navigation vendors or provide their own solutions.

Even if we are able to diversify our automotive navigation business through new arrangements, such as our more recently established relationships with GM and Toyota, customers may not elect to purchase automobile manufacturer and OEM navigation offerings that include our software and/or services for reasons unrelated to performance of our software or services. If customer purchase rates are less than anticipated, we may be unable to effectively diversify our automotive navigation revenue and our business, financial condition and results of operations may be harmed.

***Our automotive navigation products are an important part of our effort to expand outside of mobile device navigation to other platforms and we may not be successful in our efforts to attract and retain automobile manufacturers and OEMs, implement profitable and high quality products or achieve end customer acceptance of our services and fee model.***

In fiscal 2009, we began offering our first brought-in connected automotive navigation products and prior to that time, we had limited experience in the automotive navigation market. In fiscal 2010, we began offering our first on-board automotive navigation products. Our on-board solutions may not satisfy automotive manufacturers' or end customers' expectations for those solutions. If automobile manufacturers and OEMs do not believe that our services meet their customers' needs, our products and services may not be designed in to future model year vehicles.

The design and sales cycle for on-board or brought-in automotive navigation services and products is substantially longer than those associated with our mobile navigation services to customers of wireless carriers or our advertising platform services. As a result, we may not be able to achieve significant revenue growth with new customers from the automotive navigation business in a short period of time, or at all. For example, design wins for vehicles may be awarded 12 to 36 months prior to the anticipated commercial launch of the vehicle. Our relationship with GM includes brought-in services for vehicles and in January 2015 GM launched the new version of its OnStar RemoteLink® mobile application, but we cannot assure you that the RemoteLink® project will lead to us receiving significant revenue in the short-term, if at all. We also entered into a contract with GM to provide its worldwide connected navigation services beginning with select model year 2017 vehicles. We do not expect to receive any revenue from the launch of those vehicles until fiscal 2017 at the earliest, and in the course of the development of those vehicles we may be designed out altogether. We cannot assure you that when and if our products go into production and launch in GM vehicles and become available for sale, they will be in a wide variety of geographic markets in which GM sells vehicles in or across a variety of models and brands. GM has not provided us with any volume or revenue guarantees. In July 2015, we and Toyota announced a partnership for brought-in navigation services where our Scout GPS Link will be available in Entune™ Audio Plus equipped model year 2016 Toyota vehicles in the United States. In August 2015, Toyota began shipping vehicles enabled to connect with our Scout GPS Link mobile application. These models now include select 2016 Camry, Corolla, 4Runner, Sequoia and Tundra models, in addition to the previously announced Tacoma. We cannot assure you that the Scout GPS Link Toyota project will lead to us receiving significant revenue in the short-term, if at all.

As we have limited experience in the automotive navigation market, we also may not price our solutions in such a way that is profitable for us and enables us to recoup the development expenses we incurred to provide such solutions in the time we expect or at all. Development schedules for automotive navigation products are difficult to predict, and there can be no assurance that we will achieve timely delivery of these products to our customers. To the extent that we charge service fees beyond an initial fee at the time the vehicle is purchased, we may not be successful in gaining traction with customers to provide services and charge ongoing monthly or annual fees outside of the traditional on-board navigation service model. Our map, POI and other content costs for our automobile navigation solutions are higher than those we have historically paid for our mobile phone-based navigation services and to date we have not been able to use OSM offerings for automotive navigation. If

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we are unable to improve our margins, we may not be able to operate our automobile navigation business profitably. If we fail to achieve revenue growth in any of our automotive navigation solutions (whether on-board, brought-in or other), we may be unable to achieve the benefits of revenue diversification. In addition, our third party automotive and mobile navigation content suppliers, HERE and TomTom, are also becoming competitors with their own automotive navigation services offerings.

As our offerings in automobile navigation expand to brought-in, as well as built-in, we may not correctly anticipate the financial accounting treatment for the various products. We could be required to amortize revenue from products over time although we previously recognized revenue for similar products when the applicable vehicle was sold.

We may be unable to enter into agreements to provide automobile navigation products if we do not offer navigation products that serve geographies throughout the world or automobile manufacturers and OEMs are uncomfortable with our ability to support markets outside of the United States. Our automobile manufacturer and OEM customers may choose to partner with providers of location services with extensive international operations. We may be at a disadvantage to attracting such customers due to our business being concentrated in the United States. Ford only recently began offering vehicles with our solutions outside of the United States and we may not be successful in those geographies if customers are uncomfortable with the look and feel of our solutions. If we are unable to attract or retain such automobile manufacturer and OEM customers, our revenue and operating results will be negatively affected.

Our ability to build demand for our automobile navigation products is also dependent upon our ability to provide the products in a cost effective manner, which may require us to renegotiate map and POI content relationships to address the specific demands of on-board navigation applications.

### ***Our multi-platform products are new and may not find market acceptance.***

We introduced Scout, a service that end users can access for navigation and planning with their mobile phones and cars. We have not previously offered a planning service or a service that spans different platforms. We cannot assure you that automobile manufacturers and end users will accept our Scout service or, even if they do, that end users will adopt and use this service, which encompasses services different than our historical strength in navigation, or that we will be able to generate sufficient revenue from Scout to offset its costs. If we fail to develop innovative products that automobile manufacturers and end users adopt, our operating results and financial condition could be harmed. Further, Google and Apple have each developed technology platforms that they are marketing to auto manufacturers. If auto manufacturers adopt these platforms, they may also adopt Google and Apple's navigation services that run on these platforms and if so, consumers may elect to use these free service offerings rather than pay for our products which are currently sold by Ford as new car features with substantial cost to the consumer.

### ***The success of our automotive navigation products may be affected by the number of vehicle models offered with our navigation solutions, as well as overall demand for new vehicles.***

Our ability to succeed long term in the automotive industry depends on our ability to expand the number of models offered with our navigation solution by our current automobile manufacturers. We are also dependent upon our ability to attract new automobile manufacturers and OEMs. For automobile manufacturers with whom we have established relationships, such as Ford, our success depends on continued production and sale of new vehicles with, and adoption by, end users of our products offered by such automobile manufacturers, when our product are not standard features. As we move forward, our existing automobile manufacturers and OEMs may not include our solutions in future year vehicles or territories, which would negatively affect our revenue from these products. Production and sale of new vehicles are subject to delay from forces outside of our control, such as natural disasters, parts shortages and work stoppages, as well as general economic conditions.

### ***Strategic transactions in the mapping and automotive industries could jeopardize our map pricing and, in turn, our competitive pricing for our automotive customers.***

Audi, BMW and Mercedes recently announced their acquisition of Nokia's HERE map business. Though the auto manufacturers have stated that HERE's map business will remain autonomous and continue to serve other auto manufacturers, there is a risk that HERE will increase its prices for maps to competitors of the group of companies that acquired HERE. If HERE increases the price of maps, our gross margins, most notably in our automotive business, may be adversely affected by such increase in map costs.

### ***We may not successfully generate advertising revenue as a result of our acquisition of Thinknear or from our navigation services if we are unable to attract and retain advertisers.***

Although we began providing advertising to some of our end users in 2010 and the percentage of our revenue represented by advertising had grown rapidly, advertising was 11% of our total revenue during fiscal 2015 may not grow significantly over the remainder of fiscal 2016. In October 2012, we acquired Thinknear, a privately held California-based hyper-local mobile advertising company. To date, the margins of our advertising business have been well below those we experience in our automotive navigation and mobile navigation businesses. Furthermore, we believe the advertising business can be subject to varying buying patterns and seasonality which can impact our ability to grow our revenue. For example, in fiscal 2015, we

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experienced sequential quarters of increasing and decreasing revenue levels. In order to grow our advertising business, we need to identify and attract a significant number of advertisers through our Thinknear platform. The mobile advertising market is highly competitive, and advertisers have many options through which to purchase mobile advertising. Our business will require us to attract and retain a large number of advertisers and will also require us to maintain the ability to purchase a large volume of inventory at competitively attractive rates. Increased competition from other mobile advertising companies and technology developers could impair our ability to secure advertiser revenue. Increased competition could also limit our ability to purchase inventory for advertising placements at an economically attractive rate. We do not have substantial experience in selling advertising and supporting advertisers and may not be able to develop these capabilities successfully. We may not be successful recruiting the number of sales personnel we need to scale or effectively train them to sell mobile advertising. Sales personnel may also be slow to ramp up their sales pipelines, negatively impacting our ability to grow. We may not succeed in attracting and retaining a critical mass of advertisers and ad placements and may not be successful in demonstrating the value of mobile advertising. If we fail to do so, we may be unable to generate a material level of revenue from advertising to offset the costs of providing free navigation. Even if we are able to increase our advertising revenue, we may not be able to improve the margins of our advertising business if we do not generate additional ad impression space within our own applications, such as Scout. If we are unable to improve the margins of our advertising business, it may not become profitable and may impair our ability to become profitable as a whole and invest in new opportunities.

***Our legacy wireless carrier mobile navigation business is declining and as it continues to decline until it becomes an insignificant portion of our business, our revenue and net income or loss will continue to be adversely affected.***

We have historically been substantially dependent on two wireless carrier customers for a large portion of our revenue. Sprint ceased paying us for mobile navigation provided to its subscribers in bundles on September 30, 2013. Our other large wireless carrier customers have also experienced declines in monthly recurring revenue from subscriptions for mobile navigation. In the three months ended September 30, 2015 and 2014, AT&T represented 11% and 20% of our total revenue, respectively. In the last three fiscal years, AT&T subscribers have materially decreased their subscriptions for, and usage of, our paid navigation services and our revenue from our relationship with AT&T has declined accordingly. We anticipate that AT&T subscribers, and subscribers of other carriers who pay monthly recurring charges for our services, will continue to decrease their subscriptions for paid navigation services in favor of free or freemium offerings and that our revenue from our relationship with AT&T will continue to decline. AT&T may determine that the cost of offering our service to its subscribers outweighs the benefits if the drop off of subscribers continues. Our failure to maintain our relationship with AT&T would substantially harm our business and we cannot assure you that we and AT&T will be able to reduce subscriber erosion. We anticipate that even if AT&T remains a wireless carrier customer, our revenue from AT&T will continue to decline substantially during fiscal 2016 and possibly beyond.

Our experience has been that subscribers do not opt to pay monthly recurring charges for mobile navigation products that were formerly bundled with other services and instead use free or freemium offerings. We have sought to develop other sources of revenue from our location-based platforms, including automotive navigation and location-based advertising, but those sources of revenue have substantially lower margins than wireless carrier mobile navigation revenue and, as a result, we would have to generate substantially more revenue from those services to replace the declining wireless carrier revenue. Our other sources of revenue have only recently begun to grow as fast as the declines in mobile wireless carrier revenue and we cannot assure you that this recent growth will continue. As a result of the lower margins on automobile navigation and advertising revenue, we anticipate that we will continue to incur net losses in fiscal 2016 and possibly future periods. If we are unable to demonstrate to investors that we have developed stable, long-term revenue streams, the trading prices of our common stock may decline further and the trading volumes for our common stock may be low, adding to price volatility.

