COVISINT CORP

FORM 10-Q
(Quarterly Report)

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Address	26533 EVERGREEN RD., SUITE 500
	SOUTHFIELD, MI 48076
Telephone	2484832000
CIK	0001563699
Symbol	COVS
SIC Code	7374 - Computer Processing and Data Preparation and Processing Services
Industry	IT Services & Consulting
Sector	Technology
Fiscal Year	03/31

As filed with the Securities and Exchange Commission on February 9, 2017

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2016

OR

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

Commission file number 001-36088

Covisint Corporation
(Exact name of registrant as specified in its charter)

MICHIGAN (State or other jurisdiction of incorporation or organization)	**26-2318591** (I.R.S. Employer Identification Number)

26533 Evergreen Road, Suite 500, Southfield, Michigan 48076
(248) 483-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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. (Check one):

Large accelerated filer ☐		Accelerated filer ☒
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date:

As of February 7, 2017 , there were outstanding 40,865,897 shares of Common Stock, no par value, of the registrant.

Cautionary Statement

This Quarterly Report on Form 10-Q ("Quarterly Report") and the documents incorporated herein by reference contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), based on expectations, estimates, and projections as of the date of this filing. Actual results may differ materially from those expressed in forward-looking statements. See Item 1A-"Risk Factors" in this Quarterly Report.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COVISINT CORPORATION

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)
(Unaudited)

	December 31, 2016	March 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$30,438	$39,681
Accounts receivable, net of allowance for doubtful accounts of $93 and $39 as of December 31, 2016 and March 31, 2016, respectively	8,266	12,836
Prepaid expenses	2,281	2,167
Other current assets	629	1,603
Total current assets	41,614	56,287
PROPERTY AND EQUIPMENT, NET	5,731	7,847
CAPITALIZED SOFTWARE AND OTHER INTANGIBLE ASSETS, NET	10,514	11,486
OTHER:		
Goodwill	25,385	25,385
Deferred costs	291	580
Deferred tax asset, net	170	171
Other assets	173	289
Total other assets	26,019	26,425
TOTAL ASSETS	$83,878	$102,045
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$6,267	$5,061
Accrued commissions	1,993	1,071
Deferred revenue	12,589	15,952
Accrued expenses	1,525	2,377
Total current liabilities	22,374	24,461
DEFERRED REVENUE	423	3,595
ACCRUED LIABILITIES	2,310	2,327
DEFERRED TAX LIABILITY, NET	382	353
Total liabilities	25,489	30,736
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value - authorized 5,000,000 shares; none issued and outstanding	—	—
Common stock, no par value - authorized 50,000,000 shares; issued and outstanding 40,865,897 (40,490,928 issued and outstanding as of March 31, 2016)	—	—
Additional paid-in capital	163,644	161,997
Accumulated deficit	(104,842)	(90,527)
Accumulated other comprehensive loss	(413)	(161)
Total shareholders' equity	58,389	71,309
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$83,878	$102,045

See notes to consolidated financial statements.

COVISINT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
REVENUE	$16,646	$19,162	$51,261	$56,037
COST OF REVENUE	8,500	8,822	25,594	27,068
GROSS PROFIT	8,146	10,340	25,667	28,969
OPERATING EXPENSES:				
Research and development	2,578	3,100	9,315	9,890
Sales and marketing	7,128	8,564	21,392	23,223
General and administrative	2,813	2,699	9,207	10,516
Total operating expenses	12,519	14,363	39,914	43,629
OPERATING LOSS	(4,373)	(4,023)	(14,247)	(14,660)
Other income (expense)	13	3	46	(28)
LOSS BEFORE INCOME TAX PROVISION	(4,360)	(4,020)	(14,201)	(14,688)
INCOME TAX PROVISION	40	52	114	96
NET LOSS	($4,400)	($4,072)	($14,315)	($14,784)
Basic and diluted loss per share	($0.11)	($0.10)	($0.35)	($0.38)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Foreign currency translation adjustments	(144)	(72)	(252)	(154)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(144)	(72)	(252)	(154)
COMPREHENSIVE LOSS	($4,544)	($4,144)	($14,567)	($14,938)

See notes to consolidated financial statements.

COVISINT CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
NINE MONTHS ENDED DECEMBER 31, 2016
(In Thousands, Except Share Data)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholder's Equity
	Shares	Amount				
BALANCE AT MARCH 31, 2016	40,490,928	$—	$161,997	($90,527)	($161)	$71,309
Net loss				(14,315)		(14,315)
Covisint stock based compensation expense (Note 5)			1,419			1,419
Covisint stock option exercise / RSU vesting	374,969		239			239
Income tax items			(11)			(11)
Foreign currency translation					(252)	(252)
BALANCE AT DECEMBER 31, 2016	40,865,897	$—	$163,644	($104,842)	($413)	$58,389

See notes to consolidated financial statements.

