

COMMERCEHUB, INC.

FORM 10-Q (Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **March 31, 2017**
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File Number 001-37840

COMMERCEHUB, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7372
(Primary Standard Industrial
Classification code number)

81-1001640
(I.R.S. Employer
Identification No.)

201 Fuller Road, 6 th Floor, Albany, New York 12203

(Address of principal executive office, including zip code)

Registrant's telephone number, including area code: **(518) 810-0700**

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

The number of outstanding shares of CommerceHub, Inc. common stock as of April 26, 2017 was:

	<u>Series A</u>	<u>Series B</u>	<u>Series C</u>
CommerceHub, Inc. common stock:	13,593,992	711,992	28,841,977

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements (Unaudited)**

COMMERCEHUB, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,044	\$ 6,471
Accounts receivable, net of allowances of \$546 and \$200, respectively	12,530	18,109
Prepaid income taxes	635	4,311
Prepaid expenses and other current assets	1,386	1,549
Total current assets	18,595	30,440
Capitalized software, net	6,011	6,716
Deferred services costs	4,808	4,989
Property and equipment, net	7,913	7,629
Goodwill	21,410	21,410
Deferred income taxes	8,356	7,714
Other long-term assets	1,475	1,122
Total assets	\$ 68,568	\$ 80,020
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,507	\$ 2,135
Accrued payroll and related expenses	4,816	7,435
Income taxes payable	7	7
Deferred revenue	5,340	5,149
Total current liabilities	12,670	14,726
Deferred revenue, long-term	7,724	7,581
Other long-term liabilities	1,453	1,135
Long-term debt	10,000	26,000
Total liabilities	31,847	49,442
Equity:		
Preferred stock, \$0.01 par value. Authorized shares of 50,000,000; 0 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	—	—
Series A common stock, \$0.01 par value. Authorized shares 40,000,000; 13,593,736 and 13,536,502 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	136	135
Series B common stock, \$0.01 par value. Authorized shares 1,500,000; 711,992 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	7	7
Series C common stock, \$0.01 par value. Authorized shares 83,000,000; 28,841,465 and 28,672,805 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	288	287
Additional paid-in capital	20,586	16,904
Retained earnings	15,704	13,245
Total equity	36,721	30,578
Total liabilities and equity	\$ 68,568	\$ 80,020

See accompanying notes to these condensed consolidated financial statements

COMMERCEHUB, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Revenue (Note 7)	\$ 24,568	\$ 22,090
Cost of revenue	5,516	6,104
Gross profit	19,052	15,986
Operating expenses:		
Research and development	5,915	4,870
Sales and marketing	1,931	3,618
General and administrative	6,939	10,524
Total operating expenses	14,785	19,012
Income (loss) from operations	4,267	(3,026)
Other (expense) income:		
Interest expense	(227)	—
Interest income	—	166
Total other (expense) income	(227)	166
Income (loss) before income taxes	4,040	(2,860)
Income tax expense (benefit)	1,581	(870)
Net income (loss)	2,459	(1,990)
Total comprehensive income (loss)	\$ 2,459	\$ (1,990)
Earnings (loss) per share:		
Basic	\$ 0.06	\$ (0.05)
Diluted	\$ 0.06	\$ (0.05)
Shares used in computing earnings (loss) per share:		
Basic	42,977	42,703
Diluted	44,670	42,703

See accompanying notes to these condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$ 2,459	\$ (1,990)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,094	2,323
Amortization of debt issuance costs	56	—
Share-based compensation expense	2,360	10,037
Deferred income taxes	(642)	(2,371)
Bad debt expense	404	33
Accrued interest income	—	(166)
Change in operating assets and liabilities:		
Accounts receivable	5,175	4,604
Prepaid expenses and other assets	(243)	(409)
Prepaid income taxes	3,676	—
Deferred costs	181	(192)
Deferred revenue	334	218
Accounts payable and accrued expenses	337	2,058
Accrued payroll and related expenses	(2,620)	1,106
Share-based compensation liability payments	—	(7,436)
Parent receivables and payables, net	—	257
Net cash provided by operating activities	<u>13,571</u>	<u>8,072</u>
Cash flows from investing activities:		
Purchases of property and equipment	(692)	(2,291)
Additions to capitalized software	(631)	(2,183)
Net cash used in investing activities	<u>(1,323)</u>	<u>(4,474)</u>
Cash flows from financing activities:		
Repayments on credit agreement	(16,000)	—
Cash received from exercise of stock options	1,324	52
Net cash (used in) provided by financing activities	<u>(14,676)</u>	<u>52</u>
Currency effect on cash and cash equivalents		
Net (decrease) increase in cash and cash equivalents	<u>(2,427)</u>	<u>3,650</u>
Cash and cash equivalents, beginning of period	<u>6,471</u>	<u>19,337</u>
Cash and cash equivalents, end of period	<u>\$ 4,044</u>	<u>\$ 22,987</u>
Supplemental disclosure of non-cash investing and financing activities:		
Contractual obligations for acquisition of fixed assets	\$ 360	\$ —

See accompanying notes to these condensed consolidated financial statements

COMMERCEHUB, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 - Description of Business

CommerceHub, Inc. (together with its subsidiaries, "CommerceHub," the "Company," "us," "we" and "our") was founded in 1997 (as Commerce Technologies, Inc., our predecessor entity) and is headquartered in Albany, New York, with additional locations in Seattle, Washington and Hertford, England. We are a leading provider of cloud-based e-commerce fulfillment and marketing solutions that integrate supply, demand and delivery for large retailers and consumer brands, manufacturers and distributors (collectively, "suppliers"). Our end-to-end solutions are provided through the CommerceHub software platform, a hub that streamlines integration and enables more efficient transactions among our retailer and supplier customers and their other trading partners, while also enabling them to access the online marketplaces, search engines, social and product advertising and other digital marketing channels (collectively, "demand channels") where consumers browse and buy. Our solutions also help our customers integrate with the third-party logistics ("3PL") providers, including fulfillment and delivery providers, that take purchased products to the consumer's doorstep.

During November 2015, the board of directors of Liberty Interactive Corporation, our former parent company ("Liberty" or "Parent"), authorized a plan to distribute to the holders of Liberty's Series A and Series B Liberty Ventures common stock, shares of CommerceHub (the "Spin-Off"). At the time, CommerceHub was a newly formed Delaware corporation that, pursuant to an internal restructuring, effective July 21, 2016, became the parent of Commerce Technologies, LLC, a Delaware limited liability company that, as a result of the restructuring, is the successor to Commerce Technologies, Inc. ("CTI"), the entity through which CommerceHub transacted prior to the Spin-Off. The Spin-Off was completed on July 22, 2016 and was effected as a pro rata dividend of shares of CommerceHub to the holders of Series A and Series B Liberty Ventures common stock of Liberty. The Internal Revenue Service has completed its review of the Spin-Off and has notified Liberty that it agreed with the nontaxable characterization of the Spin-Off.

Following the Spin-Off, CommerceHub now operates as a stand-alone publicly traded company, and neither Liberty nor CommerceHub has any stock ownership, beneficial or otherwise, in the other.

Note 2 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of CommerceHub. All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, these condensed consolidated financial statements do not include all of the information and notes required by GAAP. We have included all normal recurring adjustments we consider to be necessary to give a fair presentation of our financial position, results of comprehensive income (loss) and cash flows, and changes in equity for the interim periods shown. Operating results for these interim periods are not necessarily indicative of the results to be expected for the full year. The December 31, 2016 consolidated balance sheet data was derived from our audited consolidated financial statements at that date. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained within our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which was filed with the Securities and Exchange Commission (the "SEC") on March 7, 2017 (the "2016 Annual Report").

Use of Estimates

Preparing these condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates and assumptions.

Segment and Geographic Information

Operating segments are components of our business for which discrete financial information is available and evaluated by the chief operating decision maker ("CODM") for purposes of allocating resources and evaluating financial performance. Our Chief Executive Officer, who is our CODM, reviews consolidated financial information results of the Company to allocate resources and evaluate performance. As such, the Company operates as a single segment.

COMMERCEHUB, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes revenue by type:

(amounts in thousands)	Three Months Ended March 31,	
	2017	2016
Revenue:		
Usage revenue	\$ 15,859	\$ 14,296
Subscription revenue	6,897	6,364
Set-up and professional services	1,812	1,430
Total revenue	\$ 24,568	\$ 22,090

We generate nearly all of our revenue in the United States and Canada. For the three months ended March 31, 2017 and 2016, approximately 96% of our revenue was generated from customers located in the United States. Substantially all of our assets are located within the United States.

Note 3 - Significant Accounting Policies

During the three months ended March 31, 2017, there were no material changes in our significant accounting policies. Please see Note 3 to our consolidated financial statements included in our 2016 Annual Report for additional information regarding our significant accounting policies.

Note 4 - Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU No. 2014-09"). This standard is effective for fiscal years beginning after December 15, 2017, with two transition methods of adoption allowed, a full retrospective or modified retrospective. In May 2016, FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers* (Topic 606): *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. This update was to further clarify the implementation guidance on principal versus agent considerations in the previously issued ASU No. 2014-09. In April 2016, FASB issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, which clarifies implementation guidance on the identification of performance obligations and the licensing implementation guidance in ASU No. 2014-09. In May 2016, FASB issued ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients*, which clarifies the guidance on assessing collectability, presentation of sales taxes, non-cash consideration and completed contracts and contract modifications at transition. In December 2016, FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606*, which clarifies certain narrow aspects of ASU No. 2014-09.

We have begun to evaluate the impacts of this new standard on our financial statements, information technology systems and business processes and controls. We have developed an implementation plan to adopt this new guidance, including determining the method of adoption. As part of this plan, we are currently assessing the potential impacts this standard will have on our financial statements and related disclosures, including the potential impacts to our usage, subscription and set-up and professional services revenue. Further, although we are still evaluating the impact of this standard, based on our initial assessment we expect that there will be an impact relating to how we account for costs to acquire a contract. We expect that applying the new standard will result in the deferral of additional costs, primarily commission expenses to sales representatives, which is expected to be recognized over the estimated customer life. Due to the preliminary nature of our assessments to date, we are currently unable to estimate the impact this standard will have on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU No. 2016-02"). This topic provides that a lessee should recognize the assets and liabilities that arise from leases. ASU No. 2016-02 requires an entity to separate the lease components from the nonlease components in a contract. ASU No. 2016-02 is intended to improve financial reporting about lease transactions and is effective for fiscal years beginning after December 15, 2018. We are evaluating the impact this update will have on our financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU No. 2016-09"), which is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. ASU No. 2016-09 changed aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the

COMMERCEHUB, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

statement of cash flows when an employer withholds shares for tax-withholding purposes. Further, under ASU No. 2016-09 the calculation for diluted shares under the treasury-stock method no longer includes the effect of excess tax deductions, resulting in a higher effect of dilutive shares. We adopted ASU No. 2016-09 in the first quarter of 2017, which did not have a significant impact on our financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)* ("ASU No. 2016-15"), which addresses eight specific cash flow matters with the objective of reducing diversity in practice in how certain cash receipts and cash payments are classified in the statement of cash flows. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2017. We are evaluating the impact this update will have on our financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash* ("ASU No. 2016-18"), which requires that entities show the changes in the total of cash, cash equivalents and restricted cash in the statement of cash flows. Transfers between cash, cash equivalents and restricted cash should not be presented as cash flow activities on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2017. We do not expect the adoption of this standard will have a material impact on our financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU No. 2017-04"), which removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. An impairment charge will now equal the amount by which the reporting unit's carrying value exceeds its fair value. ASU No. 2017-04 is effective for fiscal years beginning after December 15, 2019. We do not expect the adoption of this standard will have a material impact on our financial statements.

Note 5 - Earnings (Loss) Per Share

For the three months ended March 31, 2016, basic and diluted earnings (loss) per common share is computed by dividing net income (loss) for that period by 42,702,842 common shares, which is the aggregate of 13,522,288 shares of Series A common stock, 711,992 shares Series B common stock and 28,468,562 shares of Series C common stock issued upon completion of the Spin-Off on July 22, 2016. The shares used in the calculation of diluted earnings per share for periods prior to the Spin-Off exclude issuances of 109,354 shares of common stock issued to pre-Spin-Off minority shareholders of CTI and 7,362,933 outstanding awards to purchase shares of our common stock, which occurred after the Spin-Off.