***We provide freemium navigation to compete with free offerings and we may not be successful with these new products or convert “free” users to paid users.***

We provide freemium personalized navigation applications on the Apple App Store, the Google Play marketplace, Microsoft Windows Marketplace and through other marketplaces and our wireless carrier partners. Freemium offerings are free basic navigation services that are monetized through paid upgrades to premium products, as well as through advertising. We may not achieve substantial end user acceptance of these products, and even if end users download and use the freemium products, we may not be successful in converting those “free” users into paid users, particularly since we have begun to offer voice-guided navigation in our freemium offerings. Our freemium offerings provide planning features and other features unrelated to pure navigation that we do not have substantial experience in designing or marketing. These features may deter users who are looking for a pure navigation offering. We have limited experience in marketing our products and services directly to end users or generating advertising revenue through our mobile navigation users. To the extent that our number of active subscribers is low, we may not be able to fulfill sufficient advertising orders to generate meaningful advertising revenue from a freemium model. Bad reviews from end users may dissuade other end users from downloading our freemium offerings or converting to paid users. We may not be successful in gaining visibility among end users without incurring significant expenses to market our products and services to those users. In addition, we do not have experience in converting users of free applications to paid users or in generating revenue from full featured products solely through advertising revenue. If we are

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unable to achieve high visibility among end users on a cost effective basis or fail to convince those end users to convert to paid products and revenue producing services, we may be unable to sustain our revenue and we may incur losses in the future.

***Our planned move to a new corporate facility may not occur on time and may lead to disruptions in our operations and service to our customers.***

On October 16, 2015, we entered into a lease termination agreement with our landlord for the termination of our office lease dated June 28, 2011 for corporate facilities on DeGuigne Drive in Sunnyvale, California. The lease termination is to become effective on (a) March 31, 2016 with respect to 920 DeGuigne Drive and 950 DeGuigne Drive; and (b) June 30, 2016 with respect to 930 DeGuigne Drive. We are currently in the process of locating a new facility, and we have entered into a letter of intent to lease a certain space nearby.

We can provide no assurances that we will be able to complete a lease agreement, complete the move to a new facility efficiently or effectively, or on time, or that we will not experience service disruptions, loss in customers, or decreased revenue as a result of the move. The occurrence of any of the foregoing events affecting or resulting from our move could harm our business.

***Mobile connected device users may choose not to allow tracking of their location information and therefore local advertising may not be feasible on their devices.***

The growth of our advertising revenue will depend on our ability to deliver location targeted, highly relevant ads to consumers on their mobile connected devices. Our targeted advertising is highly dependent on the consumers allowing applications to have access to their location data. Users may elect not to allow location data sharing for a number of reasons, including personal privacy concerns. Mobile operating systems vendors and application developers are also promoting features that allow device users to disable device functionality that consumers may elect to invoke. In addition, companies may develop products that enable users to prevent ads from appearing on their mobile device screens. If any of these developments were to become widely used by consumers, our ability to deliver effective advertising campaigns on behalf of our advertiser clients would suffer, which could hurt our ability to generate advertising revenue.

***Our business practices with respect to data could give rise to liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection.***

Our advertising services depend on our ability to collect, store and use information related to mobile devices and the ads we place, including a device's geographic location for the purpose of targeting ads to the user of the device. Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we collect across our mobile advertising platform. We strive to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection. However, it is possible that these requirements may be interpreted and applied in a manner that is inconsistent with our practices. Any failure, or perceived failure, by us to comply with such laws could result in proceedings or actions against us by governmental entities, consumers or others. Such proceedings or actions could hurt our reputation, force us to spend significant amounts to defend ourselves, distract our management, increase our costs of doing business, require us to change our advertising services or disclosures, adversely affect the demand for our services and ultimately result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless our users from the costs or consequences of inadvertent or unauthorized disclosure of data that we store or handle as part of providing our services.

The regulatory framework for privacy issues worldwide is evolving, and various government and consumer agencies and public advocacy groups have called for new regulation and changes in industry practices, including some directed at the mobile and advertising industries in particular. It is possible that new laws, regulations, standards, recommendations, best practices or requirements will be adopted that would affect our business, particularly with regard to location-based services, collection or use of data to target ads and communication with consumers via mobile devices. To the extent that we or our clients are subject to new laws or recommendations or choose to adopt new standards, recommendations, or other requirements, we may have greater compliance burdens. If we are perceived as not operating in accordance with industry best practices or any such guidelines or codes with regard to privacy, our reputation may suffer and we could lose relationships with advertiser or developer partners.

***We operate in a highly competitive market, including competitors that offer their services for free, which could make it difficult for us to acquire and retain customers and end users.***

The market for development, distribution and sale of location services is highly competitive. Many of our competitors have greater name recognition, larger customer bases and significantly greater financial, technical, marketing, public relations, sales, distribution and other resources than we do. Competitors may offer mobile location services that have at least equivalent functionality to ours for free. For example, Google offers free voice-guided turn by turn navigation as part of its Google Maps product for mobile devices, including those based on the Android and iOS operating system platforms, and Apple offers proprietary maps and voice-guided turn by turn directions. Microsoft also provides a free voice-guided turn by turn navigation

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solution on its Windows Mobile and Windows Phone operating systems. Competition from these free offerings may reduce our revenue, result in our incurring additional costs to compete and harm our business. If our wireless carrier customers can offer these mobile location services to their subscribers for free, they may elect to cease their relationships with us, like Sprint did, or alter or reduce the manner or extent to which they market or offer our services or require us to substantially reduce our fees or pursue other business strategies that may not prove successful. In addition, new car buyers may not value navigation solutions built in to their vehicles if they feel that free (brought-in) offerings, for example Apple CarPlay or Google's auto initiatives, including Open Automotive Alliance, are adequate and may not purchase our solutions with their new cars.

Our primary competitors include location service providers such as Apple, Google (including Waze), Microsoft, Nokia, TeleCommunication Systems, or TCS, and TomTom; PND providers such as Garmin Ltd., or Garmin, and TomTom; providers of Internet and mobile based maps and directions such as AOL Inc., Apple, MapQuest, Inc., Google, Microsoft, Yahoo Inc., Yelp Inc., Foursquare Labs, Inc. and Fullpower Technologies, Inc.; and wireless carriers and communication solutions providers developing their own location services. In the automotive navigation market, we compete with established automotive OEMs and providers of on-board navigation services such as AISIN AW CO., Ltd, Robert Bosch GmbH, Elektrotbit Corporation, Garmin, TomTom and NNG LLC, as well as other competitors such as Apple, Google, Microsoft and TCS. In our advertising business, we compete against Google, Apple, Millennial Media, Inc., xAD, Inc., Verve Wireless, Inc., PlaceIQ, Inc. and NinthDecimal, Inc., among others. Some of our competitors' and our potential competitors' advantages over us, either globally or in particular geographic markets, include the following:

- the provision of their services at no or low cost to consumers;
- significantly greater revenue and financial resources;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and nonmobile products;
- access to core technology and intellectual property, including more extensive patent portfolios;
- access to custom or proprietary content;
- quicker pace of innovation;
- stronger wireless carrier, automotive, handset manufacturer and advertising agency relationships;
- stronger international presence may make our larger competitors more attractive partners to automotive manufacturers and OEMs;
- greater resources to make and integrate acquisitions;
- lower labor and development costs; and
- broader global distribution and presence.

Our competitors' and potential competitors' advantages over us could make it more difficult for us to sell our navigation services, and could result in increased pricing pressures, reduced profit margins, increased sales and marketing expenses and failure to increase, or the loss of, market share or expected market share, any of which would likely cause harm to our business, operating results and financial condition.

***If we are unable to integrate future acquisitions successfully, our operating results and prospects could be harmed.***

In the future, we may make acquisitions to improve our navigation services offerings or expand into new markets. Our future acquisition strategy will depend on our ability to identify, negotiate, complete and integrate acquisitions and, if necessary, to obtain satisfactory debt or equity financing to fund those acquisitions. Mergers and acquisitions are inherently risky, and any mergers and acquisitions we complete may not be successful. Future mergers and acquisitions we may pursue would involve, numerous risks, including the following:

- difficulties in integrating and managing the operations, technologies and products of the companies we acquire including skobbler, which is geographically remote from our existing operations;
- diversion of our management's attention from normal daily operation of our business;
- our inability to maintain the key business relationships and the reputations of the businesses we acquire, such as the European automobile manufacturer and OEM relationships of skobbler;
- our inability to retain key personnel of the acquired company;
- uncertainty of entry into markets in which we have limited or no prior experience and in which competitors have stronger market positions;
- our dependence on unfamiliar affiliates and customers of the companies we acquire;

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- insufficient revenue to offset our increased expenses associated with acquisitions;
- our responsibility for the liabilities of the businesses we acquire, including those which we may not anticipate; and
- our inability to maintain internal standards, controls, procedures and policies.

We may be unable to secure the equity or debt funding necessary to finance future acquisitions on terms that are acceptable to us. If we finance acquisitions by issuing equity or convertible debt securities, our existing stockholders will likely experience dilution, and if we finance future acquisitions with debt funding, we will incur interest expense and may have to comply with financial covenants and secure that debt obligation with our assets.

***We may be required to recognize a significant charge to earnings if our goodwill or other intangible assets become impaired.***

We have recorded goodwill related to our prior acquisitions, and may do so in connection with any potential future acquisitions. Goodwill and other intangible assets with indefinite lives are not amortized, but are reviewed for impairment annually or on an interim basis whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Factors that may indicate that the carrying value of our goodwill or other intangible assets may not be recoverable include a persistent decline in our stock price and market capitalization, reduced future cash flow estimates and slower growth rates in our industry. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or other intangible assets is determined, which would adversely impact our results of operations. Furthermore, in fiscal 2015 we began to report results in three business segments, which requires the allocation of goodwill and intangibles to each of these segments. As a result, our impairment review each year or on an interim basis shall be conducted by segment, which can result in a different outcome than if assessed on an overall consolidated basis. Revenue from our mobile navigation business has been declining substantially over the last few years and continued deterioration of this revenue base can result in an impairment of the goodwill and intangibles assigned to this reporting unit. Based on the results of our annual goodwill impairment test as of April 1, 2015, the estimated fair value of our mobile navigation business exceeded its carrying value by 22%. We have not recognized any impairment of goodwill in the three year period ended June 30, 2015 and the three months ended September 30, 2015.

***Warranty claims, product liability claims and product recalls could subject us to significant costs and adversely affect our financial results.***

We warrant our automotive navigation products to be free from defects in materials, workmanship and design for periods ranging from three months to seven years. If our navigation services or products contain defects, there are errors in the maps supplied by third party map providers or if our end users do not heed our warnings about the proper use of these products, collisions or accidents could occur resulting in property damage, personal injury or death. If any of these events occurs, we could be subject to significant liability for personal injury and property damage and under certain circumstances could be subject to a judgment for punitive damages. In addition, if any of our designed products are defective or are alleged to be defective, we may be required to participate in a recall campaign. These recall and warranty costs could be exacerbated to the extent they relate to global platforms. Furthermore, recall actions could adversely affect our reputation or market acceptance of our products, particularly if those recall actions cause consumers to question the safety or reliability of our products. Warranty claims, a successful product liability claim or a requirement that we participate in a product recall campaign may adversely affect our results of operations and financial condition.

We accrue costs related to warranty claims when they are probable of being incurred and reasonably estimable. Our warranty costs have historically not been material. From time to time, we experience incidents where it may be necessary for us to expend resources to investigate and remedy a potential warranty claim.

