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 September 30, 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: 001-35198

Pandora Media, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**94-3352630**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2101 Webster Street, Suite 1650 Oakland, CA	**94612**
(Address of principal executive offices)	(Zip Code)

(510) 451-4100
(Registrant's telephone number, including area code)

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

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
(Do not check if a 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 shares of registrant's common stock outstanding as of October 31, 2017 was: 248,782,017.

Pandora Media, Inc.

FORM 10-Q Quarterly Report

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Pandora Media, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts) (unaudited)

	As of December 31, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 199,944	$ 493,181
Short-term investments	37,109	6,249
Accounts receivable, net of allowance of $3,633 at December 31, 2016 and $5,854 at September 30, 2017	309,267	312,277
Prepaid content acquisition costs	46,310	80,152
Prepaid expenses and other current assets	33,191	20,294
Total current assets	625,821	912,153
Convertible promissory note receivable	—	34,132
Long-term investments	6,252	—
Property and equipment, net	124,088	117,700
Goodwill	306,691	71,243
Intangible assets, net	90,425	21,304
Other long-term assets	31,533	8,999
Total assets	$ 1,184,810	$ 1,165,531
Liabilities, redeemable convertible preferred stock and stockholders' equity		
Current liabilities		
Accounts payable	$ 15,224	$ 8,444
Accrued liabilities	35,465	33,180
Accrued content acquisition costs	93,723	99,798
Accrued compensation	60,353	42,753
Deferred revenue	28,359	33,977
Other current liabilities	20,993	—
Total current liabilities	254,117	218,152
Long-term debt, net	342,247	267,396
Other long-term liabilities	34,187	27,068
Total liabilities	630,551	512,616
Redeemable convertible preferred stock: 480,000 shares issued and outstanding at September 30, 2017	—	483,588
Stockholders' equity		
Common stock: 235,162,757 shares issued and outstanding at December 31, 2016 and 248,681,713 at September 30, 2017	24	25
Additional paid-in capital	1,264,693	1,387,957
Accumulated deficit	(709,636)	(1,217,283)
Accumulated other comprehensive loss	(822)	(1,372)
Total stockholders' equity	554,259	169,327
Total liabilities, redeemable convertible preferred stock and stockholders' equity	$ 1,184,810	$ 1,165,531

The accompanying notes are an integral part of the condensed consolidated financial statements.

Pandora Media, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
Revenue				
Advertising	$ 273,716	$ 275,741	$ 759,150	$ 777,253
Subscription and other	56,100	84,414	165,957	218,192
Ticketing service	22,085	18,484	67,121	76,032
Total revenue	351,901	378,639	992,228	1,071,477
Cost of revenue				
Cost of revenue—Content acquisition costs	174,334	204,222	522,231	587,517
Cost of revenue—Other	25,896	27,287	72,197	80,259
Cost of revenue—Ticketing service	15,318	11,269	45,223	50,397
Total cost of revenue	215,548	242,778	639,651	718,173
Gross profit	136,353	135,861	352,577	353,304
Operating expenses				
Product development	33,560	39,469	102,731	120,290
Sales and marketing	116,091	107,588	357,113	378,581
General and administrative	41,909	48,171	129,193	150,650
Goodwill impairment	—	—	—	131,997
Contract termination (benefit) fees	—	(423)	—	23,044
Total operating expenses	191,560	194,805	589,037	804,562
Loss from operations	(55,207)	(58,944)	(236,460)	(451,258)
Interest expense	(6,494)	(7,592)	(18,916)	(22,377)
Other income, net	579	559	1,696	866
Total other expense, net	(5,915)	(7,033)	(17,220)	(21,511)
Loss before (provision for) benefit from income taxes	(61,122)	(65,977)	(253,680)	(472,769)
(Provision for) benefit from income taxes	(412)	(266)	711	(877)
Net loss	(61,534)	(66,243)	(252,969)	(473,646)
Net loss available to common stockholders	$ (61,534)	$ (84,562)	$ (252,969)	$ (506,493)
Basic and diluted net loss per common share	$ (0.27)	$ (0.34)	$ (1.10)	$ (2.10)
Weighted-average basic and diluted common shares	232,139	245,810	229,524	241,579

The accompanying notes are an integral part of the condensed consolidated financial statements.

Pandora Media, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
Net loss	$ (61,534)	$ (66,243)	$ (252,969)	$ (473,646)
Change in foreign currency translation adjustment	(129)	(729)	(417)	(600)
Change in net unrealized loss on marketable securities	(45)	8	348	50
Other comprehensive loss	(174)	(721)	(69)	(550)
Total comprehensive loss	$ (61,708)	$ (66,964)	$ (253,038)	$ (474,196)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Pandora Media, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands) (unaudited)

	Nine months ended September 30,	
	2016	2017
Operating activities		
Net loss	$ (252,969)	$ (473,646)
Adjustments to reconcile net loss to net cash used in operating activities		
Goodwill impairment	—	131,997
Loss on sales of subsidiaries	—	9,459
Depreciation and amortization	43,480	49,121
Stock-based compensation	103,841	98,327
Amortization of premium on investments, net	339	78
Accretion of discount on convertible promissory note receivable	—	(171)
Other operating activities	269	290
Amortization of debt discount	13,587	14,934
Interest income	—	(258)
Provision for bad debt	2,615	10,851
Changes in operating assets and liabilities		
Accounts receivable	(8,338)	(11,294)
Prepaid content acquisition costs	(100,524)	(33,842)
Prepaid expenses and other assets	(12,655)	(17,955)
Accounts payable, accrued and other current liabilities	(4,990)	(257)
Accrued content acquisition costs	8,875	6,063
Accrued compensation	10,370	(12,646)
Other long-term liabilities	598	(532)
Deferred revenue	12,032	5,618
Reimbursement of cost of leasehold improvements	4,397	5,236
Net cash used in operating activities	(179,073)	(218,627)
Investing activities		
Purchases of property and equipment	(46,400)	(12,861)
Internal-use software costs	(22,339)	(13,948)
Changes in restricted cash	(250)	(642)
Purchases of investments	(12,413)	—
Proceeds from maturities of investments	34,816	37,084
Proceeds from sales of investments	3,507	—
Proceeds from sales of subsidiaries, net of cash	—	125,430
Payments related to acquisitions, net of cash acquired	(676)	—
Net cash (used in) provided by investing activities	(43,755)	135,063
Financing activities		
Proceeds from issuance of redeemable convertible preferred stock	—	480,000
Payments of issuance costs	(32)	(29,284)
Repayment of debt arrangements	—	(90,000)
Borrowings under debt arrangements	90,000	—
Proceeds from employee stock purchase plan	6,395	8,012
Proceeds from exercise of stock options	3,011	7,836
Tax payments from net share settlements of restricted stock units	(3,126)	—
Net cash provided by financing activities	96,248	376,564
Effect of exchange rate changes on cash and cash equivalents	(392)	237
Net (decrease) increase in cash and cash equivalents	(126,972)	293,237
Cash and cash equivalents at beginning of period	334,667	199,944
Cash and cash equivalents at end of period	$ 207,695	$ 493,181
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	$ 3,336	$ 5,791
Purchases of property and equipment recorded in accounts payable and accrued liabilities	$ 8,321	$ 2,294
Accretion of preferred stock issuance costs	$ —	$ 29,259
Stock dividend payable to preferred stockholders	$ —	$ 3,588
Fair value of convertible promissory note receivable received as partial consideration for sale of subsidiary	$ —	$ 36,203

The accompanying notes are an integral part of the condensed consolidated financial statements.

Pandora Media, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Description of Business and Basis of Presentation

Pandora—Internet Radio and On-Demand Music Services

Pandora is the world's most powerful music discovery platform, offering a personalized experience for each of our listeners wherever and whenever they want to listen to music—whether through earbuds, car speakers or live on stage. Pandora is available as an ad-supported service, a radio subscription service called Pandora Plus and an on-demand subscription service called Pandora Premium. The majority of our listener hours occur on mobile devices, with the majority of our revenue generated from advertising on our ad-supported service on these devices. We offer both local and national advertisers the opportunity to deliver targeted messages to our listeners using a combination of audio, display and video advertisements. We also generate revenue from subscriptions to Pandora Plus and Pandora Premium. We were incorporated as a California corporation in January 2000 and reincorporated as a Delaware corporation in December 2010. Our principal operations are located in the United States and the United Kingdom.

Ticketing Service

We completed the sale of Ticketfly on September 1, 2017. Prior to the date of disposition, we operated our ticketing service through our former subsidiary Ticketfly, a leading live events technology company that provides ticketing and marketing software and services for clients, which are venues and event promoters across North America. Ticketfly's ticketing, digital marketing and analytics software helps promoters book talent, sell tickets and drive in-venue revenue, while Ticketfly's consumer tools help fans find and purchase tickets to events. Ticketfly's revenue primarily consists of service and merchant processing fees from ticketing operations.

Refer to Note 6 "Dispositions" in the Notes to Condensed Consolidated Financial Statements for further details on the Ticketfly disposition.

As used herein, "Pandora," "we," "our," "the Company" and similar terms include Pandora Media, Inc. and its subsidiaries, unless the context indicates otherwise.

Basis of Presentation

The interim unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") along with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission ("SEC") Regulation S-X, and include the accounts of Pandora and our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of our management, the interim unaudited condensed consolidated financial statements include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of our financial position for the periods presented. These interim unaudited condensed consolidated financial statements are not necessarily indicative of the results expected for the full fiscal year or for any subsequent period and should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Certain changes in presentation have been made to conform the prior period presentation to current period reporting.We have reclassified amortization of internal use-software costs from the product development and sales and marketing line items to the cost of revenue—other and general and administrative line items of our condensed consolidated statements of operations. We have also reclassified bad debt and goodwill impairment from the other operating activities line item to the bad debt and goodwill impairment line items of the condensed consolidated statements of cash flows.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Estimates are used in several areas including, but not limited to determining accrued content acquisition costs, amortization of minimum guarantees under content acquisition agreements, selling prices for elements sold in multiple-element arrangements, the allowance for doubtful accounts, the fair value of stock options, market stock units ("MSUs"), stock-settled performance-ba

sed restricted stock units ("PSUs"), the Employee Stock Purchase Plan ("ESPP"), the benefit from (provision for) income taxes, the fair value of the convertible subordinated promissory note ("Convertible Promissory Note"), the fair value of acquired property and equipment, intangible assets and goodwill and the useful lives of acquired intangible assets. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements could be affected. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result.

2. Summary of Significant Accounting Policies

Other than discussed below, there have been no material changes to our significant accounting policies as compared to those described in our Annual Report on Form 10-K for the year ended December 31, 2016.

Stock-Based Compensation—Restricted Stock Units and Stock Options

Stock-based awards granted to employees, including grants of restricted stock units ("RSUs") and stock options, are recognized as expense in our statements of operations based on their grant date fair value. We recognize stock-based compensation expense on a straight-line basis over the service period of the award, which is generally three to four years. We estimate the fair value of RSUs at our stock price on the grant date. We generally estimate the grant date fair value of stock options using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model is affected by our stock price on the date of grant, the expected stock price volatility over the expected term of the award, which is based on projected employee stock option exercise behaviors, the risk-free interest rate for the expected term of the award and expected dividends.