COVISINT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended December 31,	
	2016	**2015**
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss	($14,315)	($14,784)
Adjustments to reconcile net loss to cash provided by (used in) operations:		
Depreciation and amortization	5,410	5,144
Deferred income taxes	50	64
Stock award compensation	1,419	2,339
Other	3	—
Net change in assets and liabilities:		
Accounts receivable	4,497	5,684
Other assets	1,236	4,611
Accounts payable and accrued expenses	1,809	(2,600)
Deferred revenue	(6,475)	(8,101)
Net cash used in operating activities	(6,366)	(7,643)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchase of:		
Property and equipment	(189)	(3,772)
Capitalized software	(2,175)	(2,565)
Proceeds from asset disposals	—	33
Net cash used in investing activities	(2,364)	(6,304)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Vendor financing payments	(614)	(548)
Net proceeds from exercise of stock awards	239	2,074
Net cash provided by (used in) financing activities	(375)	1,526
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(138)	(41)
NET CHANGE IN CASH	(9,243)	(12,462)
CASH AT BEGINNING OF PERIOD	39,681	50,077
CASH AT END OF PERIOD	$30,438	$37,615

See notes to consolidated financial statements.

COVISINT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited consolidated financial statements ("Financial Statements") include the accounts of Covisint Corporation, a Michigan corporation, and subsidiaries ("Covisint", the "Company", "we", "our", and "us").

The Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), for interim financial information and with the instructions of Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingencies and results of operations. While management has based its assumptions and estimates on the facts and circumstances existing at December 31, 2016 , final amounts may differ from these estimates. In the opinion of the Company's management, the accompanying Financial Statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented.

The Company has evaluated subsequent events through the date these Financial Statements were issued.

These Financial Statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016 (" 2016 Annual Report"). There have been no significant changes to the Company's accounting policies as disclosed in the Company's 2016 Annual Report.

Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, Improvements to Employee Share-Based Payment Accounting, requiring all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. ASU 2016-09 will also allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the effect that the provisions of ASU 2016-09 will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases, requiring a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. ASU 2016-02 requires entities to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Full retrospective application is prohibited. The Company is currently evaluating the effect that the provisions of ASU 2016-02 will have on its consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires all deferred income taxes to be classified as noncurrent on the balance sheet. ASU 2015-17 is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company adopted this standard prospectively as of March 31, 2016.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and a subsequent amendment to the standard in March 2016 with ASU 2016-08, a new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under U.S. GAAP. The standard's core principle is that revenue should be recognized as goods or services are transferred to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB agreed to delay the effective date by one year. In accordance with the delay, this ASU will now be effective for annual and interim periods beginning on or after December 15, 2017, with early adoption permitted. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in the ASU. The Company is currently evaluating the impact on its consolidated financial statements and related disclosures of adopting this guidance.

2. CAPITALIZED SOFTWARE AND OTHER INTANGIBLE ASSETS

The components of the Company's intangible assets are as follows (in thousands):

	December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trademarks (1)	$358		$358
Amortizing intangible assets:			
Capitalized software (2)	$40,753	($30,597)	$10,156
Customer relationship agreements	2,585	(2,585)	—
Trademarks	80	(80)	—
Total amortizing intangible assets	$43,418	($33,262)	$10,156

	March 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trademarks (1)	$358		$358
Amortizing intangible assets:			
Capitalized software (2)	$38,578	($27,450)	$11,128
Customer relationship agreements	2,585	(2,585)	—
Trademarks	80	(80)	—
Total amortizing intangible assets	$41,243	($30,115)	$11,128

(1) The Covisint trademarks were acquired by Compuware in an acquisition in March 2004 and contributed to Covisint by Compuware effective January 1, 2013. These trademarks are deemed to have an indefinite life and therefore are not being amortized.
(2) Amortization of capitalized software is included in "cost of revenue" in the consolidated statements of comprehensive loss. Historically, capitalized software has been amortized over five years . Beginning in fiscal year 2017, capitalized software is being amortized over three years.

Based on the current competitive environment and rapidly changing landscape for cloud based platform software, effective April 1, 2016, the Company changed its estimate of the useful life of capitalized software from five years to three years. This change in useful life has been accounted for as a change in accounting estimate and will be applied to all new capitalized software. Remaining carrying amounts of capitalized software intangible assets will be amortized prospectively over a maximum of three years, or the remaining useful lives if less than three years. The change in estimated useful life had a less than ($0.01) unfavorable impact on the earnings per share disclosed in the Consolidated Statements of Comprehensive Loss for the nine months ended December 31, 2016 .

Amortization expense of intangible assets was $1.2 million and $0.8 million for the three months ended December 31, 2016 and 2015 , respectively, and $3.1 million and $2.6 million for the nine months ended December 31, 2016 and 2015 , respectively. Estimated future amortization expense, based on identified intangible assets at December 31, 2016 , is expected to be as follows (in thousands):

	At December 31, 2016 for the Year Ending March 31,			
	2017	2018	2019	2020
Capitalized software	$1,170	$4,634	$3,279	$1,073

3. LOSS PER COMMON SHARE

Basic earnings per common share ("EPS") is computed by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS assumes the issuance of common stock for all potentially dilutive equivalent shares outstanding using the treasury method.

EPS data were computed as follows (in thousands, except for per share data):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Basic loss per share:				
Numerator: Net loss	($4,400)	($4,072)	($14,315)	($14,784)
Denominator:				
Weighted-average common shares outstanding	40,846	39,791	40,670	39,400
Basic loss per share	($0.11)	($0.10)	($0.35)	($0.38)
Diluted loss per share:				
Numerator: Net loss	($4,400)	($4,072)	($14,315)	($14,784)
Denominator:				
Weighted-average common shares outstanding	40,846	39,791	40,670	39,400
Dilutive effect of stock awards	—	—	—	—
Total shares	40,846	39,791	40,670	39,400
Diluted loss per share	($0.11)	($0.10)	($0.35)	($0.38)

Stock awards to purchase approximately 3,509,000 and 4,162,000 shares for the three months ended December 31, 2016 and 2015 , respectively, and 3,375,000 and 4,423,000 shares for the nine months ended December 31, 2016 and 2015 , respectively, were excluded from the diluted EPS calculation because they were anti-dilutive.