We maintain limited insurance against accident related risks involving our products. However, we cannot assure you that this insurance would be sufficient to cover the cost of damages to others or will continue to be available at commercially reasonable rates. In addition, we may be named as a defendant in litigation by consumers individually or on behalf of a class if their handsets or automobiles suffer problems from software downloads from our customers. If we are unable to obtain indemnification from our customer for any damages or legal fees we may incur in connection with such complaints, our financial position may be adversely impacted. In addition, insurance coverage generally will not cover awards of punitive damages and may not cover the cost of associated legal fees and defense costs. If we are unable to maintain sufficient insurance to cover product liability costs or if our insurance coverage does not cover an award, our business, financial condition and results of operations could be adversely affected.

***Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, damages caused by defective software and other losses.***

Our agreements with our customers include indemnification provisions. We agree to indemnify them for losses suffered or incurred in connection with our navigation services or products, including as a result of intellectual property infringement, damages caused by defects and damages caused by viruses, worms and other malicious software. The term of these indemnity provisions is generally perpetual after execution of the corresponding agreement, and the maximum potential amount of future

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payments we could be required to make under these indemnification provisions is generally substantial and may be unlimited. In addition, some of these agreements permit our indemnitees to terminate their agreements with us if they determine that the use of our navigation services or products infringes third party intellectual property rights.

We have received, and expect to receive in the future, demands for indemnification under these agreements. These demands can be very expensive to settle or defend, and we have in the past incurred substantial legal fees and settlement costs in connection with certain of these indemnity demands. Furthermore, we have been notified by several customers that they have been named as defendants in certain patent infringement cases for which they may seek indemnification from us. See Part I, Item 3 “Legal Proceedings” for a description of these matters. These indemnity demands remain outstanding and unresolved as of the date of this Form 10-K. Large future indemnity payments and associated legal fees and expenses, including potential indemnity payments and legal fees and expenses relating to the current or future notifications, could materially harm our business, operating results and financial condition.

We may in the future agree to defend and indemnify our customers in connection with the pending notifications or future demands, irrespective of whether we believe that we have an obligation to indemnify them or whether we believe that our services and products infringe the asserted intellectual property rights. Alternatively, we may reject certain of our customers’ indemnity demands, which may lead to disputes with our customers and may negatively impact our relationships with them or result in litigation against us. Our customers may also claim that any rejection of their indemnity demands constitutes a material breach of our agreements with them, allowing them to terminate such agreements. Our agreements with certain customers may be terminated in the event an infringement claim is made against us and it is reasonably determined that there is a possibility our technology or services infringed upon a third party’s rights. If, as a result of indemnity demands, we make substantial payments, our relationships with our customers are negatively impacted or if any of our customer agreements is terminated, our business, operating results and financial condition could be materially adversely affected.

In connection with a software quality issue that was identified related to maps displayed in software deployed to certain vehicles released in North America in 2015, we have accrued a reserve of \$0.1 million as of September 30, 2015. The software quality issue does not present a risk to driver safety. The actual costs are uncertain at this time and we are currently working with our customer to evaluate the appropriate solution. If the actual costs exceed our estimates, our results of operations and financial condition may be adversely affected.

### ***We may be required to recognize a significant charge to earnings if our strategic private equity investments become impaired.***

We have in the past and may in the future enter into investments in businesses in order to complement or expand our current business or enter into new markets. Private equity investments are inherently risky and subject to factors outside of our control and no assurance can be given that our previous or future investments will be successful, will deliver the intended benefits, and will not materially harm our business, operating results or financial condition. We may be required to record a significant charge in our financial statements during the period in which any impairment of our private equity investments is determined, which could adversely impact our results of operations. We recorded impairment charges of \$0.4 million for cost-basis investments during the three months ended September 30, 2015.

### ***Our effective tax rate may fluctuate, which could reduce our anticipated income tax benefit in the future.***

Our effective tax rate could be adversely affected by several factors, many of which are outside of our control. Our effective tax rate may be affected by the proportion of our revenues and income (loss) before taxes in the various domestic and international jurisdictions in which we operate. Our revenue and operating results are difficult to predict and may fluctuate substantially from quarter to quarter. We are also subject to changing tax laws, regulations and interpretations in multiple jurisdictions in which we operate, as well as the requirements of certain tax and other accounting body rulings. Since we must estimate our annual effective tax rate each quarter based on a combination of actual results and forecasted results of subsequent quarters, any significant change in our actual quarterly or forecasted annual results may adversely impact the effective tax rate for the period. Our estimated annual effective tax rate may fluctuate for a variety of reasons, including:

- impacts from our inability to benefit from the carryback of net losses expected to be incurred in fiscal 2016 and thereafter due to the limitations of the two year loss carryback for federal tax purposes.
- changes in forecasted annual operating income or loss by jurisdiction;
- changes in relative proportions of revenue and income or loss before taxes in the various jurisdictions in which we operate;
- changes to the valuation allowance on net deferred tax assets;
- changes to actual or forecasted permanent differences between book and tax reporting, including the tax effects of purchase accounting for acquisitions and non-recurring charges which may cause fluctuations between reporting periods;

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- impacts from any future tax settlements with state, federal or foreign tax authorities;
- impacts from increases or decreases in tax reserves due to new assessments of risk, the expiration of the statute of limitations or the completion of government audits;
- impacts from changes in tax laws, regulations and interpretations in the jurisdictions in which we operate, as well as the requirements of certain tax rulings;
- impacts from withholding requirements in various non-U.S. jurisdictions and our ability to recoup those withholdings, which may depend on how much revenue we have in a particular jurisdiction to offset the related expenses;
- impacts from acquisitions and related integration activities; or
- impacts from new FASB requirements.

Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in future periods. In fiscal 2014, we recorded a valuation allowance on the majority of our deferred tax assets, net of liabilities since the assets are not more likely than not to be realized based upon our assessment of all positive and negative evidence. Realization of deferred tax assets is dependent upon future taxable earnings, the timing of which is uncertain. Due to losses in fiscal 2014 and 2015, and expected losses in fiscal 2016 and potentially future years in the U.S., we maintained a full valuation allowance on deferred tax assets in the U.S. Due to foreign operating losses in previous years and continued foreign earnings volatility, we continued to maintain a full valuation allowance for our foreign deferred tax assets in China and the United Kingdom. In the event deferred tax assets in Germany cannot be realized based upon the ability to generate future income in Germany, our effective tax rate would be negatively impacted.

***We rely on our customers for timely and accurate subscriber and vehicle sales information. A failure or disruption in the provisioning of this data to us would materially and adversely affect our ability to manage our business effectively.***

We rely on our automotive and OEM customers to provide us with reports on the number of vehicles they sell with our on-board and brought-in navigation services included and to remit royalties for those sales to us. We also rely on our wireless carrier customers to bill subscribers and collect monthly fees for our mobile navigation services, either directly or through third party service providers. If our customers or their third party service providers provide us with inaccurate data or experience errors or outages in their own billing and provisioning systems when performing these services, our revenue may be less than anticipated or may be subject to adjustment with the customer. In the past, we have experienced errors in wireless carrier reporting. If we are unable to identify and resolve discrepancies in a timely manner, our revenue may vary more than anticipated from period to period and this could harm our business, operating results and financial condition.

***We rely on a proprietary provisioning and reporting system to track end user activation, deactivation and usage data and any material failures in this system could harm our revenue, affect our costs and impair our ability to manage our business effectively.***

Our provisioning and reporting system that authenticates end users and tracks the number of end users and their use of our services is a proprietary and customized system that we developed internally. Although we believe that the flexibility of this service to integrate tightly with wireless carriers' reporting and provisioning systems gives us a competitive advantage, we might lose revenue and the ability to manage our business effectively if the system were to experience material failures or be unable to scale as our business grows. In addition, we may not be able to report our financial results on a timely basis if our customers question the accuracy of our records or we experience significant discrepancies between the data generated by our provisioning and reporting systems and data generated by their systems, or if our systems fail or we are unable to report timely and accurate information to our third party data providers. The inability to timely report our financial results would impair the quality of our financial reporting and could result in the delisting of our common stock.

***If our end users increase their usage of our services, our operating loss may increase, or we may incur larger losses because we offer the service as a free offering or usage for paid offerings outpaces our expectations.***

With limited exceptions, fees for the use of our services do not vary depending on whether or how often an end user uses our services, and we offer certain of our mobile phone-based navigation services for free. Historically, end users using certain mobile phones or under certain service plans tended to use our services more than other end users. We budget and operate our services by making certain assumptions about usage patterns. If our end users were to further increase their usage of our services substantially or more end users access our services for free through a freemium model, we would incur additional expenses to expand our server capacity through our use of third party hosted services and pay additional third party content fees. These additional costs would harm our operating results and financial condition.

***We rely on third party data and content to provide our services and if we were unable to obtain content at reasonable prices, or at all, our gross margins and our ability to provide our services would be harmed.***

We rely on third party data and content to provide our services, including map data, POI, traffic information, gas prices and weather information. If our suppliers of this data or content were to enter into exclusive relationships with other providers of location services or were to discontinue providing such information and we were unable to replace them cost effectively, or at all, our ability to provide our services would be harmed. Our gross margins may also be affected if the cost of third party data and content increases substantially. Although we have recently announced efforts to use OSM data to reduce the expenses we incur for third party map data, we may not be successful at integrating OSM data into our products and may experience difficulty with customer acceptance if the quality of the consumer generated data within OSM is lower than that of paid maps. We have only recently introduced mobile phone-based navigation with OSM and launched our first brought-in automotive navigation service with OSM in 2015. As a result, we may not have sufficient data for automotive manufacturers and OEMs to feel comfortable electing to use OSM in the products and services we provide them.

We obtain map data from TomTom and HERE, which are companies owned by our current and potential competitors. Accordingly, these third party data and content providers may act in a manner that is not in our best interest. For example, they may cease to offer their map and POI data to us. We most recently amended our TomTom agreement effective January 30, 2014 to extend the license period for TomTom map data for voice-guided turn by turn GPS navigation service for mobile phones (except for Sprint's bundled offering, automotive navigation products) through December 31, 2015. Our agreement with HERE was automatically renewed under its existing terms through January 31, 2016, and automatically renews for successive one year periods unless either party provides notice of non-renewal at least 180 days prior to the expiration of the applicable term. Nokia, which owns HERE, announced in August 2015 that it has agreed to sell HERE to a consortium of German automobile manufacturers, and the sale of HERE may increase our costs.

We may identify other requisite content and content-related technologies, including certain geocoding data necessary for our OSM products, that we may be unable to license or develop internally. If we are unsuccessful in these endeavors, we may be unable to successfully launch our OSM-based products globally and across all desired product offerings.

We may not be able to upgrade our navigation services platform to support certain advanced features and functionality without obtaining technology licenses from third parties. Obtaining these licenses may be costly and may delay the introduction of such features and functionality, and these licenses may not be available on commercially favorable terms, or at all. The inability to offer advanced features or functionality, or a delay in our ability to upgrade our navigation services platform, may adversely affect consumer demand for our navigation services and, consequently, harm our business.

We also use our proprietary provisioning and reporting system to record and report royalties we owe to third party providers of content used by end users in connection with our services. Certain of the third party content providers have the right to audit our use of their services and, if we were found to have under or incorrectly reported usage, we may be required to pay the third party content providers for the actual usage, as well as interest and the cost of the audit. Any significant error in our recording and payment of royalties to our third party content providers could have a material and adverse effect on our financial results. We may also incur losses as a result of any significant error.