Stock-based compensation expense is recorded in the statement of operations for only those stock-based awards that will vest. In the first quarter of 2017 we adopted new accounting guidance from the Financial Accounting Standards Board ("FASB") on stock compensation, or ASU 2016-09, as described in "Recently Adopted Accounting Standards" below and have elected to account for forfeitures as they occur, rather than estimating expected forfeitures. In addition, we recognize all income tax effects of awards in the income statement when the awards vest or are settled as required by ASU 2016-09.

Net Loss per Common Share

Basic net loss per common share is computed by dividing the net loss available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per common share is computed by giving effect to all potential shares of common stock, including stock options, restricted stock units, market stock units, performance-based RSUs, potential ESPP shares and instruments convertible into common stock, to the extent dilutive. Basic and diluted net loss per common share were the same for each period presented as the inclusion of all potential common shares outstanding would have been anti-dilutive.

Concentration of Credit Risk

For the three and nine months ended September 30, 2016 and 2017, we had no customers that accounted for more than 10% of our total revenue. As of December 31, 2016 and September 30, 2017, we had no customers that accounted for more than 10% of our total accounts receivable.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue. Under the guidance, revenue is recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard is effective for public entities with annual and interim reporting periods beginning after December 15, 2017. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. We expect to adopt ASU 2014-09 as of January 1, 2018 using the modified retrospective method. We have completed our initial assessment and do not believe there will be a material impact to our condensed consolidated financial statements for the majority of our advertising and subscription revenue arrangements. We are finalizing the impact of ASU 2014-09 and are continuing to evaluate the expected impact on our business processes,

systems and controls. We expect to complete our assessment of the effects of adopting ASU 2014-09 during the fourth quarter of 2017, and we will continue our evaluation of ASU 2014-09, including how it may impact new arrangements we enter into as well as new or emerging interpretations of the standard, through the date of adoption.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires lessees to put most leases on their balance sheets and recognize expenses on their income statements and also eliminates the real estate-specific provisions for all entities. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We have completed our initial assessment and expect to adopt ASU 2016-02 as of January 1, 2019 using the modified retrospective method. We expect the potential impact of adopting ASU 2016-02 to be material to our lease liabilities and assets on our consolidated balance sheets.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Credit Losses—Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 will replace today's incurred loss approach with an expected loss model for instruments measured at amortized cost and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within that fiscal year, although early adoption is permitted. We are currently evaluating the impact that this standard update will have on our condensed consolidated financial statements.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, Compensation—Stock Compensation (Topic 718), Scope of Modification Accounting ("ASU 2017-09"). ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The guidance is effective prospectively for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is permitted. We do not expect the adoption of ASU 2017-09 will have a material impact on our financial statements.

Recently Adopted Accounting Standards

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation—Stock Compensation (Topic 718) ("ASU 2016-09"). ASU 2016-09 requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. Additionally, it allows an employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. We adopted this guidance in the first quarter of 2017 using the modified retrospective transition method. Upon adoption, we recognized the previously unrecognized excess tax benefits as of January 1, 2017 through retained earnings. The previously unrecognized excess tax benefits were recorded as a deferred tax asset, which was fully offset by a valuation allowance. As a result, the net impact resulted in no effect on net deferred tax assets or our accumulated deficit as of January 1, 2017. Without the valuation allowance, the Company's net deferred tax assets would have increased by approximately $142.0 million. Additionally, we elected to account for forfeitures as they occur, rather than estimating expected forfeitures. The net cumulative effect of this change was an increase to additional paid in capital as of January 1, 2017 of $1.2 million.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 eliminated the requirement to calculate the implied fair value of goodwill, which is step two of the previous goodwill impairment test, to measure a goodwill impairment charge. By eliminating step two of the goodwill impairment test, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The guidance is effective for calendar-year public business entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2019, although early adoption is permitted for annual and interim goodwill impairment testing dates following January 1, 2017. We have elected to early adopt this guidance beginning in the second quarter of 2017 using the prospective method, as we believe the elimination of step two of the goodwill impairment test will make testing for goodwill impairment less costly.

3. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consisted of the following:

Pandora Media, Inc.
Notes to Condensed Consolidated Financial Statements - Continued
(unaudited)

	As of December 31, 2016	As of September 30, 2017
	(in thousands)	
Cash and cash equivalents		
Cash	$ 144,192	$ 405,677
Money market funds	55,752	87,504
Total cash and cash equivalents	$ 199,944	$ 493,181
Short-term investments		
Corporate debt securities	$ 37,109	$ 6,249
Total short-term investments	$ 37,109	$ 6,249
Long-term investments		
Corporate debt securities	$ 6,252	$ —
Total long-term investments	$ 6,252	$ —
Cash, cash equivalents and investments	$ 243,305	$ 499,430

Our short-term investments have maturities of twelve months or less and are classified as available-for-sale. Our long-term investments have maturities of greater than twelve months and are classified as available-for-sale.

The following tables summarize our available-for-sale securities' adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category as of December 31, 2016 and September 30, 2017.

	As of December 31, 2016			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	$ 55,752	$ —	$ —	$ 55,752
Corporate debt securities	43,413	3	(55)	43,361
Total cash equivalents and marketable securities	$ 99,165	$ 3	$ (55)	$ 99,113

	As of September 30, 2017			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	$ 87,504	$ —	$ —	$ 87,504
Corporate debt securities	6,251	—	(2)	6,249
Total cash equivalents and marketable securities	$ 93,755	$ —	$ (2)	$ 93,753

The following table presents available-for-sale securities by contractual maturity date as ofDecember 31, 2016 and September 30, 2017.

	As of December 31, 2016	
	Adjusted Cost	Fair Value
	(in thousands)	
Due in one year or less	$ 92,914	$ 92,861
Due after one year through three years	6,251	6,252
Total	$ 99,165	$ 99,113

	As of September 30, 2017	
	Adjusted Cost	Fair Value
	(in thousands)	
Due in one year or less	$ 93,755	$ 93,753
Total	$ 93,755	$ 93,753

The following tables summarize our available-for-sale securities' fair value and gross unrealized losses aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of December 31, 2016 and September 30, 2017.

	As of December 31, 2016					
	Twelve Months or Less		More than Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
Corporate debt securities	$ 34,257	$ (52)	$ 4,099	$ (3)	$ 38,356	$ (55)
Total	$ 34,257	$ (52)	$ 4,099	$ (3)	$ 38,356	$ (55)

	As of September 30, 2017					
	Twelve Months or Less		More than Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
Corporate debt securities	$ 6,249	$ (2)	$ —	$ —	$ 6,249	$ (2)
Total	$ 6,249	$ (2)	$ —	$ —	$ 6,249	$ (2)

Our investment policy requires investments to be investment grade, primarily rated "A1" by Standard & Poor's or "P1" by Moody's or better for short-term investments and rated "A" by Standard & Poor's or "A2" by Moody's or better for long-term investments, with the objective of minimizing the potential risk of principal loss. In addition, the investment policy limits the amount of credit exposure to any one issuer.

The unrealized losses on our available-for-sale securities as ofSeptember 30, 2017 were primarily a result of unfavorable changes in interest rates subsequent to the initial purchase of these securities. As of September 30, 2017, we owned three securities that were in an unrealized loss position. Based on our cash flow needs, we may be required to sell a portion of these securities prior to maturity. However, we expect to recover the full carrying value of these securities. As a result, no portion of the unrealized losses at September 30, 2017 is deemed to be other-than-temporary, and the unrealized losses are not deemed to be credit losses. When evaluating investments for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and our intent to sell, or whether it is more likely than not we will be required to sell, the investment before recovery of the investment's amortized cost basis. During the three and nine months ended September 30, 2017, we did not recognize any impairment charges.

4. Fair Value

We record cash equivalents and investments at fair value. Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Fair value measurements are required to be disclosed by level within the following fair value hierarchy:

Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 — Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 — Inputs lack observable market data to corroborate management's estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

When determining fair value, whenever possible we use observable market data and rely on unobservable inputs only when observable market data is not available.

The following fair value hierarchy tables categorize information regarding our financial assets and liabilities measured at fair value on a recurring basis aDecember 31, 2016 and September 30, 2017:

	As of December 31, 2016		
	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	(in thousands)		
Assets			
Corporate debt securities	$ —	$ 43,361	$ 43,361
Total assets measured at fair value	$ —	$ 43,361	$ 43,361

	As of September 30, 2017		
	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	(in thousands)		
Assets			
Corporate debt securities	$ —	$ 6,249	$ 6,249
Total assets measured at fair value	$ —	$ 6,249	$ 6,249

Our cash equivalents and short-term investments are classified as Level 2 within the fair value hierarchy because they are valued using professional pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets.

As of December 31, 2016 and September 30, 2017, we held no Level 3 assets or liabilities measured on a recurring basis. The fair value of our Convertible Promissory Note was calculated on a nonrecurring basis as of September 1, 2017 and i

s classified as a Level 3 measurement within the fair value hierarchy. Refer to Note 8 "Convertible Promissory Note Receivable" in the Notes to Condensed Consolidated Financial Statements for further details on the Convertible Promissory Note.

Our money market funds are no longer classified within the fair value hierarchy, as the fair values are measured at net asset value using the practical expedient. As of December 31, 2016 and September 30, 2017, the fair values of our money market funds were $55.8 million and $87.5 million.

Refer to Note 9, "Debt Instruments," in the Notes to Condensed Consolidated Financial Statements for the carrying amount and estimated fair value of our convertible senior notes, which are not recorded at fair value as of September 30, 2017.

5. Commitments and Contingencies

Minimum Guarantees and Other Provisions—Content Acquisition Costs

Certain of our content acquisition agreements contain minimum guarantees, and require that we make upfront minimum guarantee payments. During the three and nine months ended September 30, 2017, we prepaid $111.5 million and $257.3 million in content acquisition costs related to minimum guarantees, which were offset by amortization of prepaid content acquisition costs of $31.3 million and $177.2 million. As of September 30, 2017, we have future minimum guarantee commitments of $472.5 million, of which $65.0 million will be paid in 2017 and the remainder will be paid thereafter. On a quarterly basis, we record the greater of the cumulative actual content acquisition costs incurred or the cumulative minimum guarantee based on forecasted usage for the minimum guarantee period. The minimum guarantee period is the period of time that the minimum guarantee relates to, as specified in each agreement, which may be annual or a longer period. The cumulative minimum guarantee, based on forecasted usage considers factors such as listening hours, revenue, subscribers and other terms of each agreement that impact our expected attainment or recoupment of the minimum guarantees based on the relative attribution method.

Several of our content acquisition agreements also include provisions related to the royalty payments and structures of those agreements relative to other content licensing arrangements, which, if triggered, could cause our payments under those agreements to escalate. In addition, record labels, publishers and PROs with whom we have entered into direct license agreements have the right to audit our content acquisition payments, and any such audit could result in disputes over whether we have paid the proper content acquisition costs. However, as of September 30, 2017, we do not believe it is probable that these provisions of our agreements discussed above will, individually or in the aggregate, have a material adverse effect on our business, financial position, results of operations or cash flows.