For the three months ended March 31, 2017, basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during that period. Diluted earnings (loss) per share gives effect to all dilutive potential shares outstanding resulting from employee stock options and restricted stock units during that period.

The shares used in the calculation of diluted earnings per share for periods following the Spin-Off exclude (a) options to purchase shares where the exercise price was greater than the average market price of common shares for the period, using the treasury-stock method, and therefore the effect of the inclusion would be anti-dilutive and (b) awards with performance-based conditions where the performance criteria has not been met as of the reporting date.

The following table sets forth net income (loss) and the basic and diluted shares used to calculate earnings per share (in thousands):

	Three Months Ended	
	March 31,	
	2017	2016
Net income (loss)	\$ 2,459	\$ (1,990)
Basic - weighted average shares outstanding	42,977	42,703
Weighted average effect of dilutive potential securities	1,693	—
Diluted - weighted average shares outstanding	44,670	42,703
Anti-dilutive securities	4,585	—

COMMERCEHUB, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 6 - Concentrations of Significant Customers and Credit Risk

No single customer accounted for more than 10% of our total revenue in the three months ended March 31, 2017 or 2016. However, our revenue model is primarily based on retailer and supplier program relationships whereby many revenue-generating supplier transactions conducted through our platform may be attributable to a single retailer ("Total Program Revenue"). In each of the three -month periods ended March 31, 2017 and March 31, 2016 , one customer's Total Program Revenue accounted for more than 10% of total revenue. No single customer represented more than 10% of accounts receivable at March 31, 2017 .

Note 7 - Related Party Transactions

Prior to the Spin-Off, Liberty, QVC, Inc. ("QVC"), which is a wholly owned subsidiary of Liberty, and other subsidiaries and equity investments of Liberty were related parties of CommerceHub for GAAP purposes and related persons of CommerceHub for purposes of Regulation S-K under the Securities Exchange Act of 1934, as amended. As a result, because this report includes the three months ended March 31, 2016, which was prior to the Spin-Off, we have disclosed activities with these entities during this period. For the three months ended March 31, 2017 and future periods that do not include pre-Spin-Off periods, based on current facts and circumstances, we do not believe Liberty, QVC or other subsidiaries or equity investments of Liberty are related parties or related persons of CommerceHub, but we will continue to monitor and evaluate these relationships and other potential relationships with related parties and/or related persons.

Transactions with QVC

We provide our solutions to QVC in the ordinary course of business. For the three months ended March 31, 2016 , Total Program Revenue with QVC accounted for approximately 7% of total revenue. We had accounts receivable due from QVC of approximately \$784 thousand at December 31, 2016 .

Transactions with Liberty

In previous periods, we had outstanding a promissory note as a lender to Liberty, presented as note receivable—Parent on the consolidated balance sheets. This note carried an interest rate based on one-year LIBOR plus 100 basis points . In the three months ended March 31, 2016 , we earned interest of \$166 thousand on this promissory note. During the second quarter of 2016, Liberty fully repaid the \$36.4 million outstanding under this promissory note, including accumulated interest of \$2.4 million.

Note 8 - Capitalized Software Costs

Capitalized software costs, net is comprised of the following (in thousands):

	March 31, 2017	December 31, 2016
Capitalized software costs	\$ 32,710	\$ 32,506
Less accumulated amortization	(26,699)	(25,790)
Capitalized software costs, net	<u>\$ 6,011</u>	<u>\$ 6,716</u>

Amortization expense related to capitalized software costs is included in cost of revenue and was approximately \$1.3 million and \$1.2 million for the three months ended March 31, 2017 and 2016 , respectively.

Future amortization expense of existing capitalized software costs as of March 31, 2017 is expected to be as follows for the years ending December 31, (in thousands):

Remainder of 2017	\$ 3,436
2018	2,221
2019	347
2020	7
	<u>\$ 6,011</u>

COMMERCEHUB, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 9 - Share-Based Awards

We grant equity incentive awards to certain of our employees (including our executive officers), directors and consultants. Following the Spin-Off, all of the awards we have granted have been stock options and restricted stock units ("RSUs") relating to shares of our Series C common stock. Some of these awards contain service-based vesting conditions (typically annual vesting over four years), and some of these awards contain both service- and milestone-based vesting conditions.

We estimate the fair value of the stock options granted using the Black-Scholes pricing model. In valuing share-based awards, significant judgment is required in determining the fair value of our share price, the expected volatility of common stock, and the expected term individuals will hold their share-based awards prior to exercise. With the assistance of an independent third-party advisory firm, for awards granted during the three months ended March 31, 2016, we estimated share-price based on an internal valuation using income- and market-based approaches. In connection with the Spin-Off, the awards outstanding were modified, and their respective fair values were updated at the Spin-Off. The share-price input at the Spin-Off was based on the closing share price the first trading day following the Spin-Off.

Included in the condensed consolidated statements of comprehensive income (loss) are the following amounts of share-based compensation (amounts in thousands):

	Three Months Ended	
	March 31,	
	2017	2016
Cost of revenue	\$ 110	\$ 504
Research and development	571	1,860
Sales and marketing	135	984
General and administrative	1,544	6,689
	<u>\$ 2,360</u>	<u>\$ 10,037</u>

Prior to the Spin-Off, awards outstanding were liability-based awards as they could be settled in cash, and marked-to-market each reporting period, based on an internal valuation described above. For periods following the Spin-Off, all awards are equity-based awards as they can no longer be settled in cash, and therefore are no longer marked-to-market each reporting period. During the three months ended March 31, 2016, we recognized significantly higher share-based compensation expense associated with this mark-to-market adjustment, which is the primary driver in the decrease in share-based compensation expense from the first quarter of 2016 to the first quarter of 2017.

CommerceHub Share-Based Award Plans

In connection with the Spin-Off, all of the outstanding CTI stock appreciation rights and stock options were converted into new option awards to purchase shares of our Series C common stock, which were issued under the CommerceHub, Inc. Legacy Stock Appreciation Rights Plan and the CommerceHub, Inc. Legacy Stock Option Plan (together, the "Legacy Plans"), respectively. The Legacy Plans govern the terms and conditions of these new option awards but will not be used to make any further grants.

In connection with the Spin-Off, we also adopted the CommerceHub, Inc. 2016 Omnibus Incentive Plan (as amended, amended and restated or otherwise modified from time to time, the "Omnibus Plan"), which is the incentive plan we use for all new equity grants following the Spin-Off. On January 1, 2017, the number of shares available for issuance under the Omnibus Plan was increased by 2,146,064 shares, or 5% of the outstanding shares of our common stock on December 31, 2016, to 15,346,064 shares.

In addition, also in connection with the Spin-Off, we adopted an Employee Stock Purchase Plan (the "ESPP"), which provides employees with the opportunity to invest a portion of their annual eligible compensation to purchase shares of our Series C common stock at a purchase price equal to 85% of the lower of (a) the fair market value of our Series C common stock at the beginning of the applicable six-month offering period, and (b) the fair market value of our Series C common stock at the end of the applicable six-month offering period. The first offering period under the ESPP began on January 1, 2017. For the three months ended March 31, 2017, we recorded approximately \$80 thousand of share-based compensation expense associated with the ESPP.

COMMERCEHUB, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The fair value of ESPP shares is estimated based on the market price of our Series C common stock at the beginning of each offering period and the Black-Scholes option pricing model with the following assumptions:

Volatility	41.5%
Term (in years)	0.5
Risk-free interest rate	0.8%
Dividend yield	—%

Also in connection with the Spin-Off, holders of option awards, RSUs and restricted stock awards ("RSAs") relating to Liberty's Liberty Ventures common stock received CommerceHub options, RSUs and RSAs, respectively, pursuant to the CommerceHub, Inc. Transitional Stock Adjustment Plan (the "Transitional Plan"). The Transitional Plan governs the terms and conditions of these new awards but will not be used to make any further grants.

The following table summarizes the share-based award activity of options to purchase shares of our common stock for the three months ended March 31, 2017 :

	CommerceHub Employee Plans		Liberty Employee Plans	
	Omnibus Plan	Legacy Plans	Transitional Plan	
	Series C	Series C	Series C	Series A
Outstanding at January 1, 2017	193,998	5,580,109	1,006,043	329,188
Granted	278,629	—	—	—
Exercised	—	(55,655)	(119,028)	(59,532)
Forfeited	(10,000)	(46,494)	(3,558)	(1,785)
Outstanding at March 31, 2017	462,627	5,477,960	883,457	267,871
Weighted average exercise price	\$ 15.61	\$ 13.02	\$ 9.41	\$ 7.90
Weighted average remaining contractual life (in years)	9.8	8.0	4.2	3.7
Aggregate intrinsic value (in thousands)	\$ 178	\$ 16,908	\$ 5,409	\$ 2,019
Exercisable at March 31, 2017	—	1,261,320	476,669	204,631
Weighted average exercise price	N/A	\$ 3.45	\$ 7.23	\$ 6.46
Weighted average remaining contractual life (in years)	N/A	4.1	3.4	3.0
Aggregate intrinsic value (in thousands)	N/A	\$ 15,236	\$ 3,956	\$ 1,835

The weighted average grant-date fair value of options granted during the three months ended March 31, 2017 was \$7.16 . As of March 31, 2017 , unrecognized compensation cost related to options to purchase shares of our Series C common stock under the Omnibus Plan and Legacy Plans was approximately \$16.5 million and is expected to be recognized over a weighted average remaining vesting period of approximately 3.3 years . There is no unrecognized compensation cost related to options under the Transitional Plan because they are held by employees of Liberty and any related compensation expense is incurred by Liberty.

RSU Activity Under the Omnibus Plan (Series C)

The following table summarizes the share-based award activity of RSUs relating to our Series C common stock granted under the Omnibus Plan for the three months ended March 31, 2017 :

	Number of awards	Weighted average grant-date fair value
Outstanding at January 1, 2017	505,831	\$ 14.35
Granted	168,984	\$ 16.30
Vested	—	\$ —
Forfeited	(6,473)	\$ 14.33
Outstanding at March 31, 2017	668,342	\$ 14.85

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As of March 31, 2017, unrecognized compensation cost related to RSUs relating to shares of our Series C common stock was approximately \$7.5 million and is expected to be recognized over a weighted average remaining vesting period of approximately 3.5 years.

RSA and RSU Activity Under the Transitional Plan (Series A and Series C)

Share-based award activity for RSUs and RSAs relating to our Series A and Series C common stock issued under the Transitional Plan for the three months ended March 31, 2017 was not material. There is no unrecognized compensation cost related to these awards because they are held by employees of Liberty and any related compensation expense is incurred by Liberty.

Options and RSA Activity Under the Transitional Plan (Series B)

There has been no activity in the outstanding stock options and RSAs relating to our Series B common stock subsequent to the Spin-Off. There is no unrecognized compensation cost related to these awards because they are held by an employee of Liberty and any related compensation expense is incurred by Liberty.

Note 10 - Income Taxes

Our expense or benefit from income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items.

During the three months ended March 31, 2017 and 2016, our effective tax rate was 39% and 30%, respectively. The March 31, 2017 effective tax rate was higher than the U.S. Federal income tax rate of 35%, primarily due to state and local income tax, net of Federal income tax benefits, offset by the Federal research credit. The March 31, 2016 effective tax rate was lower than the 35% Federal income tax rate, primarily due to the effect of market adjustments for stock options exercised under our share-based compensation program, non-deductible transaction-related costs incurred in 2016 associated with the Spin-Off, and the Federal research credit.

There were no uncertain tax positions as of March 31, 2017 or December 31, 2016.

Note 11 - Long-Term Debt

On June 28, 2016, we entered into a credit agreement governing a \$125.0 million revolving credit facility, which expires on June 28, 2021. At March 31, 2017, we had \$10.0 million in borrowings and no letters of credit outstanding under the facility, and our available borrowings under the facility were \$115.0 million. At March 31, 2017, the fair value of our debt, which holds a floating interest rate of a short duration and is based on Level 2 valuation inputs, approximated the carrying value.

The interest rate applicable to our initial borrowings is LIBOR plus a yield of 1.75%. Interest on the revolving credit facility is based on a base rate or Eurodollar rate plus an applicable margin that increases as our total leverage ratio increases, with the base rate margin ranging from 0.75% to 1.25% and the Eurodollar rate margin ranging from 1.75% to 2.25%. The revolving credit facility also carries a commitment fee of 0.25% to 0.50% per annum on the unused portion.