4. COMMITMENTS AND CONTINGENCIES

Contractual Obligations

The Company conducts its business in various leased facilities which, based on the lease terms, are considered to be operating leases. There have been no material changes in our commitments under the lease agreements or other contractual obligations, as disclosed in our 2016 Annual Report.

Legal Matters

The Company is subject to legal proceedings, claims, investigations and proceedings in the ordinary course of business. In accordance with U.S. GAAP, the Company makes a provision for a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case.

Beginning on May 30, 2014, two putative class actions were filed in the U.S. District Court for the Southern District of New York against us, our directors and former directors, and certain of our officers and former officers alleging violation of securities laws in connection with Covisint's initial public offering ("IPO") and seeking unspecified damages. These lawsuits were consolidated in the action entitled Desrocher v. Covisint Corporation, et al., No. 14-cv-03878 (the "Securities Class Action"). On October 14, 2014, the lead plaintiff filed a consolidated class action complaint (the "Complaint") alleging violations of Regulation S-K and Sections 11 and 15 of the Securities Act. The Complaint alleged, among other things that the IPO's registration statement contained (1) untrue statements and omissions of material facts related to the Company's projected revenues for fiscal 2014, (2) materially inaccurate statements regarding the Company's revenue recognition policy, and (3) omissions of known trends, uncertainties and significant risk factors as required to be disclosed by Regulation S-K.

On May 5, 2016, the parties entered into a stipulation and agreement of settlement to dismiss all claims with prejudice and settle the Securities Class Action (the "Settlement"). The Company's uninsured portion of the settlement amount is $0.4 million , which was recorded as a liability as of March 31, 2016 and paid in July 2016. On December 13, 2016, the Court approved the Settlement, which provided for a payment by the defendants of $8.0 million , and the Court dismissed the Securities Class Action with prejudice.

5. BENEFIT PLANS

Covisint 401(k) Plan

Under the Covisint 401(k) plan, the Company matches 33 percent of employees' 401(k) contributions up to 2 percent of eligible earnings. Matching contributions vest 100 percent when an employee reaches one year of service. The Company expensed $0.1 million and $0.1 million for the three months ended December 31, 2016 and 2015 , respectively, and $0.3 million and $0.3 million for the nine months ended December 31, 2016 and 2015 , respectively, related to this program.

Covisint Stock-Based Compensation Plan

In August 2009, Covisint established a 2009 Long-Term Incentive Plan ("2009 Covisint LTIP") allowing the Board of Directors of Covisint to grant stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance-based cash or RSU awards and annual cash incentive awards to employees and directors of Covisint and its affiliates. The 2009 Covisint LTIP reserves 7.5 million common shares of Covisint for issuance under this plan.

As of December 31, 2016 , there were 2.6 million stock options and 1.0 million RSUs outstanding under the 2009 Covisint LTIP. No options or RSUs issued contain performance conditions. For the nine months ended December 31, 2016 and 2015 , 0.1 million options and 1.2 million options, respectively, were exercised by participants of the 2009 Covisint LTIP.

Stock Option Activity

A summary of option activity under the Company's stock-based compensation plans as of December 31, 2016 , and changes during the nine months then ended is presented below (shares and intrinsic value in thousands):

	Nine Months Ended December 31, 2016			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Options outstanding as of April 1, 2016	2,943	$4.52		
Granted	355	1.91		
Exercised	(138)	1.73		
Forfeited/Canceled	(602)	4.97		
Options outstanding as of December 31, 2016	2,558	$4.20	7.70	$26
Options vested and expected to vest, net of estimated forfeitures, as of December 31, 2016	2,437	$4.29	7.64	$22
Options exercisable as of December 31, 2016	1,413	$5.13	7.15	$—

All options were originally granted at estimated fair market value for those granted prior to our IPO, and at fair market value for those granted post IPO. Options expire ten years from the date of grant unless expiration has been otherwise accelerated in accordance with a termination and/or separation agreement.

Restricted Stock Unit Activity

A summary of non-vested RSU activity as of December 31, 2016 , and changes during the nine months then ended is presented below (shares and intrinsic value are presented in thousands):

	Nine Months Ended December 31, 2016		
	Shares	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value
RSUs outstanding as of April 1, 2016	298	$3.50	
Granted	893	2.29	
Released	(237)	3.16	
Forfeited	—	—	
RSUs outstanding as of December 31, 2016	954	$2.45	$1,813

Stock Awards Compensation

For the three months ended December 31, 2016 and 2015 , and for the nine months ended December 31, 2016 and 2015 , net stock awards compensation expense was recorded as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Stock awards compensation classified as:				
Cost of revenue	$16	$16	$38	$68
Research and development	11	22	26	76
Sales and marketing	93	69	211	410
General and administrative	371	410	1,144	1,785
Total stock awards compensation expense before income taxes	$491	$517	$1,419	$2,339

For the three months ended December 31, 2016 and 2015 total stock compensation expense is comprised of $0.5 million and $0.5 million , respectively, according to the normal expense recognition of the grant. For the nine months ended December 31, 2016 and 2015 total stock compensation expense is comprised of $1.4 million and $1.9 million , respectively, according to the normal expense recognition of the grant. For the nine months ended December 31, 2015 , stock compensation expense was comprised of $0.4 million for accelerated expense recognized due to the cancellation of options for certain current employees.