Legal Proceedings

We have been in the past, and continue to be, a party to various legal proceedings, which have consumed, and may continue to consume, financial and managerial resources. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Our management periodically evaluates developments that could affect the amount, if any, of liability that we have previously accrued and make adjustments as appropriate. Determining both the likelihood and the estimated amount of a loss requires significant judgment, and management's judgment may be incorrect. We do not believe the ultimate resolution of any pending legal matters is likely to have a material adverse effect on our business, financial position, results of operations or cash flows.

Pre-1972 copyright litigation

On October 2, 2014, Flo & Eddie Inc. filed a class action suit against Pandora Media Inc. in the federal district court for the Central District of California. The complaint alleges misappropriation and conversion in connection with the public performance of sound recordings recorded prior to February 15, 1972. On December 19, 2014, Pandora filed a motion to strike the complaint pursuant to California's Anti-Strategic Lawsuit Against Public Participation ("Anti-SLAPP") statute, which was appealed to the Ninth Circuit Court of Appeals. The district court litigation is currently stayed pending the Ninth Circuit's decision. On December 8, 2016, the Ninth Circuit heard oral arguments on the Anti-SLAPP motion. On March 15, 2017, the Ninth Circuit requested certification to the California Supreme Court on the substantive legal questions. The California Supreme Court has accepted certification and the Company filed its opening brief on August 4, 2017.

Between September 14, 2015 and October 19, 2015, Arthur and Barbara Sheridan filed separate class action suits against the Company in the federal district courts for the Northern District of California and the District of New Jersey. The complaints allege a variety of violations of common law and state copyright statutes, common law misappropriation, unfair competition, conversion, unjust enrichment and violation of rights of publicity arising from allegations that we owe royalties for the public performance of sound recordings recorded prior to February 15, 1972. The actions in California and New Jersey are currently stayed pending the Ninth Circuit's decision in *Flo & Eddie, Inc. v. Pandora Media, Inc*.

On September 7, 2016, Ponderosa Twins Plus One et al. filed a class action suit against the Company alleging claims similar to that of *Flo & Eddie, Inc. v. Pandora Media Inc*. The action is currently stayed in the Northern District of California pending the Ninth Circuit's decision in *Flo & Eddie, Inc. v. Pandora Media, Inc*.

The outcome of any litigation is inherently uncertain. Except as noted above, we do not believe it is probable that the final outcome of the matters discussed above will, individually or in the aggregate, have a material adverse effect on our business, financial position, results of operations or cash flows; however, in light of the uncertainties involved in such matters, there can be no assurance that the outcome of each case or the costs of litigation, regardless of outcome, will not have a material adverse effect on our business.

Indemnification Agreements, Guarantees and Contingencies

In the ordinary course of business and in connection with the sale of Ticketfly, we are party to certain contractual agreements under which we may provide indemnifications of varying scope, terms and duration to customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by us or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. Such indemnification provisions, other than the Ticketfly indemnifications, are accounted for in accordance with guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. In connection with the sale of Ticketfly, we have accrued approximately $5.1 million related to these indemnifications, which is the probable indemnification liability as estimated in accordance with the accounting guidance for loss contingencies. Other than this amount, to date, we have not incurred, do not anticipate incurring and therefore have not accrued for, any costs related to such indemnification provisions.

While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any claims under indemnification arrangements will have a material adverse effect on our business, financial position, results of operations or cash flows.

6. Dispositions

Ticketfly

On September 1, 2017, we completed the sale of Ticketfly, our ticketing service segment, to Eventbrite Inc. ("Eventbrite") for an aggregate unadjusted purchase price of $200.0 million. The aggregate unadjusted purchase price consists of $150.0 million in cash and a $50.0 million Convertible Promissory Note, which were paid and issued at the closing of the transaction. The Convertible Promissory Note was recorded at its fair value at the date of sale, which resulted in a discount of $13.8 million. The aggregate purchase price was further reduced by $4.9 million in costs to sell and $8.6 million in working capital adjustments and certain indemnification provisions, for a net purchase price of $172.7 million. Refer to Note 8 "Convertible Promissory Note Receivable" in the Notes to Condensed Consolidated Financial Statements for further details on the Convertible Promissory Note.

In the three months ended June 30, 2017, the assets and liabilities of Ticketfly were classified as held for sale, and we recognized a goodwill impairment charge of $131.7 million. The impairment charge was based on the fair value of the net assets as implied by the estimated purchase price of $184.5 million as of June 30, 2017. We consider the fair value of these net assets to be classified as Level 2 within the fair value hierarchy because Ticketfly is not a publicly traded company. Instead, the fair value was based on other observable inputs, such as the selling price, which represents an exit price. In the three months ended September 30, 2017, we recognized a loss on sale of $9.4 million in the general and administrative line item on our Condensed Consolidated Statements of Operations, which was based on an adjusted net purchase price of $172.7 million as of September 1, 2017.

Net cash proceeds from the sale of Ticketfly were $125.2 million and consisted of the cash purchase price of $150.0 million, less cash held for sale of $22.2 million and cash purchase price adjustments of $2.6 million.

Prior to the sale of Ticketfly, we operated in two reportable segments. Subsequent to the sale of Ticketfly, we operate in one reportable segment.

The revenues and expenses of Ticketfly are included in our Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2017 through the disposition date of September 1, 2017. The following table provides Ticketfly's loss before benefit from (provision for) income taxes for the three and nine months ended September 30, 2016 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
	(in thousands)			
Loss before benefit from (provision for) income taxes	$ (10,515)	$ (1,777)	$ (26,365)	$ (153,022)

The sale of Ticketfly did not represent a strategic shift in our business, and therefore we have not classified the operations of Ticketfly as discontinued operations in our Condensed Consolidated Statements of Operations.

KXMZ

On August 31, 2017, we completed the sale of KXMZ, an FM radio station based in Rapid City, South Dakota. Net cash proceeds from the sale of KXMZ were $0.2 million. The sale did not result in a material impact to our condensed consolidated financial statements.

Disposal of Assets and Liabilities

The following table provides the carrying amounts of the major classes of assets and liabilities of Ticketfly and KXMZ that were disposed of in the three months ended September 30, 2017.

	(in thousands)
Assets	
Cash and cash equivalents	$ 22,233
Accounts receivable, net	4,148
Prepaid expenses and other current assets	11,467
Property and equipment, net	5,237
Goodwill	103,474
Intangible assets, net	57,932
Other long-term assets	21,268
Total assets	$ 225,759
Liabilities	
Accounts payable, accrued liabilities and accrued compensation	$ 4,630
Other current liabilities	29,573
Other long-term liabilities	9,151
Total liabilities	$ 43,354

7. Goodwill and Intangible Assets

During the three months ended September 30, 2017, we completed the sale of both Ticketfly and KXMZ. In the three months ended June 30, 2017, we recognized a goodwill impairment of $131.7 million related to the Ticketfly sale. The

impairment charge was based on the fair value of Ticketfly's net assets as implied by the estimated purchase price of $184.5 million as of June 30, 2017. As a result of the KXMZ agreement, we recognized a goodwill impairment of $0.3 million in the three months ended June 30, 2017, which was based on the fair value of these net assets as implied by the estimated purchase price.

The changes in the carrying amount of goodwill in each of our reporting segments for the nine months ended September 30, 2017, are as follows:

	Pandora	Ticketfly	Total
	(in thousands)		
Balance as of December 31, 2016	$ 71,650	$ 235,041	$ 306,691
Goodwill impairment	(300)	(131,697)	(131,997)
Goodwill related to disposed assets	(107)	(103,367)	(103,474)
Effect of currency translation adjustment	—	23	23
Balance as of September 30, 2017	$ 71,243	$ —	$ 71,243

The following summarizes information regarding the gross carrying amounts and accumulated amortization of intangible assets.

	As of December 31, 2016			As of September 30, 2017			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Disposal of Intangible Assets	Net Carrying Value
	(in thousands)			(in thousands)			
Finite-lived intangible assets							
Patents	$ 8,030	$ (2,556)	$ 5,474	$ 8,030	$ (3,106)	$ —	$ 4,924
Developed technology	56,162	(13,599)	42,563	56,162	(20,958)	(19,235)	15,969
Customer relationships—clients	37,399	(5,487)	31,912	37,399	(7,449)	(29,950)	—
Customer relationships—users	1,940	(1,288)	652	1,940	(1,732)	(208)	—
Trade names	11,735	(2,104)	9,631	11,735	(2,978)	(8,346)	411
Total finite-lived intangible assets	$ 115,266	$ (25,034)	$ 90,232	$ 115,266	$ (36,223)	$ (57,739)	$ 21,304
Indefinite-lived intangible assets							
FCC license - Broadcast Radio	$ 193	$ —	$ 193	$ 193	$ —	$ (193)	$ —
Total intangible assets	$ 115,459	$ (25,034)	$ 90,425	$ 115,459	$ (36,223)	$ (57,932)	$ 21,304
Note: Amounts may not recalculate due to rounding							

Amortization expense of intangible assets was $5.1 million and $1.9 million for the three months ended September 30, 2016 and 2017. Amortization expense of intangible assets was $15.4 million and $11.2 million for the nine months ended September 30, 2016 and 2017.

The following is a schedule of future amortization expense related to finite-lived intangible assets as of September 30, 2017.

	As of September 30, 2017
	(in thousands)
Remainder of 2017	$ 1,896
2018	6,066
2019	5,546
2020	5,251
2021	727
Thereafter	1,818
Total future amortization expense	$ 21,304

8. Convertible Promissory Note Receivable

On September 1, 2017, we completed the sale of Ticketfly, our ticketing service segment, to Eventbrite for an aggregate unadjusted purchase price of $200.0 million. The aggregate unadjusted purchase price consists of $150.0 million in cash and a $50.0 million Convertible Promissory Note, which were paid and issued at the closing of the transaction. The Convertible Promissory Note will be due five years from its issuance date (the "Convertible Promissory Note Maturity Date") and will accrue interest at a rate of 6.5% per annum, payable quarterly in cash or in-kind for the first year at the discretion of Eventbrite, and in cash thereafter. Prior to the Convertible Promissory Note Maturity Date, the Convertible Promissory Note is convertible at our option into shares of Eventbrite's common stock. The Convertible Promissory Note may be prepaid at any time.

The Convertible Promissory Note was recorded at its fair value of $36.2 million as of the issuance date of September 1, 2017, which resulted in a discount of $13.8 million. The note was further reduced by $2.5 million in purchase price adjustments. As of September 30, 2017, the balance of the Convertible Promissory Note also included $0.3 million in interest receivable and $0.2 million in accretion of the discount, for a total balance of $34.1 million.

The fair value of the Convertible Promissory Note was based on a methodology that combines inputs based on comparable debt instruments and market-corroborated inputs with quantitative pricing models. At issuance, our Convertible Promissory Note was classified as Level 3 within the fair value hierarchy because the fair value was based on unobservable inputs in an inactive market. However, our Convertible Promissory Note will not be remeasured at each reporting date.