***Network failures, disruptions or capacity constraints in our third party hosted data center facilities could affect the performance of our navigation services and harm our reputation and our revenue.***

We use hosted services provided by Amazon Web Services, or AWS, and wireless carrier networks to deliver our navigation and advertising platform services. Our operations rely to a significant degree on the efficient and uninterrupted operation of the third party data centers we use. In the event that AWS experiences a disruption in services or a natural disaster, our ability to continue providing our services would be compromised. Depending on the growth rate in the number of our end users and their usage of our services, if we do not timely complete the negotiation for and scale of additional hosting services, we may experience capacity issues, which could lead to service failures and disruptions. In addition, if we are unable to secure third party hosting services with appropriate power, cooling and bandwidth capacity, we may be unable to efficiently and effectively scale our business to manage the addition of new wireless carrier customers, increases in the number of our end users or increases in data traffic.

AWS hosting services are potentially vulnerable to damage or interruption from a variety of sources, including fire, flood, earthquake, power loss, telecommunications or computer systems failure, human error, terrorist acts or other events. We have not yet completed a comprehensive business continuity plan and there can be no assurance that the measures implemented by us to date, or measures implemented by us in the future, to manage risks related to network failures or disruptions in our data centers will be adequate, or that the redundancies built into our servers will work as planned in the event of network failures or other disruptions. In particular, if we experienced damage or interruptions to AWS hosting services our ability to provide efficient and uninterrupted operation of our services would be significantly impaired.

We could also experience failures of our data centers or interruptions of our services, or other problems in connection with our operations, as a result of:

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- damage to or failure of our computer software or hardware or our connections and outsourced service arrangements with third parties;
- errors in the processing of data;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events; or
- errors by our employees or third party service providers.

Poor performance in or disruptions of our services could harm our reputation, delay market acceptance of our services and subject us to liabilities. Our wireless carrier agreements require us to meet at least 99.9% operational uptime requirements, excluding scheduled maintenance periods, or be subjected to penalties. Any outage in a network or system, or other unanticipated problem that leads to an interruption or disruption of our navigation services, could have a material adverse effect on our operating results and financial condition.

***We may not be able to enhance our location services to keep pace with technological and market developments, or develop new location services in a timely manner or at competitive prices.***

The market for location services is characterized by rapid technological change, evolving industry standards, frequent new product introductions and short product life cycles. To keep pace with technological developments, satisfy increasing customer requirements and achieve product acceptance, our future success depends upon our ability to enhance our current navigation services platform and advertising services platforms and to continue to develop and introduce new navigation services, advertising services and other location-based product offerings and enhanced performance features and functionality on a timely basis at competitive prices. Our inability, for technological or other reasons, to enhance, develop, introduce or deliver compelling services and products in a timely manner, or at all, in response to changing market conditions, technologies or consumer expectations could have a material adverse effect on our operating results or could result in our services becoming obsolete. Our ability to compete successfully will depend in large measure on our ability to maintain a technically skilled development and engineering team and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of our services platform with evolving industry standards and protocols and competitive network operating environments.

***Our lengthy sales cycle makes it difficult for us to predict when we will generate revenue from automobile manufacturer and OEM customers.***

Being selected to participate and being designed into new vehicle models is a lengthy and time consuming process and our navigation services platform may not be included for factors beyond our control even if we are participating in the vehicle design with an OEM. Because of these lengthy cycles, we may experience delays from the time we begin the sales process and incur increased costs and expenses to obtain a partner as a customer and integrate our navigation services platform until the time we generate revenue from such wireless carrier, OEM or automobile manufacturer. These delays may make it difficult to predict when we will generate revenue from new customers. For example, we entered into an agreement with GM in January 2014, but we do not anticipate generating meaningful revenue related to the distribution of our embedded and connected navigation solutions in vehicles under this agreement until certain model year 2017 vehicles come to market. While we may launch brought-in services, such as GM's OnStar RemoteLink® application and Toyota's Scout GPS Link, more quickly, we may not be able to recognize a significant portion of the revenue we generate from those services if we have obligations to provide support for a long period of time. Although we may develop usage data to support a more rapid revenue recognition for those services, we may not have sufficient evidence to support earlier revenue recognition.

***A large percentage of our research and development operations are conducted in China and Romania, and our ability to introduce new services and support our existing services cost effectively depends on our ability to manage those remote development sites successfully.***

Our success depends on our ability to enhance our current services and develop new services and products rapidly and cost effectively. A majority of our research and development personnel are in China and Romania. Although we have sought to retain certain key personnel, we may be unable to retain them over the long-term. In addition, we have been experiencing significant increases in compensation costs in China due to competitive market conditions for qualified staff, as well as higher risk of employee turnover in certain China markets.

We also expect that we may continue to consolidate certain of our operations or reduce our workforce if we are unable to continue to replace wireless carrier revenue with other sources of high gross margin revenue. These reorganizations or reductions in force could result in unexpected costs or delays in product development that could impair our ability to meet market windows or cause us to forego certain new product opportunities.

***Because our long term success depends on our ability to increase the number of end users located outside of the United States, our business will be susceptible to risks associated with international operations.***

As of September 30, 2015, we had international operations in China, Romania, Germany, Mexico and Japan. Our experience with wireless carriers, automobile manufacturers and OEMs and advertisers outside the United States is limited. Our revenue from customers in the United States comprised 97% and 94% of our total revenue in the three months ended September 30, 2015 and 2014, respectively. However, our product is distributed globally in many different regions outside the United States, including South America, Europe, Asia, Australia, China and New Zealand. Our limited experience in operating our business outside the United States increases the risk that our current and future international expansion efforts may not be successful. In particular, our business model may not be successful in particular countries or regions outside the United States for reasons that we currently do not anticipate. In addition, conducting international operations subjects us to risks that we have not generally faced in the United States. These include:

- fluctuations in currency exchange rates;
- unexpected changes in foreign regulatory requirements;
- difficulties in managing the staffing of remote operations;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems, foreign tax withholding, restrictions on the repatriation of earnings and changes in tax rates;
- dependence on foreign wireless carriers with different pricing models;
- roaming charges to end users;
- availability of reliable mobile networks in those countries;
- requirements that we comply with local telecommunication regulations and automobile hands free laws in those countries;
- the burdens of complying with a wide variety of foreign laws and different legal standards;
- increased financial accounting and reporting burdens and complexities;
- political, social and economic instability in some jurisdictions;
- terrorist attacks and security concerns in general; and
- reduced or varied protection for intellectual property rights in some countries.

The occurrence of any one of these risks could negatively affect our international business and, consequently, our operating results. Additionally, operating in international markets requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required to establish, acquire or integrate operations in other countries will produce desired levels of revenue or profitability and we may incur larger losses as a result.

***We rely on our management team and need specialized personnel to grow our business, and the loss of one or more key employees or our inability to attract and retain qualified personnel could harm our business.***

Our success and future growth depend on the skills, working relationships and continued services of our management team. Our future performance will depend on our ability to continue to retain our senior management, particularly in the growth areas of our business, such as automotive and advertising.

Our future success also will depend on our ability to attract, retain and motivate highly skilled personnel in the United States and internationally. All of our U.S. employees work for us on an at will basis. Competition for highly skilled personnel is intense, particularly in the software industry and for persons with experience with GPS and location services. The high degree of competition for personnel we experience has resulted in and may also continue to result in the incurrence of significantly higher compensation costs to attract, hire and retain employees. We have from time to time experienced, and we expect to continue to experience, difficulty in attracting, hiring and retaining highly skilled employees with appropriate qualifications. In addition, existing employees often consider the value of the stock awards they receive in connection with their employment. If our stock price performs poorly, it may adversely affect our ability to retain highly skilled employees. Our inability to attract and retain the necessary personnel could adversely affect our business and future growth prospects.

***We may be required to incur unanticipated capital expenditures.***

Circumstances may arise that require us to make unanticipated capital expenditures, including:

- requirements to replace outsourced hosting with third party data centers for which we provide equipment due to cost, natural disasters or inadequate quality of services;
- the replacement of outdated or failing equipment; and

- the acquisition of key technologies to support or expand our products and services.

***We rely on network infrastructures provided by our wireless carrier customers, mobile phones and in-car wireless connections for the delivery of our mobile navigation services to end users.***

We generally provide our navigation services from third party hosted servers, which require close integration with the wireless carriers' networks. We may be unable to provide high quality services if the wireless carriers' networks perform poorly or experience delayed response times. Our future success will depend on the availability and quality of our wireless carrier customers' networks in the United States and abroad to run our mobile navigation services. This includes deployment and maintenance of reliable networks with the speed, data capacity and security necessary to provide reliable wireless communications services. We do not establish or maintain these wireless networks and have no control over interruptions or failures in the deployment and maintenance by wireless carrier customers of their network infrastructure. In addition, these wireless network infrastructures may be unable to support the demands placed on them if the number of subscribers increases, or if existing or future subscribers increase their use of limited bandwidth. Market acceptance of our mobile navigation services will depend in part on the quality of these wireless networks and the ability of our wireless carrier customers to effectively manage their subscribers' expectations.

In addition, certain automobile navigation applications rely on wireless connections between the vehicle and our network. We have no influence or control over the vehicle's wireless equipment and if it does not operate in a satisfactory manner, our ability to provide those services would be impaired and our reputation would be harmed.

Wireless communications have experienced a variety of outages and other delays as a result of infrastructure and equipment failures and could face outages and delays in the future. These outages and delays could affect our ability to provide our navigation services successfully. In addition, changes by a wireless carrier to its network infrastructure may interfere with the integration of our servers with their network and delivery of our navigation services and may cause end users to lose functionality for services they have already purchased. Any of the foregoing could harm our business, operating results and financial condition.

We cannot control the quality standards of our wireless carrier customers, their mobile phone providers, automobile manufacturers and other technology customers. We cannot guarantee that the mobile phones or in-car wireless equipment are free from errors or defects. If errors or defects occur in mobile phones or services offered by our wireless carrier customers, it could result in consumers terminating our services, damage to our reputation, increased customer service and support costs, warranty claims, lost revenue and diverted development resources, any of which could adversely affect our business, results of operations and financial condition.

***Mergers, consolidations or other strategic transactions in the wireless communications industry could weaken our competitive position, reduce the number of our map providers and adversely affect our business.***

The mapping data industry continues to experience consolidation. Should one of our map providers consolidate or enter into an alliance with another navigation provider, this could have a material adverse impact on our business. Currently, two of our map suppliers are owned by competitors in the navigation space. Recently Nokia sold its mobile phone business to Microsoft and announced an agreement to sell HERE, its mapping business, to a consortium of German automobile manufacturers. Such a consolidation may cause us to lose a map supplier or require us to increase the royalties we pay to map vendors as a result of enhanced supplier leverage, which would have a negative effect on our business. We may be unable to replace our map suppliers, were we to lose a map supplier, and the remaining map supplier may increase license fees. In addition, as we continue to use more OSM-based maps and no longer purchase maps from those suppliers, we may be unable to purchase other data that is integral to our navigation products from our existing map suppliers.

***Changes in business direction and market conditions could lead to charges related to structural reorganization and discontinuation of certain products or services, which may adversely affect our financial results.***

In response to changing market conditions and the desire to focus on new and more potentially attractive opportunities, we may be required to strategically realign our resources and consider restructuring, eliminating, or otherwise exiting certain business activities. For example, in April 2013, we sold our enterprise business to a third party, which resulted in a net gain to us but also required us to provide transition services to the buyer. In the fourth quarters of fiscal 2013 and 2014, in order to better align and focus our resources we initiated restructuring plans resulting in reductions of approximately 83 and 108 full-time positions, respectively, and restructuring charges of \$1.5 million and \$2.4 million, respectively, related to severance and benefits for the positions eliminated. Any decision to reduce investment in, dispose of, or otherwise exit business activities may result in the recording of special charges, such as workforce reduction and excessive facility space costs.