As of December 31, 2016 , total unrecognized compensation cost of $3.1 million , net of estimated forfeitures, related to nonvested equity awards granted is expected to be recognized over a weighted-average period of approximately 2.2 years. The following table summarizes the Company’s estimated future recognition of its unrecognized compensation cost related to stock awards as of December 31, 2016 (in thousands).

	Year Ending March 31,					
Covisint Stock-Based Compensation Plan:	Total	2017	2018	2019	2020	2021
Stock Compensation Expense	$3,135	$519	$1,264	$669	$496	$187

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this Quarterly Report, the terms “Covisint”, “the Company”, “we”, “us”, or “our”, mean Covisint Corporation and its subsidiaries on a consolidated basis unless otherwise expressly stated or the context otherwise requires.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes that appear in Part I, Item 1 in this Quarterly Report and with Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016 (" 2016 Annual Report"). In addition to historical information, the information we provide or statements made by our employees contains forward-looking statements that reflect our plans, estimates, assumptions and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and Item 1A of this Quarterly Report under "Risk Factors". Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies and operations, financing plans, potential growth opportunities, potential market opportunities and the effects of competition. Forward-looking statements include all 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. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management’s plans, estimates, assumptions and beliefs only as of the date of this report. Except as required by law, we assume no obligation to update these forward-looking statements publicly 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.

OVERVIEW

Covisint provides a cloud platform for the development of identity-centric and Internet of Things (“IoT”) solutions (collectively the “Platform”). Our Platform gives our customers a substantial strategic advantage by enabling them to rapidly develop and deploy these applications faster and more cost-effectively than the alternatives, and in so doing, compete more effectively in their markets. Our Platform has been successfully operating globally on an enterprise scale for over 13 years, and it is the technology behind innovative industry solutions such as General Motors’ OnStar, Hyundai’s BlueLink™ and Cisco Systems' Service Exchange Platform™ (“SXP”).

Our Platform provides a complete set of integrated technologies that addresses a rapidly growing available market, particularly in the automotive and manufacturing industries, which span three horizontal use cases - the IoT, cloud identity and access management, and business-to-business collaboration. To support our growth strategies and capitalize on current technology trends, we have made, and continue to make substantial investments to: a) expand our installed customer base; b) win new customers in the automotive industry; and c) land new customers via our channel partners via outbound OEM agreements with independent software vendors and system integrators.

We experienced net losses of $4.4 million and $4.1 million in the three months ended December 31, 2016 and 2015 , respectively, and $14.3 million and $14.8 million in the nine months ended December 31, 2016 and 2015 , respectively. Since we are continuing to actively invest in our business to drive long-term growth, we do not expect to be profitable during fiscal 2017.

COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue is primarily comprised of fees related to subscription and support as well as services performed. Subscription and support revenue includes fees for our customers' and their users' access to our Platform. Service revenue is generated from fees related to the implementation of our Platform and consulting services for our customers, as well as from other non-subscription sales. Implementation services typically consist of user migration, content migration, solution deployment, configuration, and training to support customer-specific work flows. Our services engagements typically occur in phases and can vary from a few weeks to several months depending on the scope and complexity of the solution. Our customers may choose to do much of this work in-house, through a third party, or with Covisint. We currently subcontract portions of our service engagements to third-party service partners to supplement our staffing needs within this area of the business.

Services contract value varies significantly for each customer agreement, and can be impacted by a number of trends which make the prediction of our future services revenue difficult. These trends include, but are not necessarily limited to, improvements in our Platform that make it easier for our customers to build and launch new business process innovations on the Platform, the implementation of our certified partner program, and a reduction in the effort required to launch the customer.

Our revenue generally fluctuates, and we expect it to continue to fluctuate, between periods due to inconsistent timing of sales, revenue recognition requirements (e.g., acceptance), changes in customer requirements and other factors. As a result, transactions that were expected to be recognized in one period may be recognized in a different period, which may materially affect our financial performance in a reporting period.

Cost of Revenue

Our cost of revenue is primarily comprised of salaries and personnel-related expenses related to our customer support, implementation, solution deployment, on-boarding and data center operations, the cost of professional services provided by third-party contractors, depreciation, amortization and impairment expenses related to capitalized research and development, acquisitions and capital expenditures, third-party hosting fees, third-party software license fees, and outside services related to our call center. Where we have established third-party evidence or a best estimate of selling price of the stand-alone value of our services, we recognize expense with the associated revenue recognition as services are delivered. Costs associated with deferred services revenue are recognized ratably, generally over five years, beginning upon customer acceptance of the deliverable consistent with the associated revenue.

We expect our cost of revenue may fluctuate as a percentage of total revenue due to relative changes in our services revenue, changes in the percentage of services recognized using the proportional performance method, the amount and timing of depreciation and amortization, changes in the amount of services performed by our customers or other vendors and the mix of subscription and support revenue relative to services revenue.

Research and Development

Research and development costs are primarily comprised of salaries and personnel-related expenses, services provided by third-party contractors related to software development, software license and hardware fees and depreciation and amortization related to acquisitions and capital expenditures.

We focus our research and development on new and expanded features of our Platform, utilizing an agile delivery methodology for our Platform enhancements. We capitalize a portion of these costs related to our hosted software and application services that have reached the application development stage. Capitalization of such cost begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. Our capitalized software costs are amortized as a cost of revenue ratably over a period of three years upon completion of the project.