The discount on the Convertible Promissory Note is being amortized to interest income using the effective interest method over the period from the date of issuance through the Convertible Promissory Note Maturity Date. The following table outlines the effective interest rate, contractually stated interest income and amortization of the discount for the Convertible Promissory Note:

	Three and nine months ended September 30, 2017
	(in thousands except for effective interest rate)
Effective interest rate	14.73 %
Contractually stated interest income	$ 258
Amortization of discount	$ 171

9. Debt Instruments

Long-term debt, net consisted of the following:

Pandora Media, Inc.
Notes to Condensed Consolidated Financial Statements - Continued
(unaudited)

	As of December 31, 2016	As of September 30, 2017
	(in thousands)	
1.75% convertible senior notes due 2020	$ 345,000	$ 345,000
Credit facility	90,000	—
Unamortized discount and deferred issuance costs	(92,753)	(77,604)
Long-term debt, net	$ 342,247	$ 267,396

Convertible Debt Offering

On December 9, 2015, we completed an unregistered Rule 144A offering for the issuance of $345.0 million aggregate principal amount of our 1.75% Convertible Senior Notes due 2020 (the "Notes"). In connection with the issuance of the Notes, we entered into capped call transactions with the initial purchaser of the Notes and an additional financial institution ("capped call transactions"). The net proceeds from the sale of the Notes were approximately $336.5 million, after deducting the initial purchasers' fees and other estimated expenses. We used approximately $43.2 million of the net proceeds to pay the cost of the capped call transactions.

The Notes are unsecured, senior obligations of Pandora, and interest is payable semi-annually at a rate of 1.75% per annum. The Notes will mature on December 1, 2020, unless earlier repurchased or redeemed by Pandora or converted in accordance with their terms prior to such date. Prior to July 1, 2020, the Notes are convertible at the option of holders only upon the occurrence of specified events or during certain periods as further described in Note 7 "Debt Instruments" in our Annual Report on Form 10-K for the year ended December 31, 2016; thereafter, until the second scheduled trading day prior to maturity, the Notes will be convertible at the option of holders at any time.

The Notes were separated into debt and equity components and assigned a fair value. The value assigned to the debt component is the estimated fair value as of the issuance date of similar debt without the conversion feature. The difference between the cash proceeds and this estimated fair value represents the value which has been assigned to the equity component and recorded as a debt discount. The debt discount is being amortized using the effective interest method over the period from the date of issuance through the December 1, 2020 maturity date. The valuation of the Notes is further described in Note 7 "Debt Instruments" in our Annual Report on Form 10-K for the year ended December 31, 2016.

The following table outlines the effective interest rate, contractually stated interest expense and costs related to the amortization of the discount for the Notes:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
	(in thousands except for effective interest rate)			
Effective interest rate	10.18%	10.18%	10.18%	10.18%
Contractually stated interest expense	$ 1,505	$ 1,509	$ 4,536	$ 4,511
Amortization of discount	$ 4,649	$ 5,135	$ 13,587	$ 14,934

The total estimated fair value of the Notes as of September 30, 2017 was $323.8 million. The fair value was determined using a methodology that combines direct market observations with quantitative pricing models to generate evaluated prices. We consider the fair value of the Notes to be a Level 2 measurement due to the limited trading activity of the Notes.

The closing price of our common stock was $7.70 on September 30, 2017, which was less than the initial conversion price for the Notes of approximately $16.42 per share. As such, the if-converted value of the Notes was less than the principal amount of $345.0 million.

Credit Facility

Pandora Media, Inc.
Notes to Condensed Consolidated Financial Statements - Continued
(unaudited)

We are party to a $120.0 million credit facility with a syndicate of financial institutions, which expires on September 12, 2018. In September 2016, we borrowed $90.0 million from the credit facility to enhance our working capital position. This amount was repaid in full in September 2017.

As of September 30, 2017, we had no outstanding borrowings, $1.2 million in letters of credit outstanding and $118.8 million of available borrowing capacity under the credit facility. We are in compliance with all financial covenants associated with the credit facility as of September 30, 2017.

10. Redeemable Convertible Preferred Stock

In June 2017, we entered into an agreement with Sirius XM Radio, Inc. ("Sirius XM") to sell 480,000 shares of Series A redeemable convertible preferred stock ("Series A") for $1,000 per share, with gross proceeds of $480.0 million. The Series A shares were issued in two rounds: an initial closing of 172,500 shares for $172.5 million that occurred on June 9, 2017 upon signing the agreement with Sirius XM, and an additional closing of 307,500 shares for $307.5 million that occurred on September 22, 2017 upon the receipt of antitrust clearance and the completion of other customary closing conditions. In the three and nine months ended September 30, 2017, total proceeds from the initial and additional closing, net of preferred stock issuance costs of $15.3 million and $29.3 million, were $292.2 million and $450.7 million, respectively.

Conversion Feature

Holders of the Series A shares have the option to convert their shares plus any accrued dividends into common stock. We have the right to settle the conversion in cash, common stock or a combination thereof. The conversion rate for the Series A is initially 95.2381 shares of common stock per each share of Series A, which is equivalent to an initial conversion price of approximately $10.50 per share of our common stock, and is subject to adjustment in certain circumstances. Dividends on the Series A will accrue on a daily basis, whether or not declared, and will be payable on a quarterly basis at a rate of 6% per year. We have the option to pay dividends in cash when authorized by the Board and declared by the Company or accumulate dividends in lieu of paying cash. Dividends accumulated in lieu of paying cash will continue to accrue and accumulate at rate of 6% per year.

Redemption Feature

Under certain circumstances, we will have the right to redeem the Series A on or after the date which is three years after the additional closing. The Series A holders will have the right to require us to redeem the Series A on or after the date which is five years after the additional closing. Any optional redemption of the Series A will be at a redemption price equal to 100% of the liquidation preference, plus accrued and unpaid dividends to, but excluding, the redemption date. We have the option to redeem the Series A in cash, common stock or a combination thereof.

Fundamental Changes

If certain fundamental changes involving the Company occur, including change in control or liquidation, the Series A will be redeemed subject to certain adjustments, as determined by the date of the fundamental change. The change in control amount is the greater of the redemption value of 100% of the liquidation preference, plus all accrued dividends unpaid through the fifth anniversary of the additional closing, assuming the shares would have remained outstanding through that date, or the price that common stockholders would receive if the Series A shares had been redeemed immediately prior to the announcement of the change in control.

Recognition

Since the redemption of the Series A is contingently or optionally redeemable and therefore not certain to occur, the Series A is not required to be classified as a liability under ASC 480, *Distinguishing Liabilities from Equity*. As the Series A is redeemable at the option of the holders and is redeemable in certain circumstances upon the occurrence of an event that is not solely within the Company's control, we have classified the Series A in the redeemable convertible preferred stock line item in our condensed consolidated balance sheets. We did not identify any embedded features that would require bifurcation from the equity-like host instrument. We have elected to recognize the Series A at the redemption value at each period end, and have recorded the issuance costs through retained earnings as a deemed preferred stock dividend. In addition, we have elected to account for the 6% dividend at the stated rate.

As of September 30, 2017, redeemable convertible preferred stock consisted of the following:

	As of September 30, 2017
	(in thousands)
Series A redeemable convertible preferred stock	$ 480,000
Issuance costs	(29,259)
Accretion of issuance costs	29,259
Stock dividend payable to preferred stockholders	3,588
Redeemable convertible preferred stock	$ 483,588

Contract Termination Fees

In May 2017, we entered into an agreement to sell redeemable convertible preferred stock to KKR. In June 2017, in conjunction with the Series A, we terminated the previous contractual commitment to sell redeemable convertible preferred stock to KKR, which resulted in a contract termination fee and related legal and professional fees, totaling $23.0 million. This is included in the contract termination fees line item of our condensed consolidated statements of operations for the nine months ended September 30, 2017.

11. Stock-based Compensation Plans and Awards

ESPP

The ESPP allows eligible employees to purchase shares of our common stock through payroll deductions of up to 15% of their eligible compensation. The ESPP provides for six-month offering periods, commencing in February and August of each year.

We estimate the fair value of shares to be issued under the ESPP on the first day of the offering period using the Black-Scholes valuation model. The determination of the fair value is affected by our stock price on the first date of the offering period, as well as other assumptions including the risk-free interest rate, the estimated volatility of our stock price over the term of the offering period, the expected term of the offering period and the expected dividend rate. Stock-based compensation expense related to the ESPP is recognized on a straight-line basis over the offering period. Forfeitures are recognized as they occur.

The following assumptions for the Black-Scholes option pricing model were used to determine the per-share fair value of shares to be granted under the ESPP:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
Expected life (in years)	0.5	0.5	0.5	0.5
Risk-free interest rate	0.41 - 0.44%	0.65 - 1.13%	0.24 - 0.44%	0.44 - 1.13%
Expected volatility	41 - 52%	39 - 45%	41 - 52%	39 - 52%
Expected dividend yield	0%	0%	0%	0%

During the three months ended September 30, 2016 and 2017, we withheld $2.6 million and $1.9 million in contributions from employees and recognized $0.9 million and $1.0 million of stock-based compensation expense related to the ESPP, respectively. During the nine months ended September 30, 2016 and 2017, we withheld $6.4 million and $8.0 million in contributions from employees and recognized $2.3 million and $2.9 million of stock-based compensation expense related to the ESPP, respectively. In the three months ended September 30, 2016 and 2017, 643,562 and 739,922 shares of common stock were issued under the ESPP. In the nine months ended September 30, 2016 and 2017, 1,254,910 and 1,287,687 shares of common stock were issued under the ESPP.

Employee Stock-Based Awards

Our 2011 Equity Incentive Plan (the "2011 Plan") provides for the issuance of stock options, restricted stock units and other stock-based awards to our employees. The 2011 Plan is administered by the compensation committee of our board of directors.

Stock options

We measure stock-based compensation expense for stock options at the grant date fair value of the award and recognize expense on a straight-line basis over the requisite service period, which is generally the vesting period. We estimate the fair value of stock options using the Black-Scholes option-pricing model. During the three months ended September 30, 2016 and 2017, we recorded stock-based compensation expense from stock options of approximately$2.2 million and $0.9 million. During the nine months ended September 30, 2016 and 2017, we recorded stock-based compensation expense from stock options of approximately$11.3 million and $6.9 million.

The per-share fair value of each stock option was determined on the grant date using the Black-Scholes option pricing model using the following assumptions:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
Expected life (in years)	N/A	6.30	N/A	5.93 - 6.25
Risk-free interest rate	N/A	1.97%	N/A	1.92 - 2.18%
Expected volatility	N/A	61%	N/A	61%
Expected dividend yield	N/A	0%	N/A	0%

There were no options granted in thethree and nine months ended September 30, 2016.

RSUs

The fair value of RSUs is expensed ratably over the vesting period. RSUs typically have an initial annual cliff vest and then vest quarterly thereafter over the service period, which is generally three to four years. During the three months ended September 30, 2016 and 2017, we recorded stock-based compensation expense from RSUs of approximately $28.2 million and $27.7 million. During the nine months ended September 30, 2016 and 2017, we recorded stock-based compensation expense from RSUs of approximately $87.2 million and $86.5 million.

MSUs

In March 2015, the compensation committee of the board of directors granted performance awards consisting of market stock units to certain key executives under our 2011 Plan.