Borrowings under the revolving credit facility are collateralized by substantially all of our assets. The credit agreement contains covenants and restrictions which, among other things, require the maintenance of certain financial ratios, including a total leverage ratio and an interest coverage ratio, and restrict dividend payments and the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We were in compliance with these covenants and restrictions as of March 31, 2017.

Note 12 - Commitments and Contingencies

Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, prospects, financial condition results of operations and/or cash flows.

Leases

During the first quarter of 2017, we entered into a new lease for office space in Seattle, Washington and, at the same time, entered into a sub-lease of our existing space in Seattle. We expect to vacate our existing office and move into the new

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office space in the second quarter of 2017, at which time we will recognize an impairment charge equal to the fair value of the unrecovered payments for the remainder of the lease, which is not expected to be material.

Future minimum lease payments due under operating lease arrangements contain rent increases over the term of the lease. Rent expense on these operating leases is recognized over the term of the lease on a straight-line basis. The excess of rent expense over future minimum lease payments due totaled \$1.5 million and \$1.1 million at March 31, 2017 and December 31, 2016, respectively, and are included in other long-term liabilities on the condensed consolidated balance sheets.

At March 31, 2017, future minimum payments under operating leases, net of expected lease collections under our sub-lease, were as follows (in thousands):

Remainder of 2017	\$ 2,144
2018	2,032
2019	1,581
2020	1,563
2021	1,597
	<u>\$ 8,917</u>

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

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about future business strategies, market conditions and potential, future financial prospects, future growth of e-commerce, customer growth, future expenses, financial performance and other matters that are not historical facts. In particular, statements under this Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 3 "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. These statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statements. In addition to the risk factors described in our 2016 Annual Report under the heading " *Risk Factors* ," the following list includes some but not all of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- consolidation or simplification of the e-commerce industry;
- failure to compete successfully against current or future competitors;
- the loss, poor performance or financial difficulty of a customer;
- our ability to respond rapidly to changes in the e-commerce market;
- retailer demand for drop-ship solutions;
- conditions in the global economy;
- our ability to maintain and scale our technical infrastructure;
- our ability to avoid and/or effectively manage cybersecurity incidents;
- service failures or interruptions;
- obligations imposed on providers of software-as-a-service ("SaaS") solutions, and the continued acceptance of such solutions;
- the seasonality of our and our customers' businesses;
- the success of our strategic relationships with third parties;
- our ability to attract and retain key personnel;
- risks associated with acquiring or investing in other companies;
- risks associated with international expansion; and
- our ability to navigate complex domestic and foreign laws and regulations and to protect our intellectual property.

Forward-looking statements set forth herein speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any such statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. There can be no assurance that any expectation or belief expressed in a forward-looking statement will occur, and you should not place undue reliance on any forward-looking statements.

As used herein, "CommerceHub," "we," "us," "our," the "Company" and similar terms include CommerceHub, Inc. together with its subsidiaries, unless the context indicates otherwise.

Available Information

Our website is located at www.commercehub.com, and our Investor Relations website is located at ir.commercehub.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments thereto filed or furnished with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available through our Investor Relations website, free of charge, after we file them with the SEC. We also provide a link to the section of the SEC's website at www.sec.gov that has all of the reports and other information that we file or furnish with the SEC. You may read and copy any materials we file or furnish with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You can get information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

In addition to the reports and other information we file and furnish with the SEC, investors and others should note that we intend to use our Investor Relations website, located at ir.commercehub.com, as a means of disclosing material non-public

information, including material financial and operating information, to the investment community and for complying with our disclosure obligations under Regulation FD of the Exchange Act. We webcast via our Investor Relations website our earnings calls and certain other events we participate in or host with members of the investment community. Our Investor Relations website also provides notifications of news and/or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases and other information we may post on our Investor Relations website from time to time. In addition, we use social media and our blog (located at www.commercehub.com/blog) to communicate with the public about our Company, and it is possible that information we post on social media or our blog could be deemed to be material. Accordingly, in addition to following our SEC filings, press releases and public conference calls and webcasts, investors should monitor and review closely the information we post on our Investor Relations website and the social media channels listed on our Investor Relations website and our blog.

The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

Overview

We are a leading provider of cloud-based e-commerce fulfillment and marketing solutions that integrate supply, demand and delivery for large retailers and consumer brands, manufacturers and distributors (collectively, "suppliers"). Our end-to-end solutions are provided through the CommerceHub software platform, a hub that streamlines integration and enables more efficient transactions among our retailer and supplier customers and their other trading partners, while also enabling them to access the online marketplaces, search engines, social and product advertising and other digital marketing channels (collectively, "demand channels") where consumers browse and buy. Our solutions also help our customers integrate with the third-party logistics ("3PL") providers, including fulfillment and delivery providers, that take purchased products to the consumer's doorstep.

The U.S. Department of Commerce reported that e-commerce in the United States grew 15% in 2016 as consumers continued to shift their spending into the online channel. A large number of companies, our customers included, are evolving their strategies to aggressively compete for consumer orders within the rapidly evolving e-commerce marketplace. The companies that are successfully adapting to this competitive environment tend to grow their online sales at or above the overall market rate. In contrast, sales grow slower, or decline, within companies who fail to keep up with consumer preferences or are challenged with burdensome cost structures or other financial difficulties. Our customer base represents a sample of the overall retail market and includes both companies challenged by this transition to e-commerce, including a customer that filed for bankruptcy in the quarter ended March 31, 2017, and stronger retailers that are successfully adapting as retail shifts into the online channel.

Over 10,000 customers and trading partners have access to our platform every day to conduct business with each other, including processing orders and invoices, exchanging product information and other electronic documents and tracking their customers' buying experience from order through fulfillment and delivery. Collectively, our customers and the other trading partners on our platform comprise a vibrant network of retailers, brands and other suppliers, demand channels and other trading partners that constitute a critical mass of many of the largest and most influential companies in North American e-commerce. This critical mass has helped us achieve a meaningful network effect, attracting new supplier customers to our large network of retailers and demand channels, and attracting new retailer and demand channel customers to our network of thousands of suppliers, enabling us to grow our business with a comparatively low cost of customer acquisition.

Our solutions unite supply, demand and delivery and provide our customers with a single platform to source and market the products consumers desire and to have those products delivered more rapidly to the consumers' doorsteps. Specifically, we provide our customers with the following solutions:

Supply Solutions . Our "Supply Solutions" enable retailers and online marketplaces to expand their product offerings, without the economic and logistical limitations and risks typically associated with buying, storing and shipping physical inventory, by leveraging our network of almost 10,000 drop-ship-capable suppliers and other marketplace sellers that receive orders from demand channels and ship products directly to consumers.

Demand Solutions . Our "Demand Solutions" give retailers and suppliers greater access to consumer demand through access and product listing management capabilities for some of the largest and most important sales channels in North America, including major retailers, online marketplaces, such as Amazon, eBay, Walmart Marketplace and Jet.com, and other demand channels, including social and product advertising.

Delivery Solutions . Our "Delivery Solutions" facilitate rapid, cost-efficient, on-time delivery with greater control of, and visibility into, the consumer experience through more efficient use of 3PL providers, including national, regional, local and specialty delivery providers. For example, our SmartShipping solution enables retailers to automatically adjust carrier service levels to meet consumer delivery promise dates in the most cost-effective manner available based on the location of the inventory and the consumer. To help reduce delivery times, our network of 3PL partners helps retailers and other sellers

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distribute inventory to strategic locations that are closer to a wider distribution of their customers, enabling them to meet their customers' delivery expectations while reducing the delivery costs associated with doing so.

Key Financial Metrics

Usage Revenue

Usage revenue is generated primarily from fees charged to retailers and suppliers for their use of our platform to conduct business with their trading partners. These usage fees are primarily influenced by the volume of customer orders that are processed through our platform using our Supply Solutions. Usage revenue also consists of fees for activity related to Demand Solutions, Delivery Solutions, inventory management, third-party communication and variable fees related to the amount of online sales our customers achieve on our platform and solutions that are above minimum volume requirements.

Total usage revenue grows as the overall volume of orders for goods purchased online through our retailer customers and other supported demand channels increases, as new trading partners are added to the platform and as current trading partners connect and create relationships with other trading partners. We track and measure total usage revenue because it measures customer activity on our platform.

Subscription Revenue

A customer's subscription fee is based on several factors, including the number and type of trading partners that a customer is connected to through our platform, the number and type of demand channels a customer accesses through our platform and the adoption of certain available feature upgrades that further enhance the functionality of our platform. Subscription fees are charged on a stand-alone basis or in association with a minimum usage level required to be maintained by a customer in connection with our Demand Solutions.

Total subscription revenue grows as new trading partner customers join the platform, as those trading partners connect and create relationships with other trading partners and as our customers adopt new features and upgrades that we make available. We track and measure total recurring subscription revenue because it indicates the size of our platform in terms of the total number of trading partner customers and relationships among those customers, and the scope of their engagement with us in terms of their adoption of available feature upgrades.

Set-up and Professional Services Revenue

Set-up fees include on-boarding services for the configuration, program and design of a customer's access to our platform. During a retailer's subscription term, we provide professional services to enhance the retailer's benefit from our solutions. We track and measure set-up and professional services as they provide an indication of new trading partner connections and enhancements to existing customer connections.

Domestic vs. Foreign Revenue Streams

We generate nearly all of our revenue in North America (United States and Canada). For the three months ended March 31, 2017 and 2016, approximately 96% of our revenue was generated from customers located in the United States.

Seasonality

The e-commerce marketplace is affected by seasonality trends that are similar to those applicable to the traditional brick-and-mortar market, and many of our customers typically realize a significant portion of their sales in the fourth quarter of each calendar year. Historically, the percentage of our annual revenue has been relatively uniform over the first three quarters of the year with approximately 33% to 34% of our annual revenue generated in the fourth quarter.

Cost of Revenue

Cost of revenue primarily consists of personnel costs, including salaries, bonuses, payroll taxes, benefits, share-based compensation expenses and facility cost allocations for our teams supporting customer service, application support, customer set-up and professional services, and performance marketing. We capitalize the cost of acquired software, qualifying payroll and payroll-related costs incurred in developing and enhancing our solutions and related product offerings, such as internal tools used by our operations teams. Amortization expense related to these costs are included in cost of revenue. Additionally, facility costs for our data centers, communication service charges and depreciation expense related to computer equipment directly associated with generating revenue are captured in cost of revenue.

Research and Development Expenses

Research and development expenses consist of personnel costs, including salaries, bonuses, payroll taxes and benefits, net of amounts capitalized as developed software, share-based compensation expenses and facility cost allocations for employees engaged in the design, development, testing and maintenance of our solutions. Also included are fees paid to third-party firms who assist in the development of our product solutions, net of amounts capitalized as developed software.

Sales and Marketing Expenses

Sales and marketing expenses consist of personnel costs, including salaries, commissions, bonuses, payroll taxes, benefits, share-based compensation expenses and facility cost allocations for sales, client management and marketing employees. Other expenses associated with sales and marketing include expenses incurred related to corporate marketing, including brand awareness and trade shows. Much of our marketing effort is focused on thought leadership, as our marketing team engages with media and other industry influencers to publish and present on topics relevant to CommerceHub's solutions in trade publications and relevant industry conferences. Our client management expenses are attributable to our personnel and programs intended to oversee and develop comprehensive relationships with our customers and to provide strategic account management and coordination of cross-selling opportunities.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs, including salaries, bonuses, payroll taxes, benefits, share-based compensation expenses and facility cost allocations for our corporate functions, including executive leadership, finance, legal, information technology and human resources, as well as professional services and other fees related to legal, tax and finance. Also, costs attributable to credit card processing and bad debt expense are included in general and administrative expense.

Other Income and Expense

Other income and expense includes interest income from our promissory note receivable due from Liberty and interest expense under our credit facility for the 2016 and 2017 periods, respectively.