Sales and Marketing

Sales and marketing costs are primarily comprised of salaries and personnel-related expenses, commissions, travel expense, marketing program fees, services provided by third-party contractors related to our marketing campaigns and amortization related to customer relationship agreements acquired as a result of various acquisitions.

General and Administrative

General and administrative costs are primarily comprised of personnel-related expenses associated with our tax, internal audit, accounting, finance, human resources, and legal functions, including salaries, benefits, as well as external legal, accounting, and other professional fees.

Income Taxes

Provision for income taxes is comprised of federal and state taxes in the United States ("U.S.") as well as certain foreign tax jurisdictions. Income taxes are accounted for using the asset and liability approach. Deferred income taxes are provided for the differences between the tax bases of assets or liabilities and their reported amounts in our financial statements and net operating loss and tax credit carryforwards.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. These deferred tax assets are subject to periodic assessments as to recoverability. If it is determined that it is more likely than not that the benefits will not be realized, valuation allowances are recorded which would increase the provision for income taxes. In making such determinations, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. Given the Company's historical loss position in the U.S., it has been determined the Company does not expect to realize the benefits of its deferred tax assets, resulting in a full valuation allowance preventing the recognition of any potential deferred tax asset for its U.S. operations.

CRITICAL ACCOUNTING POLICIES

There have been no significant changes to our Critical Accounting Policies as described in our 2016 Annual Report.

STOCK-BASED COMPENSATION

Stock award compensation expense is recognized, net of an estimated forfeiture rate, on a straight-line basis over the requisite service period of the award.

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RESULTS OF OPERATIONS

The following table is a summary of our consolidated statements of comprehensive loss data (in thousands, except for per share data):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Consolidated Statements of Comprehensive Loss Data:				
Subscription and support	$14,735	$15,255	$43,939	$46,169
Services	1,911	3,907	7,322	9,868
Total revenue	16,646	19,162	51,261	56,037
Cost of revenue (1)	8,500	8,822	25,594	27,068
Gross profit	8,146	10,340	25,667	28,969
Operating expenses:				
Research and development (1)	2,578	3,100	9,315	9,890
Sales and marketing (1)	7,128	8,564	21,392	23,223
General and administrative (1)	2,813	2,699	9,207	10,516
Total operating expenses	12,519	14,363	39,914	43,629
Operating loss	(4,373)	(4,023)	(14,247)	(14,660)
Other income (expense)	13	3	46	(28)
Loss from operations before income tax provision	(4,360)	(4,020)	(14,201)	(14,688)
Income tax provision (benefit)	40	52	114	96
Net loss	($4,400)	($4,072)	($14,315)	($14,784)
Basic and diluted loss per share (2)	($0.11)	($0.10)	($0.35)	($0.38)
Weighted-average shares outstanding, Basic and diluted (2)	40,846	39,791	40,670	39,400

(1) The statements and line items above include stock compensation as detailed in the table below.

(2) Please see note 3 of our consolidated financial statements and related disclosures for an explanation of the method used to calculate the net income (loss) per share attributable to common shareholders and the number of shares used in computation of the per share amounts.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Stock awards compensation classified as:				
Cost of revenue	$ 16	$ 16	$ 38	$ 68
Research and development	11	22	26	76
Sales and marketing	93	69	211	410
General and administrative	371	410	1,144	1,785
Total stock awards compensation expense before income taxes	$ 491	$ 517	$ 1,419	$ 2,339

The following table sets forth a summary of our consolidated statements of comprehensive loss as a percentage of our total revenue:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Consolidated Statements of Comprehensive Loss Data:				
Subscription and support	89 %	80 %	86 %	82 %
Services	11	20	14	18
Total revenue	100	100	100	100
Cost of revenue (1)	51	46	50	48
Gross profit	49	54	50	52
Operating expenses:				
Research and development (1)	15	16	18	18
Sales and marketing (1)	43	45	42	41
General and administrative (1)	17	14	18	19
Total operating expenses	75	75	78	78
Operating loss	(26)	(21)	(28)	(26)
Other income (expense)	0	0	0	0
Loss from operations before income tax provision	(26)	(21)	(28)	(26)
Income tax provision (benefit)	0	0	0	0
Net loss	(26)%	(21)%	(28)%	(26)%

(1) Refer to the table above for the breakdown of stock compensation included in these line item percentages.

KEY METRICS

In addition to reporting financial results in accordance with U.S. GAAP, we monitor a number of other metrics to evaluate our business, measure our performance, identify trends affecting our business, allocate capital and make strategic decisions.

Adjusted Gross Profit and Adjusted Gross Margin

Adjusted gross profit represents gross profit, adjusted for amortization of capitalized software costs associated with our research and development activities which are currently classified within cost of revenue, as well as for stock based compensation associated with certain of our professional services and operations employees. Adjusted gross margin represents adjusted gross profit as a percentage of total revenue.

We believe that adjusted gross margin, when viewed with our results under U.S. GAAP and the accompanying reconciliation, provides additional information that is useful for evaluating our operating performance. Additionally, we believe that adjusted gross margin provides a more meaningful comparison of our operating results against those of other companies in our industry. However, adjusted gross margin is not a measure of financial performance under U.S. GAAP and, accordingly, should not be considered as an alternative to gross margin as an indicator of operating performance.