MSUs granted in March 2015 are earned as a function of Pandora's TSR performance measured against that of the Russell 2000 Index acrossthree performance periods:

- One-third of the target MSUs are eligible to be earned for a performance period that is the first calendar year of the MSU grant (the "One-Year Performance Period");
- One-third of the target MSUs are eligible to be earned for a performance period that is the first two calendar years of the MSU grant (the "Two-Year Performance Period"); and
- Any remaining portion of the total potential MSUs are eligible to be earned for a performance period that is the entire three calendar years of the MSU grant (the "Three-Year Performance Period").

For each performance period, a "performance multiplier" is calculated by comparing Pandora's TSR for the period to the Russell 2000 Index TSR for the same period, using the average adjusted closing stock price of Pandora stock, and the Russell 2000 Index, for ninety calendar days prior to the beginning of the performance period and the last ninety calendar days of the performance period. In each period, the target number of shares will vest if the Pandora TSR is equal to the Russell 2000 Index TSR. For each percentage point that the Pandora TSR falls below the Russell 2000 Index TSR for the period, the performance

multiplier is decreased by three percentage points. The performance multiplier is capped at 100% for the One-Year and Two-Year Performance Periods. However, the full award is eligible for a payout up to 200% of target, less any shares earned in prior periods, in the Three-Year Performance Period. Specifically, for each percentage point that the Pandora TSR exceeds the Russell 2000 Index TSR for the Three-Year Performance Period, the performance multiplier is increased by 2%. As such, the ability to exceed the target number of shares is determined exclusively with respect to Pandora's three-year TSR during the term of the award.

We have determined the grant-date fair value of the MSUs using a Monte Carlo simulation performed by a third-party valuation firm. We recognize stock-based compensation for the MSUs over the requisite service period, which is approximately three years, using the accelerated attribution method.

There were no MSUs granted in the three and nine months ended September 30, 2016 or 2017. During the three months ended September 30, 2016 and 2017, we recorded approximately $0.2 million and $0.1 million in stock-based compensation expense from MSUs. During the nine months ended September 30, 2016 and 2017, we recorded stock-based compensation expense from MSUs of approximately $0.6 million and $0.3 million.

In February 2016 and January 2017, the compensation committee of the board of directors certified the results of the One-Year Performance Period and Two-Year Performance Period of the 2015 MSU grant, which concluded December 31, 2015 and 2016. During the One-Year Performance Period, our relative TSR declined 26 percentage points relative to the Russell 2000 Index TSR for the period, which resulted in the vesting of the One-Year Performance Period at 22% of the one-third vesting opportunity for the period. During the Two-Year Performance Period, our relative TSR declined 48 percentage points relative to the Russell 2000 Index TSR for the period, which resulted in vesting of the Two-Year Performance Period at 0% of the one-third vesting opportunity for the period.

PSUs

In April and October 2016, the compensation committee of the board of directors granted 2016 Performance Awards consisting of stock-settled performance-based RSUs to certain key executives under our 2011 Plan.

PSUs granted in April and October 2016 have a vesting period that includes a four-year service period, during which one fourth of the awards will vest after one year and the remainder will vest quarterly thereafter. The PSUs are earned when our trailing average ninety-day stock price is equal to or greater than $20.00. If the trailing average ninety-day stock price does not equal or exceed $20.00 on the applicable vesting date, then the portion of the award that was scheduled to vest on such vesting date shall not vest but shall vest on the next vesting date on which the trailing average ninety-day stock price equals or exceeds $20.00. Any portion of the award that remains unvested as of the final vesting date shall be canceled and forfeited.

We have determined the grant-date fair value of the PSUs granted in April and October 2016 using a Monte Carlo simulation performed by a third-party valuation firm. We recognize stock-based compensation for the PSUs over the requisite service period, which is approximately four years, using the accelerated attribution method.

During the nine months ended September 30, 2016 we granted 1,725,000 PSUs at a total grant-date fair value of $8.7 million. There were no PSUs granted in the three and nine months ended September 30, 2017. During the three months ended September 30, 2016 and 2017, we recorded stock-based compensation expense from PSUs of approximately $1.3 million and $0.3 million. During the nine months ended September 30, 2016 and 2017, we recorded stock-based compensation expense from PSUs of approximately $2.4 million and $1.7 million.

Stock-based Compensation Expense

Stock-based compensation expense related to all employee and non-employee stock-based awards was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
	(in thousands)		(in thousands)	
Stock-based compensation expense				
Cost of revenue—Other	$ 1,538	$ 803	$ 4,559	$ 2,432
Cost of revenue—Ticketing service	27	6	154	69
Product development	7,347	8,428	23,091	25,765
Sales and marketing	14,932	14,059	43,673	42,657
General and administrative	8,910	6,805	32,364	27,404
Total stock-based compensation expense	$ 32,754	$ 30,101	$ 103,841	$ 98,327

In the nine months ended September 30, 2016 and 2017, we recorded stock-based compensation expense of $6.8 million and $5.4 million related to accelerated awards in connection with executive terminations. The majority of these amounts are included in the general and administrative line item of our condensed consolidated statements of operations.

12. Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss available to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Diluted net loss per common share is computed by giving effect to all potential shares of common stock, including stock options, restricted stock units, market stock units, performance-based RSUs, potential ESPP shares and instruments convertible into common stock, to the extent dilutive. Basic and diluted net loss per common share were the same for the three and nine months ended September 30, 2016 and 2017, as the inclusion of all potential common shares outstanding would have been anti-dilutive.

The following table sets forth the computation of historical basic and diluted net loss per common share:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
	(in thousands except per share amounts)		(in thousands except per share amounts)	
Numerator				
Net loss	$ (61,534)	$ (66,243)	$ (252,969)	$ (473,646)
Less: Stock dividend payable and transaction costs	—	18,319	—	32,847
Net loss available to common stockholders	(61,534)	(84,562)	(252,969)	(506,493)
Denominator				
Weighted-average basic and diluted common shares	232,139	245,810	229,524	241,579
Net loss per common share, basic and diluted	$ (0.27)	$ (0.34)	$ (1.10)	$ (2.10)

The following potential common shares outstanding were excluded from the computation of diluted net loss per common share because including them would have been anti-dilutive:

Pandora Media, Inc.
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(unaudited)

	As of September 30,	
	2016	2017
	(in thousands)	
Options to purchase common stock	9,665	6,206
Restricted stock units	23,554	20,990
Performance awards*	2,315	1,486
Shares issuable pursuant to the ESPP	589	859
Total common stock equivalents	36,123	29,541

*Includes potential common shares outstanding for MSUs and PSUs

On June 9, 2017, we entered into an agreement with Sirius XM to sell480,000 shares of Series A, of which 307,500 shares and 480,000 shares were issued in thethree and nine months ended September 30, 2017. Under the treasury stock method, the Series A will generally have a dilutive impact on earnings per share if our average stock price for the period exceeds approximately $10.50 per share of our common stock, the conversion price of the Series A. For the period from the issuance of the offering through September 30, 2017, the conversion feature of the Series A was anti-dilutive, as our average stock price was less than the conversion price.

On December 9, 2015, we completed an offering of our1.75% convertible senior notes due 2020. Under the treasury stock method, the Notes will generally have a dilutive impact on earnings per share if our average stock price for the period exceeds approximately $16.42 per share of our common stock, the conversion price of the Notes. For the period from the issuance of the offering of the Notes through September 30, 2017, the conversion feature of the Notes was anti-dilutive, as our average stock price was less than the conversion price.

In connection with the pricing of the Notes, we entered into capped call transactions which increase the effective conversion price of the Notes, and are designed to reduce potential dilution upon conversion of the Notes. Since the beneficial impact of the capped call is anti-dilutive, it is excluded from the calculation of earnings per share. Refer to Note 9 "Debt Instruments" in the Notes to Condensed Consolidated Financial Statements for further details regarding our Notes.

13. Restructuring Charges

Reduction in Force

On January 12, 2017, we announced a reduction in force plan affecting approximately 7% of our U.S. employee base, excluding Ticketfly. In the nine months ended September 30, 2017, we incurred approximately $6.0 million of cash expenditures, substantially all of which were related to employee severance and benefits costs. In the nine months ended September 30, 2017, total reduction in force expenses were $5.6 million, which was lower than cash reduction in force costs due to a credit related to non-cash stock-based compensation expense reversals for unvested equity awards. The reduction in force plan was completed and all amounts were paid in the nine months ended September 30, 2017.

Australia and New Zealand Exit Costs

On June 27, 2017, we announced a plan to discontinue business activities in Australia and New Zealand. The related restructuring charges in the three and nine months ended September 30, 2017 primarily relate to a reduction of headcount of approximately 50 employees, which resulted in employee severance and benefits costs offset by a credit related to non-cash stock-based compensation expense reversals for unvested equity awards. The dissolution of the Australia and New Zealand business operations was substantially completed in the three months ended September 30, 2017. These restructuring charges did not have a material impact on our financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

You should read the following discussion of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve substantial risks and uncertainties. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Exchange Act, including, but not limited to, statements regarding our expectations, beliefs, intentions, strategies, future operations, future financial position, future revenue, projected expenses, plans and objectives of management and economic, competitive and technological trends. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "estimate," "expect," "intend," "may," "might," "plan," "project," "will," "would," "should," "could," "can," "predict," "potential," "continue," "objective," or the negative of these terms, and similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These forward-looking statements reflect our current views about future events and involve known risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievement to be materially different from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2016. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. We qualify all of our forward-looking statements by these cautionary statements. These and other factors could cause our results to differ materially from those expressed in this Quarterly Report on Form 10-Q.

As used herein, "Pandora," the "Company," "we," "our," and similar terms refer to Pandora Media, Inc., unless the context indicates otherwise.

"Pandora" and other trademarks of ours appearing in this report are our property. This report may contain additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

Overview

Pandora—Internet Radio and On-Demand Music Services

Pandora is the world's most powerful music discovery platform, offering a personalized experience for each of our listeners wherever and whenever they want to listen to music—whether through earbuds, car speakers or home audio/video equipment. Our vision is to be the definitive source of music discovery and enjoyment for billions of users. Pandora is available as an ad-supported service, a radio subscription service called Pandora Plus and an on-demand subscription service called Pandora Premium. The majority of our listener hours occur on mobile devices, with the majority of our revenue generated from advertising on our ad-supported service on these devices. We offer both local and national advertisers the opportunity to deliver targeted messages to our listeners using a combination of audio, display and video advertisements. We also generate revenue from subscriptions to Pandora Plus and Pandora Premium. Founded by musicians, Pandora also empowers artists with valuable data and tools to help grow their careers and connect with their fans.

At the heart of our service is our set of proprietary personalization technologies, including the Music Genome Project and our playlist generating algorithms. The Music Genome Project is a database of over 1,500,000 uniquely analyzed songs from over 200,000 artists, spanning over 660 genres and sub-genres, which our team of trained musicologists has developed one song at a time by evaluating and cataloging each song's particular attributes. The Music Genome Project database is a subset of our full catalog available to be played. When a listener enters a single song, artist, comedian or genre to start a station, the Pandora service instantly generates a station that plays music or comedy we think that listener will enjoy. Over time, our service has evolved by using data science to further tailor the listener experience based on listener reactions to the recordings we pick. Listeners also have the ability to add variety to and rename stations, which further allows for the personalization of our service. We have integrated this technology into Pandora Premium, giving listeners the ability to search and play any track or album as well as offering unique playlist features tailored to each listener's distinct preferences.