Management's Use of Non-GAAP Measures

In addition to reporting financial measures calculated in accordance with U.S. generally accepted accounting principles ("GAAP"), we provide Adjusted EBITDA, a non-GAAP financial measure that management considers in reviewing our financial performance because we feel it is a relevant measure of the overall efficiency of our business model. Adjusted EBITDA is not a substitute for, or superior to, and should be considered only in addition to, net income calculated in accordance with GAAP. It is subject to inherent limitations and excludes significant expenses and income that are required by GAAP to be recorded in our consolidated financial statements. Certain of these adjustments are based on estimates and assumptions of management and do not purport to reflect actual historical results. In addition, our computation of Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate these measures in the same fashion. We define "Adjusted EBITDA" as net income or loss plus interest expense, income tax expense, depreciation of property and equipment, amortization of capitalized software costs and intangible assets, and share-based compensation expense, less interest income and income tax benefit.

New Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 4 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Critical Accounting Policies

Preparation of our condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Please see the section entitled " *Management's Discussion and Analysis of Financial Condition and Results of Operations* " within our 2016 Annual Report, which describes the significant accounting policies used in preparation of the consolidated financial statements. On an ongoing basis, we evaluate the critical accounting policies used to prepare our condensed consolidated financial statements. There have been no material changes in these aforementioned critical accounting policies.

Results of Operations for the Three Months ended March 31, 2017 and March 31, 2016
Revenue:

(amounts in thousands)	Three Months Ended March 31,		Change	
	2017	2016	\$	%
Revenue:				
Usage revenue	\$ 15,859	\$ 14,296	\$ 1,563	11%
Subscription revenue	6,897	6,364	533	8%
Set-up and professional services	1,812	1,430	382	27%
Total revenue	\$ 24,568	\$ 22,090	\$ 2,478	11%

Our revenue increased 11% for the three months ended March 31, 2017 . Excluding all revenue attributable to customers acquired through our acquisition of Mercent, revenue increased by 17% for the three months ended March 31, 2017 as compared to the same period in 2016 .

Usage revenue represented 65% of our total revenue for the three months ended March 31, 2017 and 2016 . Excluding all usage revenue attributable to customers acquired through our acquisition of Mercent, our usage revenue increased by 17% for the three months ended March 31, 2017 as compared to the prior period. The increase in our usage revenue was mainly driven by an 18% increase in the volume of customer orders, primarily from existing customers, processed through our platform during the three months ended March 31, 2017 , as compared to the same period in the prior year.

Subscription revenue represented 28% and 29% of our total revenue for the three months ended March 31, 2017 and 2016 , respectively. The growth in our subscription revenue was primarily driven by a 12% increase in the number of trading partner customers on our platform.

Revenue generated from set-up and professional services represented 7% and 6% of our total revenue for the three months ended March 31, 2017 and 2016 , respectively. This increase was driven in part by an increase in the number of retailer and supplier selling relationships on our platform.

Cost of Revenue and Gross Profit:

(amounts in thousands)	Three Months Ended March 31,		Change	
	2017	2016	\$	%
Cost of revenue	\$ 5,516	\$ 6,104	\$ (588)	(10)%
Gross profit	\$ 19,052	\$ 15,986	\$ 3,066	19 %
Gross profit %	78%	72%	6%	

Cost of revenue decreased due to lower share-based compensation expense of approximately \$0.4 million compared to the same period in 2016 , which was attributable to the mark-to-market adjustment of liability-based awards in 2016 , which resulted in higher expense in the three months ended March 31, 2016 as compared to the equity-based awards in 2017, which are not marked-to-market. Further, the decrease was attributable to a \$0.2 million reduction in personnel costs primarily driven by decreased headcount in the three months ended March 31, 2017, as compared to the same period in 2016. Gross profit increased by \$3.1 million, or 19%, as we continue to leverage our existing platform and personnel while increasing revenues.

Operating Expenses:

(amounts in thousands)	Three Months Ended March 31,		Change	
	2017	2016	\$	%
Operating expenses:				
Research and development	\$ 5,915	\$ 4,870	\$ 1,045	21 %
Sales and marketing	1,931	3,618	(1,687)	(47)%
General and administrative	6,939	10,524	(3,585)	(34)%
Total operating expenses	\$ 14,785	\$ 19,012	\$ (4,227)	(22)%

Research and development expenses. Research and development expenses increased due to an increase in personnel costs of \$2.6 million, of which \$1.6 million was attributable to a reduction in the amount of software development efforts

capitalized, with the remaining \$1.0 million increase attributable to the expansion of our development teams. During 2016, we changed and further refined our methodologies and processes to estimate the portion of software development eligible to be capitalized. The increase in personnel costs was partially offset by a \$1.3 million reduction in share-based compensation expense due to the mark-to-market adjustment of liability-based awards in 2016, which resulted in higher expense in the three months ended March 31, 2016 as compared to the equity-based awards in 2017, which are not marked-to-market.

Sales and marketing expenses. Sales and marketing expenses decreased due to a \$0.7 million decrease in commissions expense to our sales team and \$0.8 million decrease in share-based compensation expense due to the mark-to-market adjustment of liability-based awards in 2016, which resulted in higher expense in the three months ended March 31, 2016 as compared to the equity-based awards in 2017, which are not marked-to-market.

General and administrative expenses. General and administrative expenses decreased due to lower share-based compensation expense of approximately \$5.1 million due to the mark-to-market adjustment of liability-based awards in 2016, which resulted in higher expense in the three months ended March 31, 2016 as compared to the equity-based awards in 2017, which are not marked to market. This decrease was partially offset by a \$0.8 million increase in ongoing professional services expenses attributable to becoming a public company, a \$0.6 million increase in personnel costs from the expansion of the legal and finance teams and a \$0.4 million increase in bad debt expense, due in large part to a customer bankruptcy.

Other Expense and Income:

(amounts in thousands)	Three Months Ended March 31,		Change	
	2017	2016	\$	%
Other (expense) income:				
Interest expense	\$ (227)	\$ —	\$ (227)	100 %
Interest income	—	166	(166)	(100)%
Total other (expense) income	\$ (227)	\$ 166	\$ (393)	nm

Other expense increased due to interest expense incurred in respect of borrowings under our revolving credit facility, coupled with a decrease in interest earned under our promissory note receivable due from Liberty, which was fully repaid in June 2016, resulting in no interest earned in 2017.

Income Taxes:

(amounts in thousands)	Three Months Ended March 31,		Change	
	2017	2016	\$	%
Income tax expense (benefit)	\$ 1,581	\$ (870)	\$ 2,451	nm
Effective tax rate	39%	30%	9%	

The March 31, 2017 effective tax rate was higher than the U.S. Federal income tax rate of 35%, primarily due to state and local income tax, net of Federal income tax benefits, offset by the Federal research credit. The March 31, 2016 effective tax rate was lower than the 35% Federal income tax rate, primarily due to the effect of market adjustments for stock options exercised under our share-based compensation program, non-deductible transaction-related costs incurred in 2016 associated with the Spin-Off, and the Federal research credit.

Adjusted EBITDA:

(amounts in thousands)	Three Months Ended March 31,		Change	
	2017	2016	\$	%
Adjusted EBITDA:				
Net income (loss)	\$ 2,459	\$ (1,990)	\$ 4,449	nm
Interest expense (income)	227	(166)	393	nm
Income tax expense (benefit)	1,581	(870)	2,451	nm
Depreciation and amortization	2,094	2,323	(229)	(10)%
Share-based compensation expense	2,360	10,037	(7,677)	(76)%
Adjusted EBITDA	\$ 8,721	\$ 9,334	\$ (613)	(7)%

Adjusted EBITDA decreased due in part to a \$1.6 million reduction in the amount of software development costs capitalized, increased ongoing professional services costs of \$0.8 million associated with becoming a public company and increased bad debt expense of \$0.4 million, due in large part to a customer bankruptcy. These cost increases were partially offset by increased operating profit on higher revenue for the three months ended March 31, 2017 as compared to the same period in the prior year.

The primary driver of the change in share-based compensation expense was the mark-to-market adjustment on liability-based awards outstanding in 2016, primarily generated by the change in underlying share value, for each period, as further described in Note 9 to the accompanying condensed consolidated financial statements.

Liquidity and Capital Resources

(amounts in thousands)	Three Months Ended March 31,		Change	
	2017	2016	\$	%
Net cash provided by (used in):				
Operating activities	\$ 13,571	\$ 8,072	\$ 5,499	68 %
Investing activities	(1,323)	(4,474)	3,151	(70)%
Financing activities	\$ (14,676)	\$ 52	\$ (14,728)	nm

Cash Flow from Operating Activities

The increase in cash flow from operating activities was primarily attributable to the elimination of \$7.4 million of cash payments in the prior period for the settlement of share-based awards, which no longer occur following the modification of our share-based incentive plans in connection with the Spin-Off. The increase was further driven by a \$4.4 million improvement in net income, which was partially offset by a \$5.6 million net decrease in non-cash expenses (depreciation, amortization, share-based compensation and deferred income taxes) and a \$0.8 million net reduction in cash flows generated from other working capital related accounts. Consistent with prior experience, cash received from receivables is highest in the first quarter, due to the collection of revenue generated during our seasonally strongest fourth quarter.

Cash Flow from Investing Activities

The increase in cash flow from investing activities was attributable to a \$1.6 million reduction in cash outflows for property and equipment purchases, primarily associated with 2016 leasehold improvements and outfitting of our new corporate headquarters, and a \$1.6 million decrease in internally developed software capitalized, due to the reduction in software development costs eligible to be capitalized as described above.

Cash Flow from Financing Activities

The decrease in cash flow from financing activities was driven by \$16.0 million of repayments under our revolving credit facility, which were partially offset by a \$1.3 million increase in cash received from the exercise of stock options.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities and the conduct of operations in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in stock prices, interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings.

We are exposed to changes in interest rates primarily as a result of borrowings under our revolving credit facility used to maintain liquidity and to fund business operations. The amount of our long-term debt is expected to vary as a result of future funding requirements, cash generation, market conditions and other factors. We have not entered into any interest rate swap arrangements to manage our exposure to interest rate risk, although we may do so in the future if and when we deem appropriate. In performing a sensitivity analysis on our exposure to interest rate risk, we do not believe a 1.00% increase or decrease in interest rate would have a material impact on our interest expense.

Although not significant, we have revenue, expenses, assets and liabilities that are denominated in currencies other than the U.S. dollar, including the British pound sterling and the Canadian dollar. As we expand internationally, our results of operations and cash flows will continue to be impacted by foreign currency fluctuations. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk, although we may do so in the future.

Item 4. Controls and Procedures

As we are an emerging growth company and a newly public company, we have not prepared a formal management's report on internal control over financial reporting, as would otherwise be required by Section 404 of the Sarbanes-Oxley Act of 2002, nor have we engaged an independent registered public accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date or for any period reported in our condensed consolidated financial statements. Our compliance with Section 404 of the Sarbanes-Oxley Act will first be subject to management's assessment regarding internal control over financial reporting in connection with the filing of our Annual Report on Form 10-K for the fiscal year ending December 31, 2017, and we will not be required to have an independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting until the filing of our first Annual Report on Form 10-K after we lose emerging growth company status. Accordingly, this Quarterly Report on Form 10-Q does not include a report of management's assessment regarding internal control over financial reporting due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

In accordance with Rules 13a-15 and 15d-15 under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and its Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, these executives concluded that our disclosure controls and procedures were not effective as of March 31, 2017 to provide reasonable assurance that all information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, as further described below.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

We have identified a material weakness in our internal control over financial reporting relating to the processes and controls to properly identify and account for transactions of a complex and non-routine nature. We hired our Chief Financial Officer and Chief Accounting Officer in June and May 2016, respectively. Collectively, these officers have developed and are executing a plan to remediate the material weakness, which included hiring an SEC Reporting and Technical Accounting Manager and appointing a Director of Internal Audit in 2016, as well as the hiring of a Tax Director in April 2017. In addition to these organizational changes, we implemented new policies and processes including, formalizing our delegation of authority, defining processes to document the accounting for non-routine or complex transactions, enhancing account reconciliation controls, and expanding the use of our financial systems used for accounting and financial reporting. We also have commenced our process to review and document our internal controls over financial reporting, and will continue our testing of controls in conjunction with management's assessment regarding internal control over financial reporting in connection with the filing of our Annual Report on Form 10-K for the fiscal year ending December 31, 2017.

We are working to remediate the material weakness as quickly and efficiently as possible and expect that the material weakness will be remediated by the end of fiscal 2017. This expected timing incorporates management's continued efforts to strengthen process and policies, as well as the necessary steps required to perform a management assessment as discussed above. Notwithstanding the material weakness described above, our management has concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operation and cash flows in conformity with generally accepted accounting principles.