***Risks related to our intellectual property and regulation***

***We operate in an industry with extensive intellectual property litigation. Claims of infringement against us, our customers, or other business partners may cause our business, operating results and financial condition to suffer.***

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Our commercial success depends in part upon us, our partners and our customers not infringing intellectual property rights owned by others and being able to resolve claims of intellectual property infringement without major financial expenditures and/or need to alter our technologies or cease certain activities. We operate in an industry with extensive intellectual property litigation and it is not uncommon for our wireless carrier customers, handset manufacturing partners, automobile manufacturers and OEMs and competitors to be involved in infringement lawsuits by or against third parties. Many industry participants that own, or claim to own, intellectual property aggressively assert their rights, and our customers and other business partners, who we agree in certain circumstances to indemnify for intellectual property infringement claims related to our services, are often targets of such assertions. We cannot determine with certainty whether any existing or future third party intellectual property rights would require us to alter our technologies, obtain licenses or cease certain activities.

We have received, and may in the future receive, claims from third parties alleging infringement and other related claims. As of the date of this Quarterly Report on Form 10-Q, we were named as a defendant in several cases alleging that our services infringe other parties' patents, as well as other matters. See Part II, Item 1, "Legal Proceedings," for a description of these matters. These cases and future litigation may make it necessary to defend ourselves and our customers and other business partners by determining the scope, enforceability and validity of third party proprietary rights or to establish our proprietary rights. Some of our competitors may have substantially greater resources than we do and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. In addition, patent holding companies that focus solely on extracting royalties and settlements by enforcing patent rights may target us, our wireless carrier customers or our other business partners. These companies typically have little or no product revenue and therefore our patents may provide little or no deterrence against such companies filing patent infringement lawsuits against us. Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, these claims are time consuming and costly to evaluate and defend and could:

- adversely affect our relationships with our current or future customers and other business partners;
- cause delays or stoppages in the shipment of Telenav enabled or preloaded mobile phones or vehicles, or cause us to modify or suspend the provision of our navigation services;
- cause us to incur significant expenses in defending claims brought against our customers, other business partners or us;
- divert management's attention and resources;
- subject us to significant damages or settlements;
- require us to enter into settlements, royalty or licensing agreements on unfavorable terms; or
- require us or our business partners to cease certain activities and/or modify our products or services.

In addition to liability for monetary damages against us or, in certain circumstances, our customers, we may be prohibited from developing, commercializing or continuing to provide certain of our navigation services unless we obtain licenses from the holders of the patents or other intellectual property rights. We cannot assure you that we will be able to obtain any such licenses on commercially reasonable terms, or at all. If we do not obtain such licenses, our business, operating results and financial condition could be materially adversely affected and we could, for example, be required to cease offering our navigation services or be required to materially alter our navigation services, which could involve substantial costs and time to develop.

### ***The occurrence or perception of a security breach or disclosure of confidential information could harm our business.***

Our products and services include the transmission and storage of certain personal, private and confidential information primarily related to the location of our end users. If there is a security breach or if there is an inappropriate disclosure of any of these types of information, we could be exposed to investigations, litigation, fines and penalties. Remediation of and liability for loss or misappropriation of end user or employee personal information could have a material adverse effect on our business and financial results. Even if we were not held liable for such event, a security breach or inappropriate disclosure of personal, private or confidential information could harm our reputation and our relationships with current and potential end users. Even the perception of a security risk could inhibit market acceptance of our navigation services. In addition, we may be required to invest additional resources to protect against damages caused by any actual or perceived disruptions of our navigation services or security breaches.

Recent United States Supreme Court cases and other litigation have addressed issues relating to providing information regarding the location of a vehicle or mobile device to law enforcement agencies without a warrant. Other laws related to mobile phones and integrated GPS tracking in a vehicle remains unsettled and we may be subjected to different standards in different jurisdictions. We may incur substantial costs if we are required to litigate whether an individual's location can be disclosed without a warrant, which could harm our operating results. We may also be required to provide information about the location of an end user's mobile phone to government authorities, which could result in public perception that we are providing

the government with intelligence information and deter some end users from using our services. Any of these developments could harm our business.

***Changes in government regulation of the wireless communications, the automobile and mobile advertising industries may adversely affect our business.***

It is possible that a number of laws and regulations may be adopted in the United States and elsewhere that could restrict the wireless communications industry, further regulate the automobile industry or impair the mobile advertising industry, including laws and regulations regarding lawful interception of personal data, hands free use of mobile phones or navigation services within vehicles or the control of such use, privacy, taxation, content suitability, copyright and antitrust. Furthermore, the growth and development of electronic storage of personal information may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours that store personal information. We anticipate that regulation of the industries in which our products and services are used will increase and that we will be required to devote legal and other resources to address this regulation. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding the wireless communications or automobile industries may make operation more costly, and may materially reduce our ability to increase or maintain sales of our products and services.

***Government regulation designed to protect end user privacy may make it difficult for us to provide our services or adopt advertising based revenue models.***

We transmit and store a large volume of personal information in the course of providing our products and services. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world. This government action is typically intended to protect the privacy and security of personal information that is collected, stored and transmitted in or from the governing jurisdiction.

Legislation may also be adopted in various jurisdictions that prohibits use of personal information and search histories to target end users with tailored advertising, or provide advertising at all. Although our advertising revenue to date is not significant, we anticipate we will continue to grow advertising revenue in the future to improve average revenue per user in certain markets.

We could be adversely affected if domestic or international legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business. For example, the USA PATRIOT Act provides certain rights to U.S. law enforcement authorities to obtain personal information in the control of U.S. persons and entities without notifying the affected individuals. If we are required to allocate significant resources to modify the delivery of our services to enable enhanced legal interception of the personal information that we transmit and store, our results of operations and financial condition may be adversely affected.

In addition, because various foreign jurisdictions have different laws and regulations concerning the storage and transmission of personal information, we may face unknown requirements that pose compliance challenges in new international markets that we seek to enter. Such variation could subject us to costs, delayed service launches, liabilities or negative publicity that could impair our ability to expand our operations into some countries and therefore limit our future growth.

As privacy and data protection have become more sensitive issues, we may also become exposed to potential liabilities as a result of differing views on the privacy of personal information. These and other privacy concerns could adversely impact our business, results of operations and financial condition.

***If we are unable to protect our intellectual property and proprietary rights, our competitive position and our business could be harmed.***

We rely primarily on a combination of patent laws, trademark laws, copyright laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary technology. However, our issued patents and any future patents that may issue may not survive a legal challenge to their scope, validity or enforceability, or provide significant protection for us. The failure of our patents to adequately protect our technology might make it easier for our competitors to offer similar products or technologies. In addition, patents may not issue from any of our current or any future applications.

Monitoring unauthorized use of our intellectual property is difficult and costly. The steps we have taken to protect our proprietary rights may not be adequate to prevent misappropriation of our intellectual property. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Our competitors may also independently develop similar technology. In addition, the laws of many countries do not protect our proprietary rights to as great an extent as do the laws of the United States. Any failure by us to meaningfully protect our intellectual property could result in competitors offering products that incorporate our most technologically advanced features, which could seriously reduce demand for our navigation services. In addition, we may in the future need to initiate infringement claims or litigation. Litigation, whether we are a plaintiff or a defendant, can be expensive, time consuming and may divert the efforts of our technical staff and managerial personnel, which could harm our business, whether or not such litigation results in a determination favorable to us.

***Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information.***

We have devoted substantial resources to the development of our proprietary technology, including the proprietary software components of our navigation services and related processes. In order to protect our proprietary technology and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of our confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of our confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We use open source software in our navigation services platform and client applications and may use more open source software in the future. Use of open source software may subject our navigation services platform and client applications to general release or require us to re-engineer our navigation services platform and client applications, which may cause harm to our business. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine our proprietary software products with open source software in a certain manner, we could, under certain of the open source licenses, be required to release our proprietary source code. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. Open source license terms may be ambiguous and many of the risks associated with usage of open source cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to release our proprietary source code, re-engineer our navigation services platform and client applications, discontinue the sale of our service in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, operating results and financial condition.

***Risks related to being a publicly traded company and holding our common stock***

***As a public company, we are obligated to develop and maintain effective internal control over financial reporting. We may not always complete our assessment of the effectiveness of our internal control over financial reporting in a timely manner, or such internal control may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.***

The Sarbanes-Oxley Act requires that we test our internal control over financial reporting and disclosure controls and procedures annually. For example, as of June 30, 2015, we performed system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 requires that we incur substantial expense and expend significant management time on compliance-related issues. Moreover, if we are not able to comply with the requirements of Section 404 in the future, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock may decline and we could be subject to sanctions or investigations by the NASDAQ Global Market, the SEC or other regulatory authorities, which would require significant additional financial and management resources.

***We will incur continued high costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could harm our operating results.***

As a public company, we incur significant legal, accounting, investor relations and other expenses, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with current corporate governance requirements, including requirements under Section 404 and other provisions of the Sarbanes-Oxley Act, as well as rules implemented by the SEC and the stock exchange on which our common stock is traded. We are generally not eligible to report under reduced disclosure requirements or benefit from longer phase in periods for “emerging growth companies” as such term is defined in the Jumpstart Our Business Act of 2012. The expenses incurred by public companies for reporting and corporate governance purposes have increased dramatically over the past several years. We expect these rules and regulations to continue to impact our legal and financial compliance costs substantially and to make some activities more time consuming and costly. We are unable currently to estimate these costs with any degree of certainty. We also expect that, over time, it may be more expensive for us to obtain director and officer liability insurance. As a result, it may be

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more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers if we cannot provide a level of insurance coverage that they believe is adequate.

### ***Regulations relating to offshore investment activities by residents of China may limit our ability to acquire Chinese companies and could adversely affect our business.***

In October 2005, SAFE, a Chinese government agency, promulgated “Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles,” or Circular 75, that states that if Chinese residents use assets or equity interests in their Chinese entities as capital contributions to establish offshore companies or inject assets or equity interests of their Chinese entities into offshore companies to raise capital overseas, they must register with local SAFE branches with respect to their overseas investments in offshore companies. They must also file amendments to their registrations if their offshore companies experience material events involving capital variation, such as changes in share capital, share transfers, mergers and acquisitions, spinoff transactions, long term equity or debt investments or uses of assets in China to guarantee offshore obligations. Under this regulation, their failure to comply with the registration procedures set forth in such regulation may result in restrictions being imposed on the foreign exchange activities of the relevant Chinese entity, including restrictions on the payment of dividends and other distributions to its offshore parent, as well as restrictions on the capital inflow from the offshore entity to the Chinese entity.

We attempt to comply, and attempt to ensure that our stockholders who are subject to Circular 75 and other related rules comply, with the relevant requirements. However, we cannot provide any assurances that all of our stockholders who are Chinese residents have complied or will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Circular 75 or other related rules. Any future failure by any of our stockholders who is a Chinese resident, or controlled by a Chinese resident, to comply with relevant requirements under this regulation could subject us to fines or sanctions imposed by the Chinese government, including restrictions on our Chinese subsidiary’s ability to pay dividends or make distributions to us.