The table below provides reconciliations between the non-U.S. GAAP financial measures discussed above to the comparable U.S. GAAP measures of gross profit (in thousands, except percentages):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Gross profit	$8,146	$10,340	$25,667	$28,969
Gross margin	*49%*	*54%*	*50%*	*52%*
Adjustments:				
Stock compensation expense	16	16	38	68
Amortization of capitalized software	1,152	803	3,147	2,611
Non-U.S. GAAP gross profit	$9,314	$11,159	$28,852	$31,648
Non-U.S. GAAP gross margin	*56%*	*58%*	*56%*	*56%*

THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015

Revenue

Revenue derived from our subscription and support and services is presented in the table below:

	Three Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
Subscription and support	$14,735	$15,255	($520)	(3)%
Services	1,911	3,907	(1,996)	(51)%
Total revenue	$16,646	$19,162	($2,516)	(13)%

Our total revenue decreased to $16.6 million for the three months ended December 31, 2016 from $19.2 million in the three months ended December 31, 2015 , representing a 13% decrease in total revenue.

Subscription and support revenue was $14.7 million for the three months ended December 31, 2016 , as compared to $15.3 million for the three months ended December 31, 2015 , representing a decline of 3% . The decrease in subscription revenue was due to the shift out of our lower margin healthcare application business, as well as other customer attrition, partially offset by new business.

Our services revenue was $1.9 million for the three months ended December 31, 2016 , as compared to $3.9 million for the three months ended December 31, 2015 , representing a decline of 51% . The decrease is attributable to the prior period including a $1.0 million sale of a DocSite perpetual license, as well as a relatively high volume of one-time projects related to new customer implementations.

Our highest concentration of total revenue, including services, comes from the automotive industry which accounted for 55% and 50% of our total revenue for the three months ended December 31, 2016 and 2015 , respectively. The healthcare industry accounted for 11% and 22% of our total revenue for the three months ended December 31, 2016 and 2015 , respectively. Our remaining revenue resides in the energy, financial services, travel and other non-automotive and non-health care industries.

Our total revenue is also concentrated with two key customers, Cisco Systems ("Cisco") and General Motors ("GM"). As a result of the strategic partnership with Cisco, we enabled Cisco to serve as the prime contractor and Covisint as the subcontractor for agreements with various divisions of GM, which we historically provided directly to GM. For the three months ended December 31, 2016 and 2015 , Cisco accounted for 44% and 37% , respectively, of our total revenue, of which 31% and 27% , respectively, is related to the transfer of the GM contracts and the augmentation of Cisco's SXP. Our stand alone business with GM accounted for 3% and 5% , respectively, of our total revenue in the three months ended December 31, 2016 and 2015 .

Cost of Revenue

Cost of revenue is presented in the table below:

	Three Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
Cost of revenue	$8,500	$8,822	($322)	(4)%
Gross margin	49%	54%		

Cost of revenue decreased $0.3 million for the three months ended December 31, 2016 as compared to the same period in 2015 largely attributable to decreased subcontractor usage and technology expense.

Our gross margin decreased to 49% for the three months ended December 31, 2016 , as compared with 54% for the same period in 2015 . The reduced margins were primarily due to the decline in service revenue.

Research and Development

Research and development costs incurred, expensed and capitalized are presented in the table below:

	Three Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
Research and development costs incurred	$3,324	$4,139	($815)	(20)%
Capitalized internal software costs	(746)	(1,039)	293	(28)%
Research and development costs expensed	$2,578	$3,100	($522)	(17)%
Percentage of total revenue:				
Research and development costs incurred	20%	22%		
Research and development costs expensed	15%	16%		

Research and development costs incurred decreased to $3.3 million for the three months ended December 31, 2016 , as compared to $4.1 million in the same period in 2015 , attributable to a higher level of platform development activity in the prior year.

We capitalized $0.7 million and $1.0 million of internal software (research and development) costs for the three months ended December 31, 2016 and 2015 , respectively. The decreased capitalization of our research and development costs for the three months ended December 31, 2016 compared to the same period in 2015 , was due to the lower level of incurred costs.

Sales and Marketing

Sales and marketing costs are presented in the table below:

	Three Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
Sales and marketing	$7,128	$8,564	($1,436)	(17)%
Percentage of total revenue	43%	45%		

Sales and marketing costs decreased by $1.4 million for the three months ended December 31, 2016 as compared to the same period in 2015 , primarily due to a restructuring of our direct sales and marketing organizations.

General and Administrative

General and administrative costs are presented in the table below:

	Three Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
General and administrative	$2,813	$2,699	$114	4%
Percentage of total revenue	17%	14%		

General and administrative costs increased by $0.1 million for the three months ended December 31, 2016 , as compared to the same period in 2015 . Prior period amounts included a non-recurring favorable adjustment of $1.1 million related to a non-income tax contingency. Current period expenses reflect improvements to legal, salary and outside service expenses due in part to our continued rationalization of our general and administrative structure.

NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

Revenue

Revenue derived from our subscription and support and services is presented in the table below:

	Nine Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
Subscription and support	$43,939	$46,169	($2,230)	(5)%
Services	7,322	9,868	(2,546)	(26)%
Total revenue	$51,261	$56,037	($4,776)	(9)%

Our total revenue decreased to $51.3 million for the nine months ended December 31, 2016 from $56.0 million in the nine months ended December 31, 2015 , representing a 9% decrease in total revenue.