For the three months ended September 30, 2017, we streamed 5.15 billion hours of radio, and as of September 30, 2017, we had 73.7 million active users during the prior 30-day period and 5.19 million paid subscribers. Since we launched the Pandora service in 2005 our listeners have created over12 billion stations.

We currently provide the Pandora service through three models:

- *Ad-Supported Service.* Our ad-supported Pandora service allows listeners to access our music and comedy catalogs and personalized playlist generating system for free across all of our delivery platforms. Listeners can obtain more features, such as skips and the ability to replay tracks, by watching an advertisement.

- *Subscription Service—Pandora Plus.* Pandora Plus is a paid, ad-free subscription version of the Pandora service that includes replays, additional skipping, offline listening, higher quality audio on supported devices and longer timeout-free listening.

- *Subscription Service—Pandora Premium.* Our on-demand subscription service, Pandora Premium, launched to select listeners on March 15, 2017, with general availability in the United States on April 18, 2017. Pandora Premium is a paid, ad-free version of the Pandora service that offers a unique, on-demand experience, providing users with the ability to search, play and collect songs and albums, build playlists on their own or with the tap of a button and automatically generates playlists based on the user's listening activity. The features of Pandora Plus are also included in Pandora Premium.

A key element of our strategy is to make the Pandora service available everywhere that there is internet connectivity. To this end, we make the Pandora service available through a variety of distribution channels. In addition to streaming our service to computers, we have developed Pandora mobile device applications ("apps") for smartphones and mobile operating systems, such as the iPhone and Android and for tablets including the iPad and Android tablets. We distribute those mobile apps free to listeners via app stores.

We expect to continue to make enhancements to Pandora Plus and Pandora Premium, which will require engineering effort, as well as other resources. In addition, in connection with the launch and continued operation of these services we have entered into direct license agreements with major and independent record labels, some of which include substantial minimum guarantee payments. In order for Pandora Plus and Pandora Premium to be successful, we will need to attract subscribers to these new service offerings. The market for subscription-based music services, including on-demand services, is intensely competitive, and our ability to realize a return on our investments in these service offerings will depend on our ability to leverage the existing audience of our ad-supported service, our brand awareness and our ability to deliver differentiated subscription services with features and functionality that listeners find attractive. Refer to our discussion of these matters in Item 1A—"Risk Factors".

Ticketing Service

We completed the sale of Ticketfly on September 1, 2017. Prior to the date of disposition, we operated our ticketing service through our former subsidiary Ticketfly, a leading live events technology company that provides ticketing and marketing software and services for clients, which are venues and event promoters, across North America. Ticketfly's ticketing, digital marketing and analytics software helps promoters book talent, sell tickets and drive in-venue revenue, while Ticketfly's consumer tools help fans find and purchase tickets to events. Tickets are primarily sold through the Ticketfly platform but are also sold through other channels such as box offices.

Ticketfly's platform provides ticketing and marketing services for venues and event promoters across North America and makes it easy for fans to find and purchase tickets to events, and also gives artists a means to more effectively promote their events. We also connect our listeners to events through promotions on our internet radio service.

Refer to Note 6 "Dispositions" in the Notes to Condensed Consolidated Financial Statements for further details on the Ticketfly disposition.

Recent Events

Convertible Redeemable Preferred Stock

In June 2017, we entered into an agreement with Sirius XM Radio, Inc. ("Sirius XM") to sell480,000 shares of Series A redeemable convertible preferred stock ("Series A") for $1,000 per share, with gross proceeds of$480.0 million. The Series A

shares were issued in two rounds: an initial closing of 172,500 shares for $172.5 million that occurred on June 9, 2017 upon signing the agreement with Sirius XM, and an additional closing of 307,500 shares for $307.5 million that occurred on September 22, 2017 upon the receipt of antitrust clearance and the completion of other customary closing conditions. Refer to Note 10 "Redeemable Convertible Preferred Stock" in the Notes to Condensed Consolidated Financial Statements for further details on the redeemable convertible preferred stock sale.

Ticketfly Disposition

On September 1, 2017, we completed the sale of Ticketfly, our ticketing service segment, to Eventbrite Inc. ("Eventbrite") for an aggregate unadjusted purchase price of $200.0 million. The aggregate unadjusted purchase price consists of $150.0 million in cash and a $50.0 million Convertible Promissory Note, which were paid and issued at the closing of the transaction. The Convertible Promissory Note was recorded at its fair value at the date of sale, which resulted in a discount of $13.8 million. The aggregate purchase price was further reduced by $4.9 million in costs to sell and $8.6 million in working capital adjustments and certain indemnification provisions, for a net purchase price of $172.7 million. Refer to Note 8 "Convertible Promissory Note Receivable" in the Notes to Condensed Consolidated Financial Statements for further details on the Convertible Promissory Note.

In the three months ended June 30, 2017, the assets and liabilities of Ticketfly were classified as held for sale, and we recognized a goodwill impairment charge of $131.7 million. The impairment charge was based on the fair value of the net assets as implied by the estimated purchase price of $184.5 million as of June 30, 2017. In the three months ended September 30, 2017, we recognized a loss on sale of $9.4 million in the general and administrative line item on our Condensed Consolidated Statements of Operations, which was based on an adjusted net purchase price of $172.7 million as of September 1, 2017. Refer to Note 6 "Dispositions" in the Notes to Condensed Consolidated Financial Statements for further details on the Ticketfly disposition.

KXMZ Disposition

On August 31, 2017, we completed the sale of KXMZ, an FM radio station based in Rapid City, South Dakota. The sale did not result in a material impact to our condensed consolidated financial statements. Refer to Note 6 "Dispositions" in the Notes to Condensed Consolidated Financial Statements for further details on the KXMZ disposition.

Australia and New Zealand

On June 27, 2017, we announced a plan to discontinue business activities in Australia and New Zealand. The related restructuring charges in the nine months ended September 30, 2017 primarily relate to a reduction of headcount of approximately 50 employees, which resulted in employee severance and benefits costs offset by a credit related to non-cash stock-based compensation expense reversals for unvested equity awards. The dissolution of the Australia and New Zealand business operations was substantially completed in the three months ended September 30, 2017. These restructuring charges did not have a material impact on our financial statements.

Factors Affecting our Business Model

Content Acquisition Costs

We pay content acquisition costs based on the terms of direct license agreements with major and independent music labels and distributors for the significant majority of the sound recordings we stream on our ad-supported service, Pandora Plus and Pandora Premium. Depending on the applicable service, these license agreements generally require us to pay either a per-performance fee based on the number of sound recordings we transmit, a percentage of revenue associated with the service, or a per-subscriber minimum amount, all generally subject to certain discounts. Certain of these license agreements require minimum guarantee payments, some of which are paid in advance.

If we have not entered into a direct license agreement with the copyright owner of a particular sound recording that is streamed on our services, we stream that sound recording pursuant to a statutory license and pay the applicable rates set by the Copyright Royalty Board on December 16, 2015 (the "Web IV Proceeding"). The rates for non-subscription services, such as our ad-supported service, were set at $0.0017 per play and the rates for subscription services, such as Pandora Plus, were set at $0.0022 per play for the five-year period from 2016 through 2020. Sound recordings streamed under the statutory license and paid at the Web IV Proceeding rates can only be played in radio mode on our services. These sound recordings cannot be played on-demand or offline and are not eligible for replay or additional skips.

Content acquisition costs for musical works are negotiated with and paid to performing rights organizations ("PROs") such as the American Society of Composers, Authors and Publishers ("ASCAP"), Broadcast Music, Inc. ("BMI"), SESAC, Inc. ("SESAC") and Global Music Rights and directly to publishing companies. Content acquisition costs for the streaming of musical works on our ad-supported service are calculated such that each copyright holder receives its usage-based and ownership-based share of a royalty pool equal to 20% of the content acquisition costs paid by us for sound recordings on our ad-supported service. Content acquisition costs for the streaming of musical works on our subscription services are equal to the rates determined in accordance with the statutory license set forth in 17 U.S.C. §115 ("Section 115").

The current rate structure for the statutory license for reproduction rights under Section 115 expires at the end of 2017. We are currently one of five commercial music service operators (along with Amazon, Apple, Google and Spotify) participating in rate-setting proceedings in which three judges of the CRB will determine the Section 115 rates for calendar years 2018 to 2022 (the "Phonorecords III Proceedings"). The Nashville Songwriters Association International, the National Association of Music Publishers and George Johnson Music Publishing are also participating in the Phonorecords III Proceedings. A trial before the CRB concluded in April 2017, and the CRB is expected to render a decision prior to the end of 2017. The rates established by the CRB in the Phonorecords III Proceedings may be higher, lower or the same as the rates currently in effect.

The Phonorecords III Proceedings are important to us because our direct licenses with music publishers reference the Section 115 rates. As a result, any increase in the Section 115 rates would increase our content acquisition costs, which, if such increase were substantial, could materially harm our financial condition and hinder our ability to provide interactive features in our services, or cause one or more of our subscription services to not be economically viable.

Ad-Supported Service

Our ad-supported service is monetized through the sale of display, audio and video advertisements to national, regional and local advertisers. We compete with digital advertising networks such as Google and Facebook, other digital media companies and local broadcast radio stations in our advertising business.

Our total number of listener hours is a key driver for both advertising revenue generation opportunities and content acquisition costs, which are the largest component of our ad-related expenses.

- *Advertising Revenue.* Listener hours define the number of opportunities we have to sell advertisements, which we refer to as inventory. Our ability to attract advertisers depends in large part on our ability to offer sufficient inventory within desired demographics.

- *Cost of Revenue—Content Acquisition Costs—Ad-Supported Service.* We pay content acquisition costs to the copyright owners and performers, or their agents, of each sound recording that we stream, as well as to the publishers and songwriters, or their agents, for the musical works embodied in each of those sound recordings, subject to certain exclusions. The majority of the content acquisition costs related to our ad-supported service are driven by direct license agreements with major and independent labels and distributors, as discussed above in "Factors Affecting Our Business Model—Content Acquisition Costs". Certain of these license agreements include minimum guarantee payments, some of which are paid in advance.

As a result of the structure of our license agreements, our ability to achieve and sustain profitability and operating leverage on our ad-supported service depends on our ability to increase our advertising revenue per thousand listener hours ("ad RPM") of streaming through increased advertising revenue across all of our delivery platforms.

Subscription Services

We monetize our subscription services through subscription payments made by users of the services. We drive subscriber growth by providing the world's most powerful music discovery platform, offering a personalized experience for each of our listeners and investing in marketing and free-trials to promote our service.

Our total number of paid subscriptions is a key driver for both subscription revenue and content acquisition costs related to our subscription services, which is the largest component of our subscription-related expenses. In order to drive greater subscription revenue, we must increase the number of new subscribers to our subscription services and minimize the number of current subscribers who discontinue their subscriptions.