### ***If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.***

We expect that the trading price for our common stock will be affected by any research or reports that industry or financial analysts publish about us or our business. If one or more of the analysts who may elect to cover us downgrade their evaluations of our stock, the price of our stock could decline. For example, in late July 2011, following our earnings release for the three months and fiscal year ended June 30, 2011, several financial analysts published research reports lowering their price targets of our stock. After our announcement and the publication of these reports, our stock price fell more than 40%. If one or more of these analysts cease coverage of our company, our stock may lose visibility in the market, which in turn could cause its price to decline. As of September 30, 2015, only three research analysts published reports regarding our company. In addition, if our stock were to trade at prices below \$5.00 per share in the future, financial analysts may terminate coverage of our company due to internal policies within their investment banks, which could result in further stock price declines.

### ***Our stock price has fluctuated significantly and may continue to fluctuate in the future.***

Our common stock was sold in our IPO at \$8.00 per share. Although our common stock has traded at prices as high as \$22.07 per share, it has also traded at prices as low as \$4.65 and has tended to have significant downward and upward price movements in a relatively short time period. Future fluctuations or declines in the trading price of our common stock may result from a number of events or factors, including those discussed in the preceding risk factors relating to our operations, as well as:

- actual or anticipated fluctuations in our operating results;
- changes in the financial projections we may provide to the public or our failure to meet these projections;
- announcements by us or our competitors of significant technical innovations, relationship changes with key customers, acquisitions, strategic partnerships, joint ventures, capital raising activities or capital commitments;
- the public’s response to our press releases or other public announcements, including our filings with the SEC;
- lawsuits threatened or filed against us; and
- large distributions of our common stock by significant stockholders to limited partners or others who immediately resell the shares.

General market conditions and domestic or international macroeconomic factors unrelated to our performance, such as the continuing unprecedented volatility in the financial markets, may also affect our stock price. For these reasons, investors should not rely on recent trends to predict future stock prices or financial results. Investors in our common stock may not be able to dispose of the shares they purchased at prices above the IPO price, or, depending on market conditions, at all.

In addition, if the market price of our common stock falls below \$5.00 per share for an extended period of time, under stock exchange rules, our stockholders will not be able to use such shares as collateral for borrowing in margin accounts.

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Further, certain institutional investors are restricted from investing in shares priced below \$5.00 per share. This inability to use shares of our common stock as collateral and the inability of certain institutional investors to invest in our shares may depress demand and lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common stock.

Recently, the market price for our common stock has traded only slightly above the cash value of our common stock. If investors do not value our company as an ongoing business and only value it for the cash on our balance sheet, our stock price may decline if we continue to incur net losses and use our cash to fund operations. We may also attract investors who are looking for short-term gains in our shares rather than being interested in our long-term outlook. As a result, the price of our common stock may be volatile.

***The concentration of ownership of our capital stock limits your ability to influence corporate matters.***

Our executive officers, directors, current 5% or greater stockholders and entities affiliated with them beneficially owned (as determined in accordance with the rules of the SEC) approximately 37.7% of our common stock outstanding as of September 30, 2015. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. Also, these stockholders, acting together, will be able to control our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders.

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

*Unregistered Sales of Equity Securities*

None.

*Issuer Purchases of Equity Securities*

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value that May Yet be Purchased Under the Plans or Programs (1)</b>
July 1 – July 31, 2015	68,943	\$ 7.57	68,943	\$ 5,697,688
August 1 – August 31, 2015	7,000	6.84	7,000	5,649,842
September 1 – September 30, 2015	—	—	—	—
<b>Total</b>	<b>75,943</b>		<b>75,943</b>	<b>\$ —</b>

- (1) The purchases of our shares of common stock by us were made pursuant to a stock repurchase plan announced by us in September 2014 that expired in September 2015, under which our board of directors authorized us to purchase shares of our common stock up to an aggregate of \$10.0 million, inclusive of broker fees.

[Table of Contents](#)**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>	<b>Incorporated by Reference From Form</b>	<b>Incorporated by Reference From Exhibit Number</b>	<b>Date Filed</b>
10.26.18+	Amendment No. 18 effective June 17, 2015 to the SYNC Generation 2 On-Board Navigation Agreement dated October 12, 2009, by and between Telenav, Inc. and Ford Motor Company	Filed herewith		
10.35#	Amended and Restated Employment Agreement, dated September 30, 2015, by and between Telenav, Inc. and Rohan Chandran.	Filed herewith		
31.1	Certification 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 of President and Chief Executive Officer	Filed herewith		
31.2	Certification 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 of Chief Financial Officer	Filed herewith		
32.1~	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of President and Chief Executive Officer	Furnished herewith		
32.2~	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer	Furnished herewith		
101.INS	XBRL Instance Document	Filed herewith		
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	XBRL Taxonomy Calculation Linkbase Document	Filed herewith		
101.DEF	XBRL Taxonomy Definition Linkbase Document	Filed herewith		
101.LAB	XBRL Taxonomy Label Linkbase Document	Filed herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		

# Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

+ Portions of the exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission.

~ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.



**EXHIBIT LIST**

<b>Exhibit Number</b>	<b>Description</b>	<b>Incorporated by Reference From Form</b>	<b>Incorporated by Reference From Exhibit Number</b>	<b>Date Filed</b>
10.26.18+	Amendment No. 18 effective June 17, 2015 to the SYNC Generation 2 On-Board Navigation Agreement dated October 12, 2009, by and between Telenav, Inc. and Ford Motor Company	Filed herewith		
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31.1	Certification 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 of President and Chief Executive Officer	Filed herewith		
31.2	Certification 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 of Chief Financial Officer	Filed herewith		
32.1~	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of President and Chief Executive Officer	Furnished herewith		
32.2~	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer	Furnished herewith		
101.INS	XBRL Instance Document	Filed herewith		
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	XBRL Taxonomy Calculation Linkbase Document	Filed herewith		
101.DEF	XBRL Taxonomy Definition Linkbase Document	Filed herewith		
101.LAB	XBRL Taxonomy Label Linkbase Document	Filed herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		

- # Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.
- + Portions of the exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission.
- ~ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management’s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

**AMENDMENT NO. 18  
TO THE  
SYNC GENERATION 2 ON-BOARD NAVIGATION AGREEMENT  
BETWEEN  
FORD MOTOR COMPANY AND TELENV, INC.**

THIS AMENDMENT NO. 18 (“Amendment”), effective as of June 17, 2015 (“Amendment Effective Date”) supplements and amends the terms of the SYNC Generation 2 On-Board Navigation Agreement, dated October 12, 2009 (“Agreement”), by and between **Ford Motor Company** (“Buyer” or “Ford”), a Delaware corporation with its principal office at One American Road, Dearborn, Michigan 48126, on behalf of itself and the Ford Related Companies, and **Telenav, Inc.** (formerly known as TeleNav, Inc.) (“Supplier” or “Telenav”), a Delaware corporation with its principal office at 950 De Guigne Drive, Sunnyvale, CA 94085, on behalf of itself and the Telenav Related Companies. Capitalized terms not otherwise defined shall have the meanings ascribed to them in the Agreement.

WHEREAS, the parties wish to amend the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment, the parties agree as follows:

1. In Attachment V, Section 3, under the heading “[\*\*\*\*\*]”, delete the pricing matrix for [\*\*\*\*\*] and replace it with the following:

“[\*\*\*\*\*]

	[*****]		[*****]	
	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]

\*does not include [\*\*\*\*\*]”

2. In Attachment V, Section 3, under the heading “[\*\*\*\*\*]”, delete the pricing matrix for [\*\*\*\*\*] and replace it with the following:

“[\*\*\*\*\*]

[\*\*\*\*\*] Certain portions denoted with an asterisk have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

	[*****]	[*****]
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]
[*****]	[*****]	[*****]

\*does not include [\*\*\*\*\*]

- o [\*\*\*\*\*] subscription
  - Consists of [\*\*\*\*\*] of [\*\*\*\*\*], subject to the availability of a [\*\*\*\*\*] being made available by Telenav, which will be offered as a [\*\*\*\*\*] package to End-Users at the time of [\*\*\*\*\*] of the [\*\*\*\*\*]
- o [\*\*\*\*\*] term
  - [\*\*\*\*\*] (assuming [\*\*\*\*\*] of [\*\*\*\*\*])
    - Note: [\*\*\*\*\*] period by [\*\*\*\*\*] and its [\*\*\*\*\*] to End-Users is [\*\*\*\*\*], inclusive of [\*\*\*\*\*] and [\*\*\*\*\*]
- o [\*\*\*\*\*] term
  - [\*\*\*\*\*] per year
- o Data Content
  - Data content is aligned to that supplied for the [\*\*\*\*\*] system for the same region
- o Compilation
  - \$[\*\*\*\*\*] over the [\*\*\*\*\*] term
- o Maintenance and Support
  - \$[\*\*\*\*\*] over the [\*\*\*\*\*] term

3. In Attachment V, Section 3, under the heading “[\*\*\*\*\*]”, delete the pricing matrix for [\*\*\*\*\*] and replace it with the following:

“[\*\*\*\*\*]

	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]

- Matches [\*\*\*\*\*] requirements
- Includes [\*\*\*\*\*]”

4. After Attachment XI, add Attachment XII, attached hereto and incorporated by reference herein.

5. To account for the replacement of the [\*\*\*\*\*] (for [\*\*\*\*\*]) with [\*\*\*\*\*] (for [\*\*\*\*\*]), the following changes will be made in Attachment XII:

[\*\*\*\*\*] Certain portions denoted with an asterisk have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.



## Attachment XII

TELENAV<sup>®</sup>

Statement of Work  
For



Ford SYNC [\*\*\*\*\*]  
[\*\*\*\*\*]

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[\*\*\*\*\*] Certain portions denoted with an asterisk have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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[\*\*\*\*\*] Certain portions denoted with an asterisk have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

## 1 Scope and Background

[\*\*\*\*\*] system is an in-vehicle communications and navigation system designed to use [\*\*\*\*\*] as the kernel and development platform for its infotainment system to support One Ford, One World vision.

The objective of this Statement of Work (“SOW”) is to define Telenav’s tasks of constructing the embedded real-time navigation system to provide high performance real-time navigation, visual and audio guidance, and up to date information of map data and dynamic content.

This scope of this [\*\*\*\*\*] SOW addresses work beyond [\*\*\*\*\*] baseline which includes [\*\*\*\*\*]. It covers regions of [\*\*\*\*\*], with the countries listed in Section 1.2.

This SOW identifies the assumptions, background, and constraints on the development of the navigation system, and describes the tasks Telenav will perform in order to deliver the navigation system to Ford. Unless otherwise indicated, all Developed Software delivered under this SOW is paid for and owned by Ford, pursuant to the terms and conditions of the SYNC Generation 2 On-Board Navigation Agreement between Ford and Telenav.