Subscription and support revenue was $43.9 million for the nine months ended December 31, 2016 as compared to $46.2 million for the nine months ended December 31, 2015 , representing a decline of 5% . The decrease in subscription revenue was due to the shift out of our lower margin healthcare application business, as well as other customer attrition, partially offset by new business.

Our services revenue was $7.3 million for the nine months ended December 31, 2016 , as compared to $9.9 million for the nine months ended December 31, 2015 , representing a decline of 26% . The decrease is attributable to the prior period including a $1.0 million sale of a DocSite perpetual license, as well as a relatively high volume of one-time projects related to new customer implementations.

Our highest concentration of total revenue, including services, comes from the automotive industry which accounted for 56% and 51% of our total revenue for the nine months ended December 31, 2016 and 2015 , respectively. The healthcare industry accounted for 13% and 19% of our total revenue in the nine months ended December 31, 2016 and 2015 , respectively. Our remaining revenue resides in the energy, financial services, travel and other non-automotive and non-health care industries.

Our total revenue is also concentrated with two key customers, Cisco and GM. As a result of the strategic partnership with Cisco, we enabled Cisco to serve as the prime contractor and Covisint as the subcontractor for agreements with various divisions of GM, which we historically provided directly to GM. For the nine months ended December 31, 2016 and 2015 , Cisco accounted for 43% and 36% , respectively, of our total revenue, of which 30% and 25% , respectively, is related to the transfer of the GM contracts and the augmentation of Cisco's SXP. Our stand alone business with GM accounted for 3% and 7% of our total revenue in the nine months ended December 31, 2016 and 2015 , respectively.

Cost of Revenue

Cost of revenue is presented in the table below:

	Nine Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
Cost of revenue	$25,594	$27,068	($1,474)	(5)%
Gross margin	50%	52%		

Cost of revenue decreased $1.5 million for the nine months ended December 31, 2016 as compared to the same period in 2015 . The decrease is primarily attributable to a decline in personnel and subcontractor expense due to the planned exit from the low margin services business, as well as due to reductions in technology expense.

Our gross margin decreased to 50% for the nine months ended December 31, 2016 , as compared with 52% for the same period in 2015 . The reduced margins were primarily due to the decline in revenue.

Research and Development

Research and development costs incurred, expensed and capitalized are presented in the table below:

	Nine Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
Research and development costs incurred	$11,490	$12,455	($965)	(8)%
Capitalized internal software costs	(2,175)	(2,565)	390	(15)%
Research and development costs expensed	$9,315	$9,890	($575)	(6)%
Percentage of total revenue:				
Research and development costs incurred	22%	22%		
Research and development costs expensed	18%	18%		

Research and development costs incurred decreased slightly to $11.5 million for the nine months ended December 31, 2016 , as compared to $12.5 million in the same period in 2015 , attributable to a higher level of platform development activity in the prior year.

We capitalized $2.2 million and $2.6 million of internal software (research and development) costs for the nine months ended December 31, 2016 and 2015 , respectively. The decreased capitalization of our research and development costs for the nine months ended December 31, 2016 compared to the same period in 2015 , was due to the lower level of incurred costs.

Sales and Marketing

Sales and marketing costs are presented in the table below:

	Nine Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
Sales and marketing	$21,392	$23,223	($1,831)	(8)%
Percentage of total revenue	42%	41%		

Sales and marketing costs decreased $1.8 million for the nine months ended December 31, 2016 , compared to the same period in 2015 , primarily due to a restructuring of our direct sales and marketing organizations.

General and Administrative

General and administrative costs are presented in the table below:

	Nine Months Ended December 31,		Period-to-Period Change	
	2016	2015	$	%
	(In thousands)			
General and administrative	$9,207	$10,516	($1,309)	(12)%
Percentage of total revenue	18%	19%		

General and administrative costs decreased by $1.3 million for the nine months ended December 31, 2016 , as compared to the same period in 2015 . Prior period amounts included a non-recurring favorable adjustment of $1.1 million related to a non-income tax contingency. Current period expenses reflect improvements to legal, salary and stock compensation, and outside service expenses due in part to our continued rationalization of our general and administrative structure.

LIQUIDITY AND CAPITAL RESOURCES

In summary, our cash flows for the nine months ended December 31, 2016 and 2015 were:

	Nine Months Ended December 31,	
	2016	2015
Consolidated Statement of Cash Flows Data:	(In thousands)	
Net cash (used in) operating activities	($6,366)	($7,643)
Net cash (used in) investing activities	(2,364)	(6,304)
Net cash (used in) provided by financing activities	(375)	1,526
Effect of exchange rate	(138)	(41)
Net change in cash	($9,243)	($12,462)

Our principal source of liquidity is cash generated from operations. To date, we have incurred operating losses as reflected in our accumulated deficit, as well as negative cash flows as shown in the consolidated statements of cash flows. We do not expect to be profitable and expect negative cash flow for the full 2017 fiscal year as we continue to fund our current operations, implement our growth strategies, and fund capital expenditures. We anticipate our current cash balance as well as cash to be received from current and existing customers will be sufficient to meet our liquidity needs and accommodate our growth for at least the next twelve months.

The consolidated statements of cash flows included in this report compute net cash from operating activities using the indirect cash flow method. Therefore, non-cash adjustments and net changes in assets and liabilities (net of effects from currency fluctuations) are adjusted from net income to derive net cash from operating activities.