- *Subscription Revenue*. Our subscription revenue depends upon the number of paid subscriptions we are able to sell and the price that our subscribers pay for those subscriptions. Our ability to attract subscribers depends in large part on our ability to offer features and functionality on our subscription services that are valued by consumers within desired demographics, on terms that are attractive to those consumers, and still enable us to maintain adequate gross margins.

- *Cost of Revenue—Content Acquisition Costs—Subscription Service.* We pay content acquisition costs to the copyright owners, performers, songwriters, or their agents, subject to certain exclusions. The majority of our content acquisition costs related to our subscription service are generally driven by direct license agreements with major and independent labels and distributors, PROs and publishers, as discussed above in "Factors Affecting Our Business Model—Content Acquisition Costs". Certain of these license agreements include minimum guarantee payments, some of which are paid in advance.

Given the structure of our license agreements for our subscription services, the majority of our content acquisition costs increase as subscription revenue increases and are subject to minimum guarantee payments. As such, our ability to achieve and sustain profitability and operating leverage on our subscription services depends on our ability to increase our revenue through increased paid subscriptions on terms that maintain an adequate gross margin. Refer to our discussion of these matters in Item 1A—"Risk Factors" below.

Key Metrics

In the quarter ended December 31, 2016, we began reporting updated key metrics on a prospective basis as a result of a change in our service offerings. We discontinued our previous key metrics as of October 1, 2016. Certain of our new key metrics are not comparable to prior periods given the lack of history of our new service offerings. As such, these metrics have not been presented for, nor compared against, these periods. Refer to the "Key Metrics" section of Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016 for a summary of the changes in our key metrics.

The below key metrics do not include amounts related to our ticketing service, unless otherwise specifically stated.

Subscription Services—Total

Paid Subscribers

Paid subscribers are defined as the number of distinct users that have current, paid access to our subscription service as of the beginning or the end of the period. Net new subscribers are defined as the net number of distinct new users that have paid for access to our subscription services in the period. We track paid subscribers because it is a key indicator of the growth of our subscription services.

The below table sets forth the detail of the change in paid subscribers in the nine months ended September 30, 2017, which includes paid subscribers as of December 31, 2016, net new subscribers during the nine months ended September 30, 2017 and paid subscribers as of September 30, 2017.

	Subscribers
	(in millions)
Paid subscribers as of December 31, 2016	4.39
Net new paid subscribers	0.80
Paid subscribers as of September 30, 2017	5.19

Penetration rate

Penetration rate is defined as paid subscribers divided by total trailing 30-day active users. We track penetration rate as it is an indicator of the relative scale of our subscriber base. Our penetration rate as of September 30, 2017 was 7.0%.

Average revenue per paid subscriber ("ARPU") and average licensing costs per paid subscriber ("LPU")

ARPU is defined as average monthly revenue per paid subscriber on our subscription services. LPU is defined as average monthly content acquisition costs per paid subscriber on our subscription services. We believe ARPU to be the central top-line indicator for evaluating the results of our monetization efforts on our subscription services. We track LPU because it is a key measure of our ability to manage costs for our subscription services. The below table sets forth our ARPU and LPU for our subscription services for the three and nine months ended September 30, 2017.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
Subscription ARPU	N/A	$ 5.58	N/A	$ 5.05
Subscription LPU	N/A	$ 3.87	N/A	$ 3.33

Total Service

Listener hours

We track listener hours because it is a key indicator of the growth of our business and the engagement of our listeners. We include listener hours related to our non-radio content offerings in the definition of listener hours. These offerings include non-music content such as podcasts, as well as custom music content such as Pandora Premieres and artist mixtapes. We calculate listener hours based on the total bytes served for each track that is requested and served from our servers, as measured by our internal analytics systems, whether or not a listener listens to the entire track. For non-music content such as podcasts, episodes are divided into approximately track-length parts, which are treated as tracks under this definition. To the extent that third-party measurements of listener hours are not calculated using a similar server-based approach, the third-party measurements may differ from our measurements.

The table below sets forth our total listener hours for thethree and nine months endedSeptember 30, 2016 and 2017.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
Service	(in billions)		(in billions)	
Advertising	4.71	3.91	14.53	12.49
Subscription	0.69	1.24	2.04	3.09
Total	5.40	5.15	16.57	15.58

Active users

We track the number of active users as an additional indicator of the breadth of audience we are reaching at a given time. We define active users as the number of distinct registered users, including subscribers, that have requested audio from our servers within the trailing 30 days to the end of the final calendar month of the period. The number of active users may overstate the number of unique individuals who actively use our service, as one individual may register for, and use, multiple accounts. We include active users who only request non-radio content offerings in the definition of active users.

The table below sets forth our total active users as ofSeptember 30, 2016 and 2017.

	As of September 30,	
	2016	2017
	(in millions)	
Active users—all services	77.9	73.7

Advertising-based service

Advertising RPM

We track ad RPM for our non-subscription, ad-supported service because it is a key indicator of our ability to monetize advertising inventory created by our listener hours. We focus on ad RPM across all of our delivery platforms. We believe ad RPM to be the central top-line indicator for evaluating the results of our monetization efforts. Ad RPM is calculated by dividing advertising revenue by the number of thousands of listener hours of our advertising-based service.

Advertising Content Acquisition Costs per Thousand Listener Hours ("ad LPM")

We track ad LPM for our non-subscription, ad-supported service across all delivery platforms. Prior to September 15, 2016, the content acquisition costs included in our ad LPM calculations were relatively fixed, with scheduled annual rate adjustments. Subsequent to September 15, 2016, the content acquisition costs included in our ad LPM calculations are based on the rates set by our license agreements with record labels, PROs and music publishers or the Web IV rates if we have not entered into a license agreement with the copyright owner of a particular sound recording.

Period-to-period results should not be regarded as precise nor can they be relied upon as indicative of results for future periods. In addition, as our business matures and in response to technological evolutions, we anticipate that the relevant indicators we monitor for evaluating our business may change.

The table below sets forth our RPM and LPM for our ad-supported service for the three and nine months ended September 30, 2016 and 2017.

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
Advertising RPM	$ 58.10	$ 70.27	$ 52.26	$ 62.08
Advertising LPM	$ 31.60	$ 37.01	$ 30.90	$ 35.36

*The calculation of RPM does not include revenue generated by Ticketfly or Next Big Sound.

Advertising RPM

For the three months ended September 30, 2017 compared to 2016, the increase in ad RPM was primarily due to an increase in the average price per ad due to improved monetization of our advertising product.

For the nine months ended September 30, 2017 compared to 2016, the increase in ad RPM was primarily due to an increase in the number of ads sold.

Advertising LPM

For the three and nine months ended September 30, 2017 compared to 2016, the increase in ad LPM was primarily due to rate increases and minimum guarantee accruals related to our direct license agreements with major and independent labels, distributors, PROs and publishers in comparison to the statutory rates used to calculate our content acquisition costs for the majority of the three and nine months ended September 30, 2016.

Basis of Presentation and Results of Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2017	2016	2017
Revenue				
Advertising	78 %	73 %	77 %	73 %
Subscription and other	16	22	17	20
Ticketing service	6	5	7	7
Total revenue	100	100	100	100
Cost of revenue				
Cost of revenue—Content acquisition costs	50	54	53	55
Cost of revenue—Other	7	7	7	7
Cost of revenue—Ticketing service	4	3	5	5
Total cost of revenue	61	64	64	67
Gross profit	39	36	36	33
Operating expenses				
Product development	10	10	10	11
Sales and marketing	33	28	36	35
General and administrative	12	13	13	14
Goodwill impairment	—	—	—	12
Contract termination (benefit) fees	—	—	—	2
Total operating expenses	54	51	59	75
Loss from operations	(16)	(16)	(24)	(42)
Interest expense	(2)	(2)	(2)	(2)
Other income, net	—	—	—	—
Total other expense, net	(2)	(2)	(2)	(2)
Loss before (provision for) benefit from income taxes	(17)	(17)	(26)	(44)
(Provision for) benefit from income taxes	—	—	—	—
Net loss	(17)	(17)	(25)	(44)
Net loss available to common stockholders	(17)%	(22)%	(25)%	(47)%

(1) Includes stock-based compensation as follows:				
Cost of revenue - Other	0.4%	0.2%	0.5%	0.2%
Cost of revenue - Ticketing service	—	—	—	—
Product development	2.1	2.2	2.3	2.4
Sales and marketing	4.2	3.7	4.4	4.0
General and administrative	2.5	1.8	3.3	2.6
Note: Amounts may not recalculate due to rounding				

Revenue

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Revenue						
Advertising	$ 273,716	$ 275,741	$ 2,025	$ 759,150	$ 777,253	$ 18,103
Subscription and other	56,100	84,414	28,314	165,957	218,192	52,235
Ticketing service	22,085	18,484	(3,601)	67,121	76,032	8,911
Total revenue	$ 351,901	$ 378,639	$ 26,738	$ 992,228	$ 1,071,477	$ 79,249

Advertising revenue

We generate advertising revenue primarily from audio, display and video advertising, which is typically sold on a cost-per-thousand impressions, or CPM, basis. Advertising campaigns typically range from one to twelve months, and advertisers generally pay us based on the number of delivered impressions or the satisfaction of other criteria, such as click-through rates. We also have arrangements with advertising agencies under which these agencies sell advertising inventory on our service directly to advertisers. We report revenue under these arrangements net of amounts due to agencies. For the three months ended September 30, 2016 and 2017 and the nine months ended September 30, 2016 and 2017, advertising revenue accounted for 78% , 73%, 77% and 73% of our total revenue, respectively. We expect that advertising will comprise a substantial majority of revenue for the foreseeable future.

For the three months ended September 30, 2017 compared to 2016, advertising revenue increased $2.0 million or 1%, primarily due to an increase in the average price per ad, offset by a decrease in the number of ads sold.

For the nine months ended September 30, 2017 compared to 2016, advertising revenue increased $18.1 million or 2%, primarily due to an increase in the number of ads sold.

Subscription and other revenue

Subscription and other revenue is generated primarily through the sale of monthly or annual paid subscriptions to Pandora Plus and Pandora Premium. Pandora Plus is a paid, ad-free version of the Pandora service that includes replays, additional skipping, offline listening, higher quality audio on supported devices and longer timeout-free listening. Pandora Premium is a paid, ad-free version of the Pandora service that also offers a unique, on-demand experience, providing users with the ability to search, play and collect songs and albums, build playlists on their own or with the tap of a button and automatically generates playlists based on their listening activity. Subscription revenue is recognized on a straight-line basis over the duration of the subscription period. For the three months ended September 30, 2016 and 2017 and the nine months ended September 30, 2016 and 2017, subscription and other revenue accounted for 16%, 22%, 17% and 20% of our total revenue, respectively.

For the three months ended September 30, 2017 compared to 2016, subscription and other revenue increased $28.3 million or 50%, primarily due to an approximate 30% increase in the number of subscribers and an approximate 15% increase in the average price per paid subscriber due to the launch of Pandora Premium.

For the nine months ended September 30, 2017 compared to 2016, subscription and other revenue increased $52.2 million or 31%, primarily due to an approximate 30% increase in the number of subscribers.