### 1.1 Lexicon

Word or Phrase	Interpretation
Engineering Spec	Ford’s Engineering Spec, reference #1
SYNC	The automobile resident interactive platform that will host the Navigation Client.
Human Machine Interface (HMI)	Human Machine Interface implementation owned by [*****]
Voice User Interface (VUI)	Voice-based User Interface owned by Nuance
Voice Control Application (VCA) data	The data transformed by Telenav per agreed VCA specifications and provided to Nuance to generate Voice grammars
Navigation Plug-in	Software module that is installed in the SYNC platform in the automobile that supports features in the Engineering Spec.
Navigation APIs	The Application Program Interfaces provided by the Navigation Plug-in to access Navigation features supported in the Navigation Plug-In
Navigation Display	Telenav implementation of navigation screen, residing underneath HMI layer
Text to Speech (TTS) engine	Embedded text-to-speech engine owned by Nuance
GPSM	The GPS Module providing location related information for real-time navigation
Sirius Radio	The source of dynamic data via satellite radio

### 1.2 References

[\*\*\*\*\*] Certain portions denoted with an asterisk have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

- 1) [\*\*\*\*\*]
- 2) [\*\*\*\*\*]
- 3) [\*\*\*\*\*]
- 4) [\*\*\*\*\*]
- 5) [\*\*\*\*\*]
- 6) [\*\*\*\*\*]
- 7) [\*\*\*\*\*]
- 8) [\*\*\*\*\*]
- 9) [\*\*\*\*\*]
- 10) [\*\*\*\*\*]
- 11) [\*\*\*\*\*]

## **2 Features and Requirements**

[\*\*\*\*\*]

## **3 Project Timelines and Feature Deliverables**

[\*\*\*\*\*]

## **4 Software Deliverables**

[\*\*\*\*\*]

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[\*\*\*\*\*] Certain portions denoted with an asterisk have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

The Developed Software to be provided under this SOW shall be as follows:

[\*\*\*\*\*]

## **5 Change Request / Change Management**

[\*\*\*\*\*]

## **6 Quality Validation Process**

### **6.1 [\*\*\*\*\*]**

[\*\*\*\*\*]

### **6.2 [\*\*\*\*\*] Analysis**

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## **7 Release and Acceptance**

### **7.1 [\*\*\*\*\*]**

[\*\*\*\*\*]

### **7.2 Acceptance**

[\*\*\*\*\*]

## **8 Dependencies**

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[\*\*\*\*\*] Certain portions denoted with an asterisk have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**TELENAV, INC.**

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

This Amended and Restated Employment Agreement (the "Agreement"), is made and entered into by and between Rohan Chandran ("Executive") and Telenav, Inc. (the "Company"), effective as of October 30, 2014 (the "Effective Date").

WHEREAS, Executive and the Company previously entered into an employment agreement, dated as of November 11, 2014 and an employment agreement, dated as of August 15, 2015 (collectively, the "Prior Agreements"); and

WHEREAS, Executive and the Company desire to enter into this Agreement to amend and restate the Prior Agreements in their entirety on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Executive and the Company agree as follows:

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

(a) Position and Duties. Executive will serve as the Company's Vice President and General Manager, Mobile Business Unit. Executive will render such business and professional services in the performance of Executive's duties, consistent with Executive's position within the Company, as will reasonably be assigned to him by the Company's Board of Directors (the "Board"). The Board or CEO may modify Executive's job title and duties as it deems necessary and appropriate in light of the Company's needs and interests from time to time. The period of Executive's employment under this Agreement is referred to herein as the "Employment Term."

(b) Obligations. During the Employment Term, Executive will 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. For the duration of the Employment Term, Executive agrees not to actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of the Board.

2. At-Will Employment. The parties agree that Executive's employment with the Company will be "at-will" employment and may be terminated at any time with or without cause or notice. Executive understands and agrees that neither Executive's job performance nor promotions, commendations, bonuses or the like from the Company give rise to or in any way serve as the basis for modification, amendment, or extension, by implication or otherwise, of Executive's employment with the Company. However, as described in this Agreement, Executive may be entitled to severance benefits depending on the circumstances of Executive's termination of employment with the Company.

3. Term of Agreement. This Agreement will have an initial term of three (3) years from the Effective Date, unless terminated earlier under this Agreement's provisions. On the third anniversary of the Effective Date, this Agreement will automatically renew for additional one (1) year terms unless either party provides the other party with written notice of non-renewal at least sixty (60) days prior to the date of automatic renewal. Notwithstanding the foregoing provisions of this paragraph, in the event of a Change of Control, the term of this Agreement will automatically extend through the eighteen-month anniversary of such Change of Control. Additionally, on the eighteen-month anniversary of such Change of Control and each annual anniversary thereafter, this Agreement will automatically renew for additional one (1) year terms unless either party provides the other party with written notice of non-renewal at least sixty (60) days prior to such anniversary. If Executive becomes entitled to severance benefits pursuant to Section 8 hereof, this Agreement will not terminate until all of the obligations under this Agreement have been satisfied.

4. Compensation.

(a) Base Salary. During the Employment Term, the Company will pay Executive an annual salary of two hundred sixty thousand dollars (\$260,000) as compensation for Executive's services (the "Base Salary"). The Base Salary will be paid periodically in accordance with the Company's normal payroll practices and be subject to the usual, required withholdings. Executive's salary will be subject to review and adjustments will be made based upon the Company's normal performance review practices.

(b) Target Bonus. Executive will be eligible to participate in any bonus plans or programs maintained from time to time by the Company on such terms and conditions as determined by the Board or the Compensation Committee of the Board (the "Committee"). Any bonus, or any portion thereof, will be paid as soon as practicable after the Committee determines that the bonus has been earned, but in no event shall the bonus be paid after the later of (i) the fifteenth (15<sup>th</sup>) day of the third (3<sup>rd</sup>) month following the close of the Company's fiscal year in which the bonus is earned or (ii) March 15 following the calendar year in which the bonus is earned.

(c) Equity Awards. Executive will continue to be eligible to receive awards of stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares or other equity awards pursuant to any plans or arrangements the Company may have in effect from time to time. The Board or the Committee will determine in its discretion whether Executive will be granted any such equity awards and its terms in accordance with the terms of any applicable plan or arrangement that may be in effect from time to time.

5. Employee Benefits. Executive will continue to be entitled to participate in the employee benefit plans currently and hereafter maintained by the Company of general applicability to other senior executives of the Company. The Company reserves the right to cancel or change the benefit plans and programs it offers to its employees at any time.

6. Vacation. Executive will continue to be entitled to paid vacation, in accordance with the Company's vacation policy for senior executive officers, with the timing and duration of specific vacations mutually and reasonably agreed to by the parties hereto. Upon Executive's termination of employment, Executive will be entitled to receive Executive's accrued but unpaid vacation through the date of Executive's termination.

7. Expenses. The Company will reimburse Executive for reasonable travel, entertainment or other expenses incurred by Executive in the furtherance of or in connection with the performance of Executive's duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time.

8. Severance.

(a) Termination for other than Cause, Death or Disability Apart from a Change of Control. During the Employment Term, if earlier than two (2) months prior to a Change of Control or after twelve (12) months following a Change of Control, the Company (or any parent or subsidiary or successor of the Company) terminates Executive's employment other than for Cause, death or disability, then, subject to Section 9 below, Executive will receive the following severance from the Company:

(i) Severance Payment. Executive will receive: (A) a lump-sum severance payment in an amount equal to six (6) months of Executive's Base Salary (as in effect immediately prior to Executive's termination), and (B) a lump-sum pro-rated amount of Executive's bonus for the year in which the termination occurs (adjusted as appropriate based on the extent to which any applicable performance objectives have then been achieved and the relative weightings thereof, each as determined in the sole and absolute discretion of the Board or Committee acting in good faith).

(ii) Continued Employee Benefits. Executive will receive Company-paid coverage for the cost of continuation coverage for Executive and Executive's eligible dependents under the Company's Benefit Plans until the earlier of (i) a period of six (6) months from the date of Executive's termination of employment with the Company, or (ii) the date upon which Executive and/or Executive's eligible dependents becomes covered under similar plans.

(b) Termination for other than Cause, Death or Disability or Resignation for Good Reason upon or within Two Months Prior to, or Twelve Months Following, a Change of Control. During the Employment Term, if upon or within two (2) months prior to, or twelve (12) months following, a Change of Control, (i) the Company (or any parent or subsidiary or successor of the Company) terminates Executive's employment other than for Cause, death or disability, or (ii) upon Executive's resignation with the Company (or any parent or subsidiary or successor of the Company) for Good Reason, then, subject to Section 9 below, Executive will receive the following severance from the Company:

(i) Severance Payment. Executive will receive: (A) a lump-sum severance payment in an amount equal to twelve (12) months of Executive's Base Salary (as in effect immediately prior to Executive's termination), and (B) a lump-sum pro-rated amount of Executive's bonus for the year in which the termination occurs (adjusted as appropriate based on the extent to which any applicable performance objectives have then been achieved and the relative weightings thereof, each as determined in the sole and absolute discretion of the Board or Committee acting in good faith).

(ii) Continued Employee Benefits. Executive will receive Company-paid coverage for the cost of continuation coverage for Executive and Executive's eligible dependents under the Company's Benefit Plans until the earlier of (A) a period of twelve (12) months from the date of Executive's termination of employment with the Company, or (B) the date upon which Executive and/or Executive's eligible dependents becomes covered under similar plans.

(iii) Accelerated Vesting. One hundred percent (100%) of Executive's outstanding equity awards will immediately vest prior to Executive's termination and become exercisable. The equity awards will remain exercisable, to the extent applicable, following the date of termination for the period prescribed in the stock or equity plan and award agreement.

(c) Termination for Cause, Death or Disability; Resignation without Good Reason. If Executive's employment with the Company (or any parent or subsidiary or successor of the Company) terminates voluntarily by Executive (except upon resignation for Good Reason upon or within two (2) months

prior to, or twelve (12) months following, a Change of Control), for Cause by the Company or due to Executive's death or disability, then (i) all vesting will terminate immediately with respect to Executive's outstanding equity awards, (ii) all payments of compensation by the Company to Executive hereunder will terminate immediately (except as to amounts already earned), and (iii) Executive will only be eligible for severance benefits in accordance with the Company's established policies, if any, as then in effect.

(d) Exclusive Remedy. In the event of a termination of Executive's employment with the Company (or any parent or subsidiary or successor of the Company), the provisions of this Section 8 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. Executive will be entitled to no severance or other benefits upon termination of employment with respect to acceleration of award vesting or severance pay other than those benefits expressly set forth in this Section 8.

9. Conditions to Receipt of Severance; No Duty to Mitigate.

(a) Separation Agreement and Release of Claims. The receipt of any severance pursuant to Section 8(a) or (b) will be subject to Executive signing and not revoking a separation agreement and release of claims in a form reasonably satisfactory to the Company (the "Release") and provided that such Release becomes effective and irrevocable no later than sixty (60) days following the termination date (such deadline, the "Release Deadline"). If the Release does not become effective and irrevocable by the Release Deadline, Executive will forfeit any rights to severance or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release becomes effective and irrevocable.

(b) Non-Solicitation. The receipt of any severance benefits pursuant to Section 8(a) or (b) will be subject to Executive not violating the provisions of Section 16. In the event Executive breaches the provisions of Section 16, all continuing payments and benefits to which Executive may otherwise be entitled pursuant to Section 8(a) or (b) will immediately cease and the Company will be entitled to any other rights and remedies and may take any other action legally permissible as a result of breaching the provisions of Section 16.

(c) Confidential Information Agreement. Executive's receipt of any payments or benefits under Section 8 will be subject to Executive continuing to comply with the terms of the Confidential Information Agreement (as defined in Section 15).

(d) 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 under Code Section 409A, and the final regulations and any guidance promulgated thereunder ("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. 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) Any severance payments or benefits under this Agreement that would be considered Deferred Payments will be paid on, or, in the case of installments, will not commence until, the sixtieth (60th) day following Executive's separation from service, or, if later, such time as required by Section

9(d)(iii). Except as required by Section 9(d)(iii), any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's separation from service but for the preceding sentence will be paid to Executive on the sixtieth (60th) day following Executive's separation from service and the remaining payments shall be made as provided in this Agreement.