Changes in Internal Control over Financial Reporting

Other than the items noted above, no changes occurred in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under the heading “*Risk Factors*” in our 2016 Annual Report.

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

None.

Item 3. Defaults on Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Listed below are the exhibits that are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit Number	Exhibit Description
Ex. 10.1	Employment Agreement, dated as of July 20, 2016, by and between Commerce Technologies, Inc. and Richard Jones.*
Ex. 10.2	Form of CommerceHub, Inc. Legacy Stock Appreciation Rights Plan Stock Option Agreement for Richard Jones (relating to performance-vesting awards).*
Ex. 10.3	CommerceHub, Inc. Legacy Stock Appreciation Rights Plan Stock Option Agreement for Richard Jones (relating to time-vesting awards).*
Ex. 31.1	Certification pursuant to Rule 13a-14(a) or 15d-14 under the Securities Exchange Act of 1934.*
Ex. 31.2	Certification pursuant to Rule 13a-14(a) or 15d-14 under the Securities Exchange Act of 1934.*
Ex. 32.1	Certification of Chief Executive Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
Ex. 32.2	Certification of Chief Financial Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
Ex. 101.INS	XBRL Instance Document*
Ex. 101.SCH	XBRL Taxonomy Extension Schema Document*
Ex. 101.CAL	XBRL Taxonomy Calculation Linkbase Document*
Ex. 101.LAB	XBRL Taxonomy Label Linkbase Document*
Ex. 101.PRE	XBRL Taxonomy Presentation Linkbase Document*
Ex. 101.DEF	XBRL Taxonomy Definition Document*

* Filed herewith.

** 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.

COMMERCEHUB, INC.
(Registrant)

Date: May 8, 2017

/ S / FRANCIS POORE

Francis Poore
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2017

/ S / MARK GREENQUIST

Mark Greenquist
Chief Financial Officer
(Principal Financial Officer)

Date: May 8, 2017

/ S / MICHAEL TRIMARCHI

Michael Trimarchi
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

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* Filed herewith.

** Furnished herewith.

EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated as of this 20th day of July, 2016 (the "Agreement"), by and between Commerce Technologies, Inc., a New York corporation with its principal place of business at 201 Fuller Rd, 6th Floor, Albany, NY 12203 (the "Company") and Richard Jones, an individual residing at [redacted] ("Employee").

RECITALS:

WHEREAS, the Company desires to continue to employ Employee as Chief Technology Officer & Executive Vice-President of Operations;

WHEREAS, the Employee has indicated his willingness to continue such employment, on the terms and conditions set forth herein; and

WHEREAS, the Company and Employee desire to amend and restate in its entirety the Employment Agreement by and between the Company and Employee, dated January 4, 2011, as amended effective as of October 7, 2013.

NOW, THEREFORE on the basis of the foregoing premises and in consideration of the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

Section 1. **Employment.**

(a) **General.** The Company hereby agrees to continue to employ Employee and Employee hereby accepts such continued employment with the Company, on the terms and subject to the conditions hereinafter set forth. Subject to the terms and conditions contained herein, Employee shall serve as the Company's Chief Technology Officer & Executive Vice-President of Operations and shall perform such duties for the Company consistent with such position as are assigned by the Company's President and CEO and/or the Board of Directors or other governing body of the Company from time to time. The duties of the Chief Technology Officer & Executive Vice-President shall be generally as set forth on Schedule A attached hereto.

(b) **Hours.** Employee is expected to work full time each week (based on a forty (40) hour work week). No set hours shall be set forth in this Agreement as both Employee and the Company anticipate that Employee will work as needed to accommodate the varying hours demanded by his employment hereunder.

(c) **Reporting.** Employee shall report directly to the President and Chief Executive Officer.

Section 2. **Term.** Unless terminated pursuant to Section 6 hereof, the term of Employee's employment hereunder shall begin on July 20, 2016 (the "Effective Date") and end on January 20, 2021 (the "Employment Term").

Section 3. **Compensation.**

(a) **Salary.** As compensation for the performance of Employee's services hereunder, the Company shall pay to Employee an annual base salary (the "Salary") of \$300,000. The Salary shall be payable in accordance with the payroll practices of the Company as they shall exist from time to time. The parties acknowledge and agree that Employee shall be eligible for an increase in Salary from time to time as determined by Company policy.

(b) **Bonus.** Employee may be entitled to an annual bonus based upon the performance of the Company and subject to Employee satisfying criteria established by the Compensation Committee of the Board of Directors or other governing body of the Company or of the board of directors of the Company's parent (the "Applicable Committee"), with input from the President and Chief Executive Officer. The Applicable Committee shall determine the amount of any such bonus, which will not exceed fifty percent (50%) of the Employee's Salary. For the avoidance of doubt, the Company has already established a bonus program with respect to Employee's eligibility to receive a bonus for calendar year 2016 and the Executive will continue to be eligible to receive a bonus for calendar year 2016 in accordance with the terms of such program, except that the Executive's maximum potential bonus under such program for 2016 will now be 50% of Base Salary. No bonus under this Section 3(b) shall be deemed earned, accrued or owing to Employee unless and until the Applicable Committee has determined that such bonus has been earned and has declared such bonus.

(c) **Benefits.** In addition to the Salary, Employee shall be entitled to the benefits, and participation in the benefit plans, as are provided to or available to the Company's employees (collectively, the "Benefits").

(d) Vacation. Employee shall be entitled to four (4) weeks of paid vacation per calendar year to be taken in Employee's reasonable discretion, which shall be prorated for any year when Employee is not employed for an entire calendar year.

(e) Stock Appreciation Rights. As additional incentive, on July 20, 2016, Employee was granted Stock Appreciation Rights ("SARs") with respect to 300,429 shares of Company stock, in accordance with the terms of the Evidence of Stock Appreciation Right and Notice of Stock Appreciation Right Grant documents (collectively, "Evidence and Notice of Stock Appreciation Right") between the Company and Employee.

Section 4. Exclusivity. During the Employment Term, Employee shall not be employed other than pursuant to this Agreement, shall devote his full time to the Company, shall in all respects comply with lawful and reasonable directions and instructions given to him by the Company. Employee shall use his best efforts to promote the Company and shall not engage in any other employment unless Employee shall have obtained the consent of the Company's Board of Directors or other governing body. Subject to the qualifications and restrictions provided in this Agreement, and not in abrogation thereof, Employee may (i) engage in charitable activities and community affairs and (ii) manage his personal investments and affairs, provided that such activities do not materially interfere with his duties as Chief Technology Officer & Executive Vice-President of Operations.

Section 5. Reimbursement for Expenses. Subject to their deductibility under applicable tax law, Employee is authorized to incur reasonable expenses in the discharge of the services to be performed hereunder, including such expenses for travel, entertainment, lodging and similar items upon presentation of an itemized account to the company. Such account shall provide the nature and justification of each expense. The Company shall reimburse Employee for all such proper expenses upon presentation by Employee of itemized accounts of such expenditures in accordance with the financial policy of the Company as in effect from time to time.

Section 6. Termination and Default.

(a) Death or Disability. Upon termination of Employee's employment during the Employment Term as a result of Employee's death or by the Company as a result of Employee's Disability (as defined below), Employee's estate or his beneficiaries or legal representative, as the case may be, shall be entitled to:

- (i) Salary through the date of his death or Disability; and
- (ii) amounts earned, accrued or owing to Employee through the date of his death or Disability but not yet paid under Section 3 hereof (unless the Benefits expressly provide otherwise).

"Disability" means a mental or physical condition, injury, sickness or incapacity, which has made Employee incapable of satisfactorily discharging the essential functions of Employee's duties, with or without reasonable accommodation, for ninety (90) consecutive days, as reasonably determined by a physician selected in good faith by the Company.

(b) Cause. In the event of termination pursuant to this Section 6(b) for Cause (as hereinafter defined), the Company shall deliver to Employee written notice setting forth the basis for such termination, which notice shall specifically set forth the nature of the Cause which is the reason for the termination. For the purposes of this Agreement, "Cause" shall mean: (i) Employee's failure (excluding where due to a Disability contemplated by Section 6(a)), neglect or refusal to perform his duties hereunder which failure, neglect or refusal shall not have been corrected by Employee within 10 days of receipt by Employee of written notice from the Company of such failure, neglect or refusal, which notice shall specifically set forth the nature of said failure, neglect or refusal; (ii) any willful or intentional act of Employee that has the effect of injuring the reputation or business of the Company; (iii) any continued or repeated absence from the Company, unless such absence is approved or excused by the Company; (iv) conviction of Employee for the commission of a felony; (v) the commission by Employee of an act of fraud or embezzlement against the Company; (vi) a material breach by Employee of any published Company policy applicable to Employee, including any Code of Conduct applicable to Employee. If Employee's employment is terminated pursuant to this Section 6(b), Employee shall be entitled to:

- (i) Salary through the date of his termination for Cause; and
- (ii) amounts earned, accrued or owing to Employee through the date of his termination for Cause but not yet paid under Section 3 hereof (unless the Benefits expressly provide otherwise).

(c) Termination Without Cause; Constructive Termination Without Cause. In the event that Employee's employment is terminated by the Company for reasons other than Cause, death or Disability or in the event of a Constructive Termination Without Cause (as defined herein), Employee shall be entitled to:

- (i) Salary through the date of his termination of employment.
 - (ii) An amount equal to the net present value of one year's Salary as then in effect, discounted using the applicable Federal Rate for short-term obligations for the month in which the termination occurs, which amount shall be payable in a lump-sum on the 60th day following the date of such termination (unless that day is not a business day, in which
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case such payments will be made on the immediately succeeding business day); provided that any such severance payment shall be subject to the condition precedent that Employee shall have executed and delivered to the Company a general release of claims in form and substance satisfactory to the Company (which release shall be provided by the Company to Employee within three (3) business days of the date of such termination of employment), and any legally required revocation period applicable to such release shall have expired without Employee revoking such release, both within 60 days following the date of such termination. If such release is timely delivered and becomes irrevocable, an amount equal to 1/12 of the lump-sum severance amount specified in this paragraph shall constitute consideration for Employee's delivery of the release pursuant to this paragraph (the "Release Consideration"). Employee acknowledges and agrees that the amounts, if any, which may be payable under this paragraph are in lieu of and not in addition to any severance payments which may be generally available to employees of the Company and Employee hereby waives any right he may have in or to any severance payments not contained in this paragraph.

(iii) Amounts earned, accrued or owing to Employee through the date of his termination but not yet paid under Section 3 hereof (unless the Benefits expressly provide otherwise).

For purposes of this Agreement, "Constructive Termination Without Cause" shall mean a termination of the Employee's employment at his initiative following the occurrence, without the Employee's written consent, of one or more of the following events (except in consequence of a prior termination), so long as Cause does not exist at the time of such termination:

- (A) a material reduction in the Employee's then current Salary or target bonus opportunity specified in Section 3(b) or the termination or material reduction of any employee benefit or perquisite enjoyed by him (other than as part of an across the board reduction applicable to all eligible employees of the Company);
- (B) the relocation of the Company's principal office, or the Employee's own office location as assigned to him by the Company, to a location more than 60 miles outside of Albany, New York;
- (C) any material breach by the Company hereunder;
- (D) a material reduction in the duties of Employee without the prior written consent of the Employee, except that the parties acknowledge and agree that (x) the Company may hire a Chief Operating Officer or other similar officer, to be assigned duties related to the Company's operations (which include the following duties listed in Schedule A: oversight of customer service, oversight of vendor implementation, and oversight of vendor sales contracting; as well as any additional operational duties added from time to time), (y) Employee's role and title may change upon the hiring of such an officer and (z) if Employee remains employed as the Company's Chief Technology Officer with assigned duties appropriate to that position, no Constructive Termination Without Cause will be deemed to have occurred if Employee's Salary is not reduced in conjunction with such change in role and title; or
- (E) a restructuring by which Employee is required to report to anyone other than the President and Chief Executive Officer or the Board of Directors or other governing body of the Company without the prior written consent of the Employee.

Notwithstanding the foregoing, a Constructive Termination Without Cause will not be deemed to exist unless Employee gives the Company written notice within 30 days after the occurrence of the event which Employee believes constitutes the basis for a Constructive Termination Without Cause, specifying the particular act or failure to act that serves as the basis for such notice, and the Company fails to cure such matter within 30 days following receipt of such notice. The Company and Employee agree that the Company's actions pursuant to paragraphs (A), (B), (D) or (E) above will constitute a material breach of the terms of this Agreement.