Cash Flows from Operating Activities

Net cash used in operating activities decreased to $6.4 million for the nine months ended December 31, 2016 , from $7.6 million for the same period in 2015 , primarily due to more favorable working capital fluctuations.

Cash Flows from Investing Activities

Cash used in investing activities typically consists of the purchase of property and equipment associated with our infrastructure and the expenditures on capitalized internal software (research and development) costs related to expanding our cloud-based Platform.

Net cash used in investing activities was $2.4 million for the nine months ended December 31, 2016 , compared to $6.3 million for the same period in 2015 . The decrease in cash used in investing activities is due to the prior year period which includes purchases of property and equipment and lease hold improvements associated with the relocation of our corporate headquarters to Southfield, Michigan in May 2015.

Cash Flows from Financing Activities

Net cash used in financing activities was $0.4 million for the nine months ended December 31, 2016 , as compared to $1.5 million provided by financing activities in the same period in 2015 , primarily due to a decrease in proceeds received from the exercises of stock awards.

RECENTLY ISSUED ACCOUNTING PRONOUCEMENTS

New accounting guidance that we have recently adopted, as well as accounting guidance that has been recently issued, but not yet adopted by us, is included in Note 1 of the notes to the consolidated financial statements appearing in Part I, Item 1 of this Quarterly Report.

CONTRACTUAL OBLIGATIONS

Contractual obligations represent future cash commitments and liabilities under agreements with third parties. There have been no material changes in our commitments under contractual obligations, as disclosed in our 2016 Annual Report.

OFF-BALANCE SHEET ARRANGEMENTS

We currently do not have any off-balance sheet or non-consolidated special purpose entity arrangements as defined by the applicable rules and regulations promulgated by the Securities and Exchange Commission ("SEC").

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed primarily to market risks associated with foreign currency exchange rates. We do not use derivative financial instruments or forward foreign exchange contracts for investment, speculative or trading purposes. We believe our foreign currency risk is minimal as 89% and 91% of our revenue was based in U.S. dollars for the nine months ended December 31, 2016 and 2015 , respectively. Previously reported fiscal year 2016 U.S. dollar revenue percentages have been adjusted (from 85% to 91%) to be consistent with current fiscal year amounts. In addition, we have no long-term assets or liabilities in foreign currencies. We do not have a material exposure to market risk with respect to investments.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), as of the end of the period covered by this Quarterly Report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving their objectives. Based upon the evaluation of our disclosure controls and procedures as of December 31, 2016 , 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 has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Beginning on May 30, 2014, two putative class actions were filed in the U.S. District Court for the Southern District of New York against us, our directors and former directors, and certain of our officers and former officers alleging violation of securities laws in connection with our IPO and seeking unspecified damages. These lawsuits were consolidated in the action entitled Desrocher v. Covisint Corporation, et al., No. 14-cv-03878 (the “Securities Class Action”). On October 14, 2014, the lead plaintiff filed a consolidated class action complaint (the “Complaint”) alleging violations of Regulation S-K and Sections 11 and 15 of the Securities Act. The Complaint alleged, among other things that the IPO’s registration statement contained (1) untrue statements and omissions of material facts related to the Company’s projected revenues for fiscal 2014, (2) materially inaccurate statements regarding the Company’s revenue recognition policy, and (3) omissions of known trends, uncertainties and significant risk factors as required to be disclosed by Regulation S-K.

On May 5, 2016, the parties entered into a stipulation and agreement of settlement to dismiss all claims with prejudice and settle the Securities Class Action (the “Settlement”). The Company's uninsured portion of the settlement amount is $0.4 million, which was recorded as a liability as of March 31, 2016 and paid in July 2016. On December 13, 2016, the Court approved the Settlement, which provided for a payment by the defendants of $8.0 million, and the Court dismissed the Securities Class Action with prejudice.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risks under the heading "Risk Factors" in Part I, Item 1A in our 2016 Annual Report, which risks could materially affect our business, financial condition or future results. There have been no material changes in our risk factors from those described in the Annual Report. These risks are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not Applicable.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS

The following exhibits are filed herewith.

Exhibit Number	Description of Document
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act
32.1*	Certification pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) of the Securities Exchange Act
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates an exhibit which is furnished herewith.

SIGNATURES

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

COVISINT CORPORATION

Date:	February 9, 2017	By: /s/ Samuel M. Inman, III Samuel M. Inman, III Chief Executive Officer Principal Executive Officer
Date:	February 9, 2017	By: /s/ Enrico Digirolamo Enrico Digirolamo Chief Financial Officer Principal Accounting Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to 15 U.S.C. Section 10A, as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Samuel M. Inman, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Covisint Corporation for the quarterly period ended December 31, 2016 ;

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 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.

February 9, 2017

By: /s SAMUEL M. INMAN, III
Samuel M. Inman, III
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to 15 U.S.C. Section 10A, as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Enrico Digirolamo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Covisint Corporation for the quarterly period ended December 31, 2016 ;

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 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.

February 9, 2017

By: /s/ ENRICO DIGIROLAMO
Enrico Digirolamo
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Covisint Corporation (the *"Company"*) on Form 10-Q for the quarterly period ended December 31, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the *"Report"*), Samuel M. Inman, III, Chief Executive Officer and Enrico Digirolamo, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

February 9, 2017

By: /s/ SAMUEL M. INMAN, III
Samuel M. Inman, III
Chief Executive Officer

By: /s/ ENRICO DIGIROLAMO
Enrico Digirolamo
Chief Financial Officer