(iii) 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 (other than due to death), then the Deferred Payments 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 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.

(iv) 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 will not constitute Deferred Payments for purposes of clause (i) above.

(v) 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 (as defined below) will not constitute Deferred Payments for purposes of clause (i) above.

(vi) The foregoing provisions are intended to 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 herein will be interpreted to 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 which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

(e) 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.

10. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 2800 of the Code and (ii) but for this Section 10, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive's severance benefits will be either:

- (a) delivered in full, or
- (b) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to the excise tax under Section 4999 of the Code,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis,

of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. If a reduction in the severance and other benefits constituting “parachute payments” is necessary so that no portion of such severance benefits is subject to the excise tax under Section 4999 of the Code, the reduction shall occur in the following order: (1) reduction of the severance payments under Sections 8(a)(i) or 8(b)(i); (2) cancellation of accelerated vesting of equity awards; and (3) reduction of continued employee benefits. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant of Executive's equity awards.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section 10 will be made in writing by an independent firm immediately prior to Change of Control (the “Firm”), whose determination will be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 10, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 10. The Company will bear all costs the Firm may reasonably incur in connection with any calculations contemplated by this Section 10.

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

(a) Benefit Plans. For purposes of this Agreement, “Benefit Plans” means plans, policies or arrangements that the Company sponsors (or participates in) and that immediately prior to Executive's termination of employment provide Executive and/or Executive's eligible dependents with medical, dental, and/or vision benefits. Benefit Plans do not include any other type of benefit (including, but not by way of limitation, disability, life insurance or retirement benefits). A requirement that the Company provide Executive and Executive's eligible dependents with coverage under the Benefit Plans will not be satisfied unless the coverage is no less favorable than that provided to senior executives of the Company at any applicable time during the period Executive is entitled to receive severance pursuant to Section 8(a) or 8(b). The Company may, at its option, satisfy any requirement that the Company provide coverage under any Benefit Plan by (i) reimbursing Executive's premiums under Title X of the Consolidated Budget Reconciliation Act of 1985, as amended (“COBRA”) after Executive has properly elected continuation coverage under COBRA (in which case Executive will be solely responsible for electing such coverage for Executive's eligible dependents), or (ii) providing coverage under a separate plan or plans providing coverage that is no less favorable.

(b) Cause. For purposes of this Agreement, “Cause” is defined as:

(i) any material act of personal dishonesty made by Executive in connection with Executive's responsibilities as an employee;

(ii) Executive's conviction of, or plea of nolo contendere to, a felony or any crime involving fraud, embezzlement or any other act of moral turpitude;

(iii) Executive's gross misconduct;

(iv) 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 Executive's relationship with the Company;

(v) Executive's willful breach of any obligations under any written agreement or covenant with the Company;

or

(vi) Executive's continued failure to perform Executive's employment duties after Executive has received a written demand of performance from the Company which specifically sets forth the factual basis for the Company's belief that Executive has not substantially performed his or her duties and has failed to cure such non-performance to the Company's satisfaction within ten (10) business days after receiving such notice.

(c) Change of Control. For purposes of this Agreement, "Change of Control" means the occurrence of any of the following events:

(i) the acquisition by any one person, or more than one person acting as a group (for these purposes, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company), ("Person") that becomes the owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then outstanding securities; provided, however, that for purposes of this subsection (i), the acquisition of additional securities by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the securities of the Company shall not be considered a Change of Control;

(ii) a change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this Section II (c)(ii), the following shall not constitute a change in the ownership of a substantial portion of the Company's assets: (1) a transfer to an entity that is controlled by the Company's shareholders immediately after the transfer; or (2) a transfer of assets by the Company to: (A) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's securities; (B) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (C) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company; or (D) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in subsection (C). For purposes of this Section 11(c)(ii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets; or

(iii) a change in the composition of the Board occurring within a twelve (12) month period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" will mean directors who either (A) are directors of the Company as of the Effective Date, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

Notwithstanding the foregoing, a transaction shall not constitute a Change of Control unless the transaction qualifies as a "change in control event" within the meaning of Section 409A.

(d) Code. For purposes of this Agreement, "Code" means the Internal Revenue Code of 1986, as amended.

(e) Good Reason. For purposes of this Agreement, "Good Reason" means Executive's resignation within thirty (30) days following the expiration of any Company cure period (discussed below) following the occurrence of one or more of the following, without Executive's express written consent:

(i) the assignment to Executive of any duties, the reduction of Executive's duties or the removal of Executive from his position and responsibilities, either of which must result in a material diminution of Executive's authority, duties, or responsibilities with the Company in effect immediately prior to such assignment, unless Executive is provided with a comparable position (i.e., a position of equal or greater organizational level, duties, authority, compensation and status);

(ii) A material reduction in Executive's Base Salary, unless the Company also similarly reduces the base salaries of all other similarly situated employees of the Company (and, if applicable, its successor) (for these purposes, a reduction of Executive's Base Salary by 10% or more will be considered material, provided that a reduction of less than 10% may still be material based on the facts and circumstances relating to the reduction);

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

(iv) the failure of the Company to obtain assumption of this Agreement by any successor, which shall be deemed a material breach by the Company of this Agreement.

Executive will not resign for Good Reason without first providing the Company with written notice of the acts or omissions constituting the grounds for "Good Reason" within ninety (90) days of the initial existence of the grounds for "Good Reason" and a reasonable cure period of not less than thirty (30) days following the date of such notice.

(f) Section 409A Limit. For purposes of this Agreement, "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 the Executive's taxable year preceding the Executive's taxable year of his separation from service as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(i) 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.

12. Assignment. This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors and legal representatives of Executive upon Executive's death and (b) any successor of the Company. Any such successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance or other disposition of Executive's right to compensation or other benefits will be null and void.

13. Notice. All notices, requests, demands and other communications called for hereunder will be in writing and will be deemed given (i) on the date of delivery if delivered personally, (ii) one (1) day after being sent by a well-established commercial overnight service, or (iii) four (4) days after being

mailed by registered or certified mail, return receipt requested, prepaid and addressed to the parties or their successors at the following addresses, or at such other addresses as the parties may later designate in writing.

If to the Company:

Telenav, Inc.  
950 De Guigne Drive  
Sunnyvale, CA 94085  
Attn: General Counsel

If to Executive:

at the last residential address known by the Company.

14. Arbitration.

(a) Arbitration. In consideration of Executive's employment with the Company, its promise to arbitrate all employment-related disputes, and Executive's receipt of the compensation, pay raises and other benefits paid to Executive by the Company, at present and in the future, Executive agrees 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 Executive's employment with the Company or termination thereof, including any breach of this Agreement, will be subject to binding arbitration under the Arbitration Rules set forth in California Code of Civil Procedure Section 1280 through 1294.2, including Section 1281.8 (the "Act"), and pursuant to California law. The Federal Arbitration Act shall also apply with full force and effect, notwithstanding the application of procedural rules set forth under the Act.

(b) Dispute Resolution. Disputes that Executive agrees to arbitrate, and thereby agrees to waive any right to a trial by jury, 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 California Fair Employment and Housing Act, the Family and Medical Leave Act, the California Family Rights Act, the California Labor Code, 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 the 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 California law, including the California Code of Civil Procedure and the California Evidence Code, and that the arbitrator shall apply substantive and procedural California law to any dispute or claim, without reference to the rules of conflict of law. To the extent that the JAMS Rules conflict with California law, California law shall

take precedence. The decision of the arbitrator shall be in writing. Any arbitration under this Agreement shall be conducted in Santa Clara County, California.

(d) Remedy. Except as provided by the Act, arbitration shall be the sole, exclusive, and final remedy for any dispute between Executive and the Company. Accordingly, except as provided by the Act and this Agreement, neither Executive 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 which the Company has not adopted.

(e) Administrative Relief. Executive is 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, Executive may not pursue court action regarding any such claim, except as permitted by law.

(f) Voluntary Nature of Agreement. Executive acknowledges and agrees that Executive is executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. Executive further acknowledges and agrees that Executive has carefully read this Agreement and that Executive has asked any questions needed for Executive to understand the terms, consequences and binding effect of this Agreement and fully understands it, including that ***EXECUTIVE IS WAIVING EXECUTIVE'S RIGHT TO A JURY TRIAL***. Finally, Executive agrees that Executive has been provided an opportunity to seek the advice of an attorney of Executive's choice before signing this Agreement.

15. Confidential Information. Executive agrees to continue to be bound by the Telenav, Inc. Proprietary Information Agreement (the "Confidential Information Agreement") entered into by and between Executive and the Company dated December 20, 2010.

16. Non-Solicitation. Until the date one (1) year after the termination of Executive's employment with the Company for any reason, Executive agrees not, either directly or indirectly, to solicit, induce, attempt to solicit, recruit, or encourage any employee of the Company (or any parent or subsidiary of the Company) to leave his employment either for Executive or for any other entity or person. Executive represents that he (i) is familiar with the foregoing covenant not to solicit, and (ii) is fully aware of his obligations hereunder, including, without limitation, the reasonableness of the length of time, scope and geographic coverage of these covenants.

17. Miscellaneous Provisions.

(a) Amendment. No provision of this Agreement will 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) that is expressly designated as an amendment to this Agreement.

(b) Waiver. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

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

(d) Entire Agreement. This Agreement, together with the Confidential Information Agreement, represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral (including the Prior Agreements). With respect to equity awards granted on or after the date of this Agreement, the acceleration of vesting provisions provided herein will apply to such equity awards except to the extent otherwise explicitly provided in the applicable award agreement. This Agreement may be modified only by agreement of the parties by a written instrument executed by the parties that is designated as an amendment to this Agreement.

(e) Governing Law. This Agreement will be governed by the laws of the State of California (with the exception of its conflict of law provisions).

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

(g) Withholding. All payments made pursuant to this Agreement will be subject to all applicable withholdings, including all applicable income and employment taxes, as determined in the Company's reasonable judgment.

(h) Acknowledgment. Executive acknowledges that he has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

(i) Counterparts. This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

*[Signature Page Follows]*

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

COMPANY

TELENAV, INC

By: /s/Loren E. Hillberg  
Name: Loren E. Hillberg  
Title: General Counsel  
Date: September 30, 2015

EXECUTIVE

ROHAN CHANDRAN

By: /s/ Rohan Chandran  
Date: September 30, 2015

**CERTIFICATION OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dr. HP Jin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Telenav, 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: November 9, 2015

By: /s/ Dr. HP JIN

DR. HP Jin

President and Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Strambi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Telenav, 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: November 9, 2015

By: /s/ MICHAEL STRAMBI

Michael Strambi  
Chief Financial Officer

**CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. § 1350, AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Dr. HP Jin, the president and chief executive officer of Telenav, Inc. (the "Company"), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

(i) the Quarterly Report of the Company on Form 10-Q for the three months ended September 30, 2015 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2015

By: /s/ Dr. HP JIN

Dr. HP Jin

President and Chief Executive Officer

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

I, Michael Strambi, the chief financial officer of Telenav, Inc. (the "Company"), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

- (i) the Quarterly Report of the Company on Form 10-Q for the three months ended September 30, 2015 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2015

By: /s/ MICHAEL STRAMBI

Michael Strambi

Chief Financial Officer