Section 7. Secrecy and Non-Competition.

(a) No Competing Employment. Employee hereby warrants and agrees that he will not, during his period of employment and for a period of one (1) year from the date of the termination of such employment (the "Restricted Period"), directly or indirectly, own, manage, operate or control, or participate in the ownership, management, operation or control of, or be connected with or have any interest in, as a stockholder, director, officer, employee, agent, consultant, partner or otherwise, in any business in competition with the business in which the Company is engaged. The Employee agrees that given the nature of the Company's business, the absence of a specific geographic limitation is reasonable.

(b) Non-Disclosure of Confidential Information. Employee shall not disclose to any person or entity or use for commercial purposes or allow third parties under Employee's control to use for commercial purposes, at any time after the date hereof, any information not in the public domain or generally known in the industry, in any form, acquired by him while employed by the Company, relating to the Company, including but not limited to information regarding customers, vendors, suppliers, trade secrets, training programs, manuals or materials, technical information, contracts, systems, procedures, mailing lists, know-how, trade names, price lists, financial or other data, business plans, code books, invoices and other financial statements, computer programs, software systems, databases, discs, printouts, plans (business, technical or otherwise), customer and industry

lists, internal reports, personnel files, sales and advertising material, telephone numbers, names and addresses, or any other compilation of information (whether written or unwritten) which is or was used in the business of the Company.

(c) No Interference. During the Restricted Period, Employee shall not, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization, directly or indirectly solicit, endeavor to entice away from the Company or otherwise interfere with the relationship of the Company with any person who, to the knowledge of Employee, is employed by the Company or who is, or was within the prior twelve months, a customer or a client of the Company, this provision shall not prohibit Employee from soliciting or contacting any customer or client of the Company in connection with any business that is not of the same nature as the business in which the Company is engaged.

(d) Inventions, etc. The Employee hereby sells, transfers and assigns to the Company or to any person or entity designated by the Company all of the entire right, title and interest of the Employee in and to all inventions, ideas, disclosures and improvements whether patented or unpatented, and copyrightable material, made or conceived by the Employee, solely or jointly, during his employment by the Company which relate to methods, apparatus, designs, software, computer programs, marketing or business plans, products, processes or devices, sold, leased, used or under consideration or development by the Company, or which otherwise relate to or pertain to the business, functions or operations of the Company or which arise from the efforts of the Employee pursuant to his employment for the Company. The Employee shall communicate promptly and disclose to the Company, in such form as the Company reasonably requests, all information, details and data pertaining to the aforementioned inventions, ideas, disclosures and improvements; and the Employee (regardless of whether still employed by the Company) shall execute and deliver to the Company such formal transfers and assignments and such other papers and documents prepared at the sole expense of the Company as may be necessary or required of the Employee to permit the Company or any person or entity designated by the Company to file and prosecute the patent applications and, to copyrightable material, to obtain copyright thereof. Any invention relating to the business of the Company and disclosed by the Employee within one year following the termination of his employment with the Company shall be deemed to fall within the provisions of this paragraph unless proved to have been first conceived and made following such termination. In the event that Employee is required to perform under this Section 7(d) subsequent to his employment with the Company: (i) the Employee's performance, to the extent practicable, shall not be burdensome with regard to Employee's activities or employment at such time; (ii) the Employee's performance shall be requested within one year after the date of termination of employment; and (iii) the Company shall compensate Employee at a rate of \$150 per hour. Notwithstanding the preceding sentence, the Employee and the Company agree that if necessary (as reasonably determined by the Company in light of the importance of protecting its intellectual property), the Employee will immediately perform hereunder.

(e) Injunctive Relief. Employee acknowledges that the restrictions in Sections 7(a)-(d) hereof are fair and reasonable given the nature of the Company's business and agrees that a violation of any of the respective covenants herein will cause irreparable injury to the Company not adequately compensable by money damages, and the Company shall be entitled, in addition to any other rights and remedies it may have hereunder, to enforce such restrictions by temporary or permanent injunctive or mandatory relief obtained in a court of competent jurisdiction without the necessity of proving damages and without prejudice to any other remedies it may have at law.

(f) Extension of Restricted Period. In addition to the remedies the company may seek and obtain pursuant to Section 7(e) above, the Restricted Period shall be extended by any and all periods during which Employee shall be found by a court to have been in violation of the restrictions contained in Section 7(a)-(c) but in no event shall any such extension(s) exceed one (1) year in the aggregate.

(g) Continued Compliance. Employee agrees that in the event of his material breach of any of the restrictions contained in Section 7(a)-(c), that if capable of being cured, is not cured by Employee within 30 days following notice of such breach from the Company, Employee will repay to the Company any and all severance amounts received by Employee pursuant to this Agreement (whether such payments were received prior or subsequent to such breach, but excluding an amount equal to the Release Consideration), and Employee will not be entitled to any further severance payments or other severance benefits under this Agreement. Employee further agrees that: (i) the existence of any unrelated claims which Employee may have against the Company, whether under this Agreement or otherwise, will not be a defense to the enforcement by the Company of any of its rights under this Agreement; (ii) the covenants contained in Section 7(a)-(c) are in addition to, and not in lieu of, any obligations which Employee may have with respect to the subject matter of such Sections, whether by contract, as a matter of law or otherwise, and (iii) such covenants and their enforceability will survive any termination with respect to Employee by either party and any investigation made with respect to the breach thereof by the Company.

Section 8. Compliance with Section 409A.

(a) The Company and Employee intend that, to the maximum extent possible, any amounts paid pursuant to this Agreement shall qualify as a short-term deferral pursuant to the Internal Revenue Code of 1986, as amended (the "Code") Section 409A or as separation pay exempt from Code Section 409A. Without limiting the foregoing, to the extent that the provisions of Code Section 409A or any Treasury regulations promulgated thereunder are applicable to any amounts payable hereunder, the Company and Employee intend that this Agreement will meet the requirements of such Code section and regulations and that the

provisions hereof will be interpreted in a manner that is consistent with such intent. Employee will cooperate with the Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of Code Section 409A and any regulations promulgated thereunder.

(b) Unless otherwise permitted under Code Section 409A, all in-kind benefits, expenses or other reimbursements paid pursuant to this Agreement that are taxable income to Employee (i) will be paid no later than the end of the calendar year next following the calendar year in which Employee incurs such expense; (ii) will not be subject to liquidation or exchange for another benefit; and (iii) the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year.

(c) For purposes of Code Section 409A, Employee's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment.

(d) With respect to any amount that becomes payable to Employee under this Agreement upon his "separation from service," as defined below, for any reason, notwithstanding any other provision of this Agreement to the contrary, if the Company determines in good faith that Employee is a "specified employee" under Code Section 409A then, to the extent required under Code Section 409A, any amount that otherwise would be payable to Employee during the six-month period following his separation from service shall be suspended until the lapse of such six-month period (or, if earlier, the date of his death). The amount that otherwise would be payable to Employee during such period of suspension shall be paid in a single payment on the day following the end of such six-month period (or, if such day is not a business day, on the next succeeding business day) or within 30 days following his death during such six-month period, provided that his death during such six-month period shall not cause the acceleration of any amount that otherwise would be payable on any date during such six-month period following the date of his death. Any amounts not subject to the suspension described in the preceding sentence shall be paid as otherwise provided in this Agreement. A "separation from service" means a separation from service with the Company and all other persons or entities with whom the Company would be considered a single employer under Section 414(b) or 414(c) of the Code, applying the 80% threshold used in such Code sections and the Treasury Regulations thereunder, all within the meaning of Code Section 409A.

(e) To the extent required to avoid the imposition of additional taxes and penalties under Code Section 409A, amounts payable under this Agreement on termination of employment will not be paid until Employee experiences a separation from service within the meaning of Code Section 409A as specified above.

(f) In no event will the Company be liable for any additional tax, interest or penalties that may be imposed on Employee under Code Section 409A or for any damages for failing to comply with Code Section 409A.

(g) Notwithstanding any provision of this Agreement to the contrary, in no event shall the timing of Employee or Employee's legal representative's execution of any release, directly or indirectly, result in Employee designating the calendar year of payment, and if a payment pursuant to this Agreement that is subject to execution of a release could be made in more than one taxable year, based on timing of the execution of the release, payment shall be made in the later taxable year.

Section 9. Arbitration. Any controversy, claim or dispute arising out of or in any way relating to this Agreement (including whether such controversy, claim or dispute is subject to arbitration), excepting only claims that may not, by statute, be arbitrated, will be submitted to binding arbitration. Both Employee and the Company acknowledge that Employee is relinquishing his right to a jury trial. Employee and the Company agree that arbitration will be the exclusive method for resolving disputes arising out of or related to this Agreement or Employee's employment with the Company.

The arbitration will be administered by JAMS in accordance with the Employment Arbitration Rules & Procedures of JAMS then in effect and subject to JAMS Policy on Employment Arbitration Minimum Standards, except as otherwise provided in this Agreement. Arbitration will be commenced and heard in the Albany, New York metropolitan area. Only one arbitrator will preside over the proceedings, who will be selected by agreement of the parties from a list of five or more qualified arbitrators provided by the arbitration tribunal, or if the parties are unable to agree on an arbitrator within 10 business days following receipt of such list, the arbitration tribunal will select the arbitrator. The arbitrator will apply the substantive law (and the law of remedies, if applicable) of New York or federal law, or both, as applicable to the claim(s) asserted. In any arbitration, the burden of proof will be allocated as provided by applicable law. The arbitrator will have the authority to award any and all legal and equitable relief authorized by the law applicable to the claim(s) being asserted in the arbitration, as if the claim(s) were brought in a federal court of law. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Discovery, such as depositions or document requests, will be available to the Company and Employee as though the dispute were pending in U.S. federal court. The arbitrator will have the ability to rule on pre-hearing motions as though the matter were in a U.S. federal court, including the ability to rule on a motion for summary judgment.

If permitted by applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law (e.g., filing fees or room rental fees) will be shared

equally by the parties. If the foregoing is not permitted by applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law will be paid by the Company, provided that Employee will be required to pay the amount of filing fees equal to that which Employee would be required to pay to file an action in a New York state court. Each party will pay its own attorneys' fees and other costs incurred in connection with the arbitration, unless the relief authorized by law allows otherwise and the arbitrator determines that such fees and costs will be paid in a different manner. The arbitrator must provide a written decision that is subject to limited judicial review consistent with applicable law.

Section 10. General Provisions.

(a) Survival. Obligations of Employee and the Company existing as of the date of termination that have not been fully performed or that by their nature would be intended to survive a termination or expiration will survive and continue in effect in accordance with their terms.

(b) Notices. All communications under this Agreement shall be in writing and shall be delivered by hand or mailed by overnight courier or by registered or certified mail:

(i) to Employee at [redacted] or such other address as Employee may have furnished to the Company in writing.

(ii) if to Company at 201 Fuller Rd, 6th Floor, Albany, New York 12203 or such other address as the Company may have furnished to Employee in writing.

(iii) Any notice so addressed shall be deemed to be given: if delivered by hand, on the date of delivery; if delivered by overnight courier, on the first business day following the date of mailing; and if by mail, on the third business day after mailing.

(c) Waiver and Amendments. Any waiver, alteration, amendment or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by the Company and Employee. No waiver will be deemed a waiver of any subsequent breach or default. No delay or omission on the part of either party to exercise or avail itself of any right or remedy that it has or may have hereunder operates as a waiver of any right or remedy.

(d) Withholding. All payments to Employee under this Agreement will be subject to withholding on account of federal, state and local taxes as required by law.

(e) Successors and Assigns. This Agreement will bind and inure to the benefit of and be enforceable by Employee, the Company, Employee's and the Company's respective permitted successors and assigns, and Employee's estate, heirs and legal representatives (as applicable). The Company may assign this Agreement to any successor to all or substantially all of its business, whereupon any references in this Agreement to "the Company" will become references to such assignee or successor, as applicable. For the avoidance of doubt, no such assignment shall be treated as a termination of Employee's employment with the assignor for purposes of this Agreement and the assignor will be relieved of its obligations under this Agreement. Except as set forth in this paragraph, the rights granted and obligations undertaken in this Agreement are personal to the parties, and neither party may transfer, assign or sublicense such rights or obligations to any third-party. Any attempted transfer, assignment or sublicense of such rights or obligations by either party in violation of this paragraph will be null and void.

(f) Severability and Governing Law. If any covenant or provision of this Agreement is found to be invalid or unenforceable by a court of competent jurisdiction or any mediator (i) the remaining terms and provisions hereof shall remain valid, and (ii) the invalid or unenforceable provision shall be deemed replaced by a term or provision that is valid and enforceable and comes closest to expressing the intention of the invalid term or provision. SUBJECT TO SECTION 9, ABOVE, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

(g) No Strict Construction; Section Headings. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party. The headings of the Sections and Subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement, affect the meaning or interpretation of this Agreement, or any term or provision hereof.

(h) Entire Agreement. This Agreement (including the Schedules hereto) constitutes the entire understanding and agreement of the parties regarding the employment of Employee. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings and agreements between the Company and Employee regarding the subject matter of the Agreement.

(i) Counterparts. This Agreement may be executed in one or more counterparts (including by facsimile, "PDF" scanned image or other electronic means), each of which shall be deemed an original and all of which together shall be

considered one and the same agreement. This Agreement will become effective only when counterparts have been executed and delivered by all parties whose names are set forth on the signature page(s) hereof.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the effective date first written above.

COMMERCE TECHNOLOGIES, INC.

By: /s/ MICHAEL TRIMARCHI
(Print Name): Michael Trimarchi
Title: Chief Accounting Officer

EMPLOYEE

/s/ RICHARD JONES
Richard Jones

SCHEDULE A

DESCRIPTION OF DUTIES OF CHIEF TECHNOLOGY OFFICER & EXECUTIVE VICE-PRESIDENT OF OPERATIONS

Employee will provide the overall vision, strategy and leadership for the development, delivery, and operation of all CommerceHub products and services.

The Employee will be responsible for engineering and product management, computing infrastructure and operations, supplier onboarding, and customer support. The Employee will lead all functions arising from or related to the following departments or activities:

- Product Management
- Software Engineering
- Quality Assurance
- Software Operation Systems
- Business Process Modeling & Integrations (BPMI)
- Information Technology
- Customer Service
- Vendor Implementation
- Vendor Sales Contracting

The Employee will establish the company's technical and operational vision and lead the company's technological and operational evolution. The Employee will coordinate strategic planning and execution to enhance profitability, productivity and efficiency throughout the company's operations.

The Employee will report directly to the President and CEO and will serve as a member of the executive team.

COMMERCEHUB, INC.
LEGACY STOCK APPRECIATION RIGHTS PLAN
FORM OF STOCK OPTION AGREEMENT

This Stock Option Agreement (the "Option Agreement"), dated as of the 21st day of July 2016 (the "Conversion Date"), is between CommerceHub, Inc., a Delaware corporation (the "Company"), and Richard Jones (the "Awardee").

WHEREAS, the Awardee was a holder of outstanding stock appreciation rights (the "Original SAR") granted on January 14, 2011 (the "Original Grant Date") under the Commerce Technologies, Inc. 2010 Stock Appreciation Rights Plan (as amended effective as of January 13, 2011, the "Prior Plan") administered by Commerce Technologies, Inc. ("CTI").

WHEREAS, in connection with the reorganization of CTI, the merger of CTI with and into a subsidiary of the Company and the anticipated spin-off of the Company from Liberty Interactive Corporation, a Delaware corporation, the Prior Plan was amended and restated into the form of the CommerceHub Inc. Legacy Stock Appreciation Rights Plan (the "Plan") and, as of the Conversion Date, the outstanding stock appreciation rights under the Prior Plan were converted into options to purchase Common Shares pursuant to the Plan.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Option. Pursuant to the terms of the Plan, the Committee hereby grants to Awardee, an Option, subject to the terms, definitions and provisions of the Plan adopted by the Company, which is incorporated herein by reference, and pursuant to this Option Agreement. Unless otherwise defined herein, capitalized terms used in this Option Agreement shall have the meaning ascribed to such terms in the Plan. Except as expressly set forth in Section 4, in the event of a conflict between the terms of the Plan and this Option Agreement, the Plan shall prevail.
 2. Value of the Option. The Option shall entitle the Awardee, after the Option has vested, to purchase Common Shares at the exercise price set forth on the attached Notice of Grant (the "Exercise Price") upon exercise of the Option pursuant to Section 6. No dividend equivalents are paid with respect to any Option.
 3. Nonassignability of Option. The Option is not assignable or transferable by the Awardee except by will or by the laws of descent and distribution. During the lifetime of the Awardee, only the Awardee or Awardee's guardian or legal representative shall be entitled to exercise the Option.
 4. Prevailing Agreement. In the event of a conflict between the terms of the Plan and this Agreement, the Plan shall prevail, except as expressly set forth below. In particular, as they relate to Awardee:
 - a. The definition of "Cause" in Section 3(d) of the Plan is superseded by the definition of "Cause" contained in that certain employment agreement between Awardee and CTI dated as of January 4, 2011, as such agreement may be modified from time to time (the "Jones Employment Agreement").
 - b. The definition of "Grounds for Forfeiture" in Section 4(o) of the Plan is superseded and the term "Grounds for Forfeiture" shall mean "Cause" as defined in the Jones Employment Agreement.
 5. Exercise Period. The Option or any portion thereof may be exercised only after the Option or any portion thereof has vested and only within the term set forth in the Notice of Grant contained herein and may be exercised during such term only in accordance with the terms of the Plan and this Option Agreement. No Options shall be exercisable after the tenth anniversary of the Original Grant Date.
 6. Method of Exercise. Options will be considered exercised (as to the number of Options specified in the notice referred to in clause (i) below) on the latest of (a) the date of exercise designated in the written notice referred to in clause (i) below, (b) if the date so designated is not a Business Day (as defined below), the first Business Day following such date or (c) the earliest Business Day by which the Company has received all of the following:
 - (i) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may require and designating, among other things, the date of exercise and the number and of Common Shares to be purchased by exercise of Options (each, an "Option Share");
 - (ii) Payment of the applicable Exercise Price for each Option Share in any (or a combination) of the following forms: (A) cash, (B) check, (C) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay such Exercise Price (and, if applicable, the Required Withholding Amount as described in Section 7) or (D) the delivery of irrevocable instructions (provided such method of exercise is then-permitted by the Company) via the Company's online grant and administration program for
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the Company to withhold the number of Common Shares (valued at the Fair Market Value of such Common Share on the date of exercise) required to pay such Exercise Price (and, if applicable, the Required Withholding Amount as described in Section 7) that would otherwise be delivered by the Company to the Awardee upon exercise of the Options; and

(iii) Any other documentation that the Committee may reasonably require.

As used in this Section 6, "Business Day" means any day other than Saturday, Sunday or a day on which banking institutions in Albany, New York, are required or authorized to be closed.

7. Mandatory Withholding for Taxes. The Awardee acknowledges and agrees that the Company will deduct from the Common Shares otherwise payable or deliverable upon exercise of any Options that number of Common Shares (valued at the Fair Market Value of such Common Shares on the date of exercise) that is equal to the amount of all federal, state and other governmental taxes required to be withheld by the Company or any subsidiary of the Company upon such exercise, as determined by the Company (the "Required Withholding Amount"), unless provisions to pay such Required Withholding Amount have been made to the satisfaction of the Company. If the Awardee elects to make payment of the applicable Exercise Price by delivery of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay such Exercise Price, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of its determination of the Required Withholding Amount.

8. Forfeiture. If the Awardee has a Separation from Service with the Company for any reason, any portion of this Option that is issued and outstanding but unvested as of the date of such termination of employment will be cancelled and terminate as of the date of termination. If the Awardee has a Separation from Service for Cause or, in the event that the Committee determines, in its sole discretion, that any conduct of the Awardee constitutes Grounds for Forfeiture of the Option, all rights of the Awardee under this Option Agreement and the Plan (including rights with respect to outstanding vested or unvested Options) will terminate as of the date of termination.

9. Separation from Service. In case of the Awardee's Separation from Service for any reason other than for Cause, the Awardee may exercise this Option during the Termination Period set out in the Notice of Grant herein, but only to the extent it was exercisable at the date of such termination (but in no event later than the "Term/Expiration Date" of this Option as set forth in the Notice of Grant herein). To the extent that Awardee was not entitled to exercise this Option at the date of such termination, and to the extent that Awardee does not exercise this Option (to the extent otherwise so entitled) within the Termination Period specified in the Notice of Grant, this Option shall terminate.

10. Amendments to the Plan. If any adjustments or amendments made to the Plan materially adversely effect Awardee's outstanding Option and as a result the Awardee is materially adversely effected, the Company agrees that it will ensure that Awardee is made whole and receives the full benefit of his Options as if no such adjustment or amendment had been made.

11. Tax Consequences.

- a. Awardee understands that upon either the grant or the exercise of this Option, the Awardee may recognize adverse tax consequences.
- b. Awardee understands that the Company will be required to withhold any tax or social insurance required from any governmental authority. Awardee is encouraged to consult with a tax advisor concerning the tax consequences of exercising this Option.

12. Entire Agreement. The Plan and this Option Agreement (including the Notice of Option Grant contained herein), constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of CTI and the Company and Awardee with respect to the subject matter hereof, and the Original SAR is hereby replaced in its entirety and is null and void and of no further effect.

AWARDEE ACKNOWLEDGES THAT NEITHER THE PLAN NOR THIS OPTION AGREEMENT CONFERS ANY RIGHT WITH RESPECT TO CONTINUANCE OF EMPLOYMENT WITH OR SERVICE TO THE COMPANY NOR INTERFERES IN ANY WAY WITH ANY RIGHT THE COMPANY WOULD OTHERWISE HAVE TO TERMINATE THE AWARDEE'S SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE. NO PERSON SHALL, BY REASON OF PARTICIPATION IN THE PLAN, ACQUIRE ANY RIGHT OR TITLE TO ANY ASSETS, FUNDS OR PROPERTY OF THE COMPANY, INCLUDING WITHOUT LIMITATION, ANY SPECIFIC FUNDS, ASSETS OR OTHER PROPERTY WHICH THE COMPANY MAY SET ASIDE IN ANTICIPATION OF ANY LIABILITY UNDER THE PLAN. A PARTICIPANT SHALL HAVE ONLY A CONTRACTUAL RIGHT TO AN OPTION, IF ANY, PAYABLE UNDER THE PLAN, UNSECURED BY ANY ASSETS OF THE COMPANY, AND NOTHING CONTAINED IN THE PLAN SHALL CONSTITUTE A GUARANTEE THAT THE ASSETS OF THE COMPANY SHALL BE SUFFICIENT TO PAY ANY BENEFITS TO ANY PERSON.

Awardee acknowledges receipt of a copy of the Plan and certain information related thereto and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option Agreement subject to all of the terms and provisions

of the Plan. Awardee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of independent counsel prior to executing this Option Agreement and fully understands all provisions relating to this Option Agreement. Awardee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Option Agreement.

If by August 31, 2016, the Awardee does not reject the Options granted pursuant to this Option Agreement by written notice received by the Company's Human Resources Department, the Options will be deemed to be accepted on the Conversion Date.

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COMMERCEHUB, INC.
NOTICE OF OPTION GRANT

Richard Jones
[Address]

CommerceHub, Inc. (the "Company") has granted Richard Jones ("Awardee") an Option covering Common Shares of the Company as follows:

Original Date of Grant:	January 14, 2011
Conversion Date:	July 21, 2016
Number of Common Shares Covered by this Option:	174,535
Exercise Price:	\$2.66
Term/Expiration Date:	January 14, 2021

Vesting: [Agreed-Upon Metric]

Termination Period: Any portion of the Option that, as of the date of the Awardee's Separation from Service for any reason other than for Cause, is unexpired, vested and non-forfeitable may be exercised until the "Close of Business" on the six month anniversary of the date of such Separation from Service with the Company (but in no event later than the Term/Expiration Date). "Close of Business" means, on any day, 5:00 p.m., Albany, New York time on such day.

COMMERCEHUB, INC.
LEGACY STOCK APPRECIATION RIGHTS PLAN
STOCK OPTION AGREEMENT

This Stock Option Agreement (the “Option Agreement”), dated as of the 21st day of July, 2016 (the “Conversion Date”), is between CommerceHub, Inc., a Delaware corporation (the “Company”), and Richard Jones (the “Awardee”).

WHEREAS, the Awardee was a holder of outstanding stock appreciation rights (the “Original SAR”) granted on July 20, 2016 (the “Original Grant Date”) under the Commerce Technologies, Inc. 2010 Stock Appreciation Rights Plan (as amended effective as of January 13, 2011, the “Prior Plan”) administered by Commerce Technologies, Inc. (“CTI”).

WHEREAS, in connection with the reorganization of CTI, the merger of CTI with and into a subsidiary of the Company and the anticipated spin-off of the Company from Liberty Interactive Corporation, a Delaware corporation, the Prior Plan was amended and restated into the form of the CommerceHub Inc. Legacy Stock Appreciation Rights Plan (the “Plan”) and, as of the Conversion Date, the outstanding stock appreciation rights under the Prior Plan were converted into options to purchase Common Shares pursuant to the Plan.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Option. Pursuant to the terms of the Plan, the Committee hereby grants to Awardee, an Option, subject to the terms, definitions and provisions of the Plan adopted by the Company, which is incorporated herein by reference, and pursuant to this Option Agreement. Unless otherwise defined herein, capitalized terms used in this Option Agreement shall have the meaning ascribed to such terms in the Plan. In the event of a conflict between the terms of the Plan and this Option Agreement, the Plan shall prevail.
2. Value of the Option. The Option shall entitle the Awardee, after the Option has vested, to purchase Common Shares at the exercise price set forth on the attached Notice of Grant (the “Exercise Price”) upon exercise of the Option pursuant to Section 5. No dividend equivalents are paid with respect to any Option.
3. Nonassignability of Option. The Option is not assignable or transferable by the Awardee except by will or by the laws of descent and distribution. During the lifetime of the Awardee, only the Awardee or Awardee’s guardian or legal representative shall be entitled to exercise the Option.
4. Exercise Period. The Option or any portion thereof may be exercised only after the Option or any portion thereof has vested and only within the term set forth in the Notice of Grant contained herein and may be exercised during such term only in accordance with the terms of the Plan and this Option Agreement. No Options shall be exercisable after the tenth anniversary of the Original Grant Date.
5. Method of Exercise. Options will be considered exercised (as to the number of Options specified in the notice referred to in clause (i) below) on the latest of (a) the date of exercise designated in the written notice referred to in clause (i) below, (b) if the date so designated is not a Business Day (as defined below), the first Business Day following such date or (c) the earliest Business Day by which the Company has received all of the following:
 - (i) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may require and designating, among other things, the date of exercise and the number and of Common Shares to be purchased by exercise of Options (each, an “Option Share”);
 - (ii) Payment of the applicable Exercise Price for each Option Share in any (or a combination) of the following forms: (A) cash, (B) check, (C) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay such Exercise Price (and, if applicable, the Required Withholding Amount as described in Section 6) or (D) the delivery of irrevocable instructions (provided such method of exercise is then-permitted by the Company) via the Company’s online grant and administration program for the Company to withhold the number of Common Shares (valued at the Fair Market Value of such Common Share on the date of exercise) required to pay such Exercise Price (and, if applicable, the Required Withholding Amount as described in Section 6) that would otherwise be delivered by the Company to the Awardee upon exercise of the Options; and
 - (iii) Any other documentation that the Committee may reasonably require.

As used in this Section 5, “Business Day” means any day other than Saturday, Sunday or a day on which banking institutions in Albany, New York, are required or authorized to be closed.

6. Mandatory Withholding for Taxes. The Awardee acknowledges and agrees that the Company will deduct from the

Common Shares otherwise payable or deliverable upon exercise of any Options that number of Common Shares (valued at the Fair Market Value of such Common Shares on the date of exercise) that is equal to the amount of all federal, state and other governmental taxes required to be withheld by the Company or any subsidiary of the Company upon such exercise, as determined by the Company (the "Required Withholding Amount"), unless provisions to pay such Required Withholding Amount have been made to the satisfaction of the Company. If the Awardee elects to make payment of the applicable Exercise Price by delivery of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay such Exercise Price, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of its determination of the Required Withholding Amount.

7. Forfeiture. If the Awardee has a Separation from Service with the Company for any reason, any portion of this Option that is issued and outstanding but unvested as of the date of such termination of employment, after giving effect to any acceleration of vesting provided for in the Notice of Grant herein, will be cancelled and terminate as of the date of termination. If the Awardee has a Separation from Service for Cause (as such term is defined in the Amended and Restated Employment Agreement, effective as of July 20, 2016, by and between the Awardee and CTI) or, in the event that the Committee determines, in its sole discretion, that any conduct of the Awardee constitutes Grounds for Forfeiture of the Option, all rights of the Awardee under this Option Agreement and the Plan (including rights with respect to outstanding vested or unvested Options) will terminate as of the date of termination.

8. Separation from Service. In case of the Awardee's Separation from Service for any reason other than for Cause, the Awardee may exercise this Option during the Termination Period set out in the Notice of Grant herein, but only to the extent it was exercisable at the date of such termination

after giving effect to any acceleration of vesting provided for in the Notice of Grant herein (but in no event later than the "Term/Expiration Date" of this Option as set forth in the Notice of Grant herein). To the extent that Awardee was not entitled to exercise this Option at the date of such termination, and to the extent that Awardee does not exercise this Option (to the extent otherwise so entitled) within the Termination Period specified in the Notice of Grant, this Option shall terminate.

9. Clawback Policy. Notwithstanding any other provisions in this Option Agreement or the Plan, the Option shall be subject to recovery or clawback by the Company under any clawback policy adopted by the Company in accordance with Securities and Exchange Commission regulations or other applicable law, as amended or superseded from time to time.

10. Tax Consequences.

- a. Awardee understands that upon either the grant or the exercise of this Option, the Awardee may recognize adverse tax consequences.
- b. Awardee understands that the Company will be required to withhold any tax or social insurance required from any governmental authority. Awardee is encouraged to consult with a tax advisor concerning the tax consequences of exercising this Option.

11. Entire Agreement. The Plan and this Option Agreement (including the Notice of Option Grant contained herein), constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of CTI and the Company and Awardee with respect to the subject matter hereof, and the Original SAR is hereby replaced in its entirety and is null and void and of no further effect.

AWARDEE ACKNOWLEDGES THAT NEITHER THE PLAN NOR THIS OPTION AGREEMENT CONFERS ANY RIGHT WITH RESPECT TO CONTINUANCE OF EMPLOYMENT WITH OR SERVICE TO THE COMPANY NOR INTERFERES IN ANY WAY WITH ANY RIGHT THE COMPANY WOULD OTHERWISE HAVE TO TERMINATE THE AWARDEE'S SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE. NO PERSON SHALL, BY REASON OF PARTICIPATION IN THE PLAN, ACQUIRE ANY RIGHT OR TITLE TO ANY ASSETS, FUNDS OR PROPERTY OF THE COMPANY, INCLUDING WITHOUT LIMITATION, ANY SPECIFIC FUNDS, ASSETS OR OTHER PROPERTY WHICH THE COMPANY MAY SET ASIDE IN ANTICIPATION OF ANY LIABILITY UNDER THE PLAN. A PARTICIPANT SHALL HAVE ONLY A CONTRACTUAL RIGHT TO AN OPTION, IF ANY, PAYABLE UNDER THE PLAN, UNSECURED BY ANY ASSETS OF THE COMPANY, AND NOTHING CONTAINED IN THE PLAN SHALL CONSTITUTE A GUARANTEE THAT THE ASSETS OF THE COMPANY SHALL BE SUFFICIENT TO PAY ANY BENEFITS TO ANY PERSON.

Awardee acknowledges receipt of a copy of the Plan and certain information related thereto and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option Agreement subject to all of the terms and provisions of the Plan. Awardee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of independent counsel prior to executing this Option Agreement and fully understands all provisions relating to this Option Agreement. Awardee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Option Agreement.

If by August 31, 2016, the Awardee does not reject the Options granted pursuant to this Option Agreement by written notice received by the Company's Human Resources Department, the Options will be deemed to be accepted on the Conversion Date.

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COMMERCEHUB, INC.
NOTICE OF OPTION GRANT

Richard Jones

CommerceHub, Inc. (the "Company") has granted Richard Jones ("Awardee") an Option covering Common Shares of the Company as follows:

Original Grant Date:	July 20, 2016	
Conversion Date:	July 21, 2016	
Number of Common Shares Covered by this Option:		655,444
Exercise Price:	\$16.34	
Term/Expiration Date:	July 20, 2026	

Vesting: The Option shall be vested and exercisable as to 22.22% of the Options on each of the first three (3) anniversaries of the Original Grant Date, and as to 33.34% of the Options on January 20, 2021, subject to the Awardee continuing as an Employee of the Company or an Affiliate or subsidiary of the Company on such dates. For further clarification, the Option shall be exercisable in accordance with the following schedule:

First anniversary of the Original Grant Date	22.22%
Second anniversary of the Original Grant Date	44.44%
Third anniversary of the Original Grant Date	66.66%
January 20, 2021	100%

Accelerated Vesting:

A. Double Trigger Change of Control Accelerated Vesting. In the event the Company terminates the Awardee's employment other than for Cause during the six (6)-month period following the closing date of a Change of Control (as such term is defined below) resulting from a sale of all or substantially all of the Company's business (by stock sale, asset sale or merger) to a third party acquirer, other than an Exempt Holder (as such term is defined below), any Options that are issued and outstanding, but unvested, as of the date of such termination of employment will vest effective as of the date of such termination of employment, subject to the release requirement described below.

Any acceleration of vesting of unvested Options described in this paragraph A is subject to the condition subsequent that the Awardee delivers a general release of claims in form and substance satisfactory to the Company, which release shall be provided by the Company to the Awardee within three (3) business days of the date of such termination of employment, and that any applicable revocation period applicable to such release expires, both within 60 days following the date of such Separation from Service (the "Vesting Condition"). The Awardee acknowledges that while the Option or a portion thereof may retroactively vest effective as of the date of the Awardee's Separation from Service as set forth in this Notice of Option Grant, the Awardee will nonetheless not be able to exercise any accelerated portion of the Option unless and until the Vesting Condition is timely met.

"Change of Control" means any transaction in which the Company's Board (or, if approval of the Board is not required as a matter of law, the stockholders of the Company) shall approve (i) any merger, consolidation or binding share exchange to which the Company is a party as a result of which the holders of the Company's Common Shares immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or binding share exchange, or (ii) any sale, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company other than to an Affiliate of the Company. For the avoidance of doubt, a public offering of the Company's (or any of its Affiliate's) securities (including any spin-off or similar transaction and/or any other distribution of securities to the shareholders of the Company) and any corporate restructuring activities undertaken in connection with any such public offering, spin-off or distribution of securities shall not constitute a Change of Control resulting from a sale of the Company's business for purposes of this provision. "Exempt Holder" means any direct or indirect beneficial equity holder (or family members of beneficial holders that are individuals) of the Company or any of its direct or indirect parent entities which holder is also a director or officer of the Company or any of its direct or indirect parent entities.

Termination Period: Any portion of the Option that, as of the date of the Awardee's Separation from Service for any reason

other than for Cause, is unexpired, vested and non-forfeitable may be exercised until the "Close of Business" on the three month anniversary of the date of such Separation from Service with the Company (but in no event later than the Term/Expiration Date); provided, that in the case of the Awardee's Separation from Service based on a Termination Without Cause or a Constructive Termination Without Cause (as such terms are defined in the Amended and Restated Employment Agreement, effective as of July 20, 2016, by and between the Awardee and CTI), any such portion may be exercised until the Close of Business on the twelve month anniversary of the date of such Separation from Service (but in no event later than the Term/Expiration Date). "Close of Business" means, on any day, 5:00 p.m., Albany, New York time on such day.

CERTIFICATION

I, Francis Poore, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CommerceHub, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

By: /S/ FRANCIS POORE

Francis Poore
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Mark Greenquist, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CommerceHub, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

By: /S/ MARK GREENQUIST

Mark Greenquist
 Chief Financial Officer
 (Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark Greenquist, hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) The accompanying quarterly report on Form 10-Q for the quarter ended March 31, 2017 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of CommerceHub, Inc.

Date: May 8, 2017

By: _____ /S/ MARK GREENQUIST

Mark Greenquist
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this report.