Ticketing service

Ticketing service revenue is generated primarily from service and merchant processing fees generated on ticket sales through the Ticketfly platform. Ticketfly sells tickets to fans for events on behalf of clients and charges a fee per ticket, which generally increases as the face value of the ticket increases, or a percentage of the total convenience charge and order processing fee, for its services at the time the ticket for an event is sold. Ticketing service revenue is recorded net of the face value of the ticket at the time of the sale, as Ticketfly generally acts as the agent in these transactions. For the three months ended September 30, 2016 and 2017 and the nine months ended September 30, 2016 and 2017, ticketing service revenue accounted for 6% , 5%, 7% and 7% of our total revenue, respectively. On September 1, 2017, we completed the sale of Ticketfly to Eventbrite. Ticketing service revenue is included in our Condensed Consolidated Statements of Operations for the period from January 1, 2017 to September 1, 2017. Ticketing service revenue does not include revenue subsequent to the disposition of Ticketfly. Refer to Note 6 "Dispositions" in the Notes to Condensed Consolidated Financial Statements for further details on the Ticketfly disposition.

For the three months ended September 30, 2017 compared to 2016, ticketing service revenue decreased $3.6 million or 16%, primarily due to a decrease in the number of tickets sold, excluding box office sales, as a result of the sale of Ticketfly on September 1, 2017.

For the nine months ended September 30, 2017 compared to 2016, ticketing service revenue increased $8.9 million or 13%, primarily due to an increase in the number of tickets sold, excluding box office sales.

Costs and Expenses

Cost of revenue consists of cost of revenue—content acquisition costs, cost of revenue—other and cost of revenue— ticketing. Our operating expenses consist of product development, sales and marketing, general and administrative costs, goodwill impairment and contract termination fees (benefit). Cost of revenue—content acquisition costs are the largest component of our costs and expenses, followed by employee-related costs, which include stock-based compensation expenses.

Cost of revenue—Content acquisition costs

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Cost of revenue—Content acquisition costs	$ 174,334	$ 204,222	$ 29,888	$ 522,231	$ 587,517	$ 65,286

Cost of revenue—content acquisition costs primarily consist of licensing fees paid for streaming music or other content to our listeners.

In the year ended December 31, 2016, we obtained the rights to stream the majority of sound recordings on our service through statutory licenses, with the costs for such licenses determined according to the per play rates set by the Copyright Royalty Board. We obtained the rights to the majority of the musical works streamed on our service through direct licensing agreements with PROs or publishers, with the costs for such licenses based on a percentage of the content acquisition costs we paid for sound recordings.

During the three and nine months ended September 30, 2017, the majority of our content acquisition costs were calculated using negotiated rates in direct license agreements with record labels, music publishers and PROs. Depending on the applicable service, our sound recording license agreements generally require us to pay either a per-performance fee based on the number of sound recordings we transmit, a percentage of revenue associated with the service, or a per-subscriber minimum amount, all generally subject to certain discounts. For our ad-supported service, the majority of our content acquisition costs for musical works are based on a percentage of content acquisition costs paid for sound recordings. For our subscription services, content acquisition costs for musical works are determined in accordance with the statutory license set forth in 17 U.S.C. § 115. Certain of our direct license agreements are also subject to minimum guarantee payments, some of which are paid in advance and amortized over the minimum guarantee period. For certain content acquisition arrangements, we accrue for estimated content acquisition costs based on the available facts and circumstances and adjust these estimates as more information becomes available. For additional information, see above in "Factors Affecting Our Business Model—Content Acquisition Costs".

For the three months ended September 30, 2017 compared to 2016, content acquisition costs increased $29.9 million or 17% and content acquisition costs as a percentage of total revenue increased from 50% to 54%, primarily due to rate increases and minimum guarantee accruals related to our direct license agreements with major and independent labels, distributors, PROs and publishers in comparison to the statutory rates used to calculate our content acquisition costs for the majority of the three months ended September 30, 2016.

For the nine months ended September 30, 2017 compared to 2016, content acquisition costs increased $65.3 million or 13% and content acquisition costs as a percentage of total revenue increased from 53% to 55%, primarily due to rate increases and minimum guarantee accruals related to our direct license agreements with major and independent labels, distributors, PROs and publishers in comparison to the statutory rates used to calculate our content acquisition costs for the majority of the nine months ended September 30, 2016.

Cost of revenue—Other

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Cost of revenue—Other	$ 25,896	$ 27,287	$ 1,391	$ 72,197	$ 80,259	$ 8,062

Cost of revenue—other consists primarily of ad and music serving costs, employee-related costs, facilities and equipment costs, other costs of ad sales and amortization expense related to acquired intangible assets and internal-use software. In the nine months ended September 30, 2017 we reallocated headcount from cost of revenue—other to other financial statement line items due to a reorganization of the company as a result of a change in company strategy. Ad and music serving costs consist of content streaming, maintaining our internet radio and on-demand subscription services and creating and serving advertisements through third-party ad servers. We make payments to third-party ad servers for the period the advertising impressions are delivered or click-through actions occur, and accordingly, we record this as a cost of revenue in the related period. Employee-related costs include salaries and benefits associated with supporting music and ad-serving functions. Other costs of ad sales include costs related to music events that are included as part of certain of our advertising arrangements.

For the three months ended September 30, 2017 compared to 2016, cost of revenue—other increased $1.4 million or 5%, primarily due to a $2.0 million increase in amortization expense of internal-use software and a $1.6 million increase in amortization expense of acquired intangible assets, offset by a $2.7 million decrease in employee-related costs driven by a decrease in average headcount related to the reorganization of the company as a result of a change in company strategy and the reduction in force in the first quarter of 2017.

For the nine months ended September 30, 2017 compared to 2016, cost of revenue—other increased $8.1 million or 11%, primarily due to a $4.8 million increase in ad and music serving costs, a $4.5 million increase in amortization expense of internal-use software and a $3.1 million increase in amortization expense of acquired intangible assets, both of which were driven by the launch of Pandora Premium, and a $3.6 million increase in other costs of ad sales. This was offset by an $8.6 million decrease in employee-related costs driven by a decrease in average headcount related to the reorganization of the company as a result of a change in company strategy and the reduction in force in the first quarter of 2017.

Cost of revenue—Ticketing service

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Cost of revenue—Ticketing service	$ 15,318	$ 11,269	$ (4,049)	$ 45,223	$ 50,397	$ 5,174

Cost of revenue—ticketing service consists primarily of ticketing revenue share costs, hosting costs, credit card fees and other cost of revenue and intangible amortization expense. The majority of these costs are related to revenue share costs, which consist of fees paid to clients for their share of convenience and order processing fees. Intangible amortization expense is related to amortization of developed technology acquired in connection with the Ticketfly acquisition. On September 1, 2017, we completed the sale of Ticketfly to Eventbrite. Cost of revenue—ticketing service is included in our Condensed Consolidated Statements of Operations for the period from January 1, 2017 to September 1, 2017. Cost of revenue—ticketing service does not include costs subsequent to the disposition of Ticketfly. Refer to Note 6 "Dispositions" in the Notes to Condensed Consolidated Financial Statements for further details on the Ticketfly disposition.

For the three months ended September 30, 2017 compared to 2016, cost of revenue—ticketing service decreased $4.0 million or 26%, primarily due to a $1.5 million decrease in revenue share costs driven by a decrease in ticketing service revenue of 16%. The decrease in ticketing service revenue was primarily due to a decrease in the number of tickets sold, excluding box office sales, as a result of the sale of Ticketfly on September 1, 2017.

For the nine months ended September 30, 2017 compared to 2016, cost of revenue—ticketing service increased $5.2 million or 11%, primarily due to a $6.1 million increase in revenue share costs driven by an increase in ticketing service revenue of 13%, offset by a $1.9 million decrease in amortization of acquired intangible assets, as these assets were classified as held for sale and no amortization was recorded for the period from June 2017 through the sale date of September 1, 2017.

Gross margin

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Gross profit						
Total revenue	$ 351,901	$ 378,639	$ 26,738	$ 992,228	$ 1,071,477	$ 79,249
Total cost of revenue	215,548	242,778	27,230	639,651	718,173	78,522
Gross profit	$ 136,353	$ 135,861	$ (492)	$ 352,577	$ 353,304	$ 727
Gross margin	39%	36%		36%	33%	

For the three months ended September 30, 2017 compared to 2016, gross margin decreased from 39% to 36% as the growth in cost of revenue—content acquisition costs outpaced the growth in revenue due to rate increases and minimum guarantee accruals related to our direct license agreements with major and independent labels, distributors, PROs and publishers in comparison to the statutory rates used to calculate our content acquisition costs for the majority of the three months ended September 30, 2016.

For the nine months ended September 30, 2017 compared to 2016, gross margin decreased from 36% to 33% as the growth in cost of revenue—content acquisition costs outpaced the growth in revenue due to rate increases and minimum guarantee accruals related to our direct license agreements with major and independent labels, distributors, PROs and publishers in comparison to the statutory rates used to calculate our content acquisition costs for the majority of the nine months ended September 30, 2016.

Product development

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Product development	$ 33,560	$ 39,469	$ 5,909	$ 102,731	$ 120,290	$ 17,559

Product development consists primarily of employee-related costs, including salaries and benefits related to employees in software engineering, music analysis and product management departments, facilities and equipment costs, information technology and amortization expense related to acquired intangible assets. We incur product development expenses primarily for improvements to our website and the Pandora app, development of new services and enhancement of existing services, development of new advertising products and development and enhancement of our personalized playlisting system. We have generally expensed product development as incurred. These amounts are offset by costs that we capitalize to develop software for internal use. Certain website development and internal use software development costs are capitalized when specific criteria are met. In such cases, the capitalized amounts are amortized over the useful life of the related application once the application is placed in service.

For the three months ended September 30, 2017 compared to 2016, product development expenses increased by $5.9 million or 18%, primarily due to a $4.3 million decrease in capitalized personnel costs driven by an increase in costs that were not capitalized, as these related to minor enhancements to and maintenance of Pandora Premium, which was launched in April 2017. The increase was also due to an increase in employee related costs of $2.6 million as a result of an increase in average headcount.

For the nine months ended September 30, 2017 compared to 2016, product development expenses increased by $17.6 million or 17%, primarily due to a $9.9 million increase in employee-related costs driven by an increase in average headcount and a $7.1 million decrease in capitalized personnel costs driven by an increase in costs that were not capitalized, as these related to minor enhancements to and maintenance of Pandora Premium, which was launched in April 2017. This was offset by a $3.3 million decrease in amortization of acquired intangible assets.

Sales and marketing

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Sales and marketing	$ 116,091	$ 107,588	$ (8,503)	$ 357,113	$ 378,581	$ 21,468

Sales and marketing consists primarily of employee-related costs, including salaries, commissions and benefits related to employees in sales, sales support, marketing, advertising and music makers group departments, and facilities and equipment costs. In addition, sales and marketing expenses include transaction processing commissions on subscription purchases through mobile app stores, external sales and marketing expenses, such as brand marketing, advertising, customer acquisition, direct response and search engine marketing costs, public relations expenses, costs related to music events, agency platform and media measurement expenses and amortization expense related to acquired intangible assets.

For the three months ended September 30, 2017 compared to 2016, sales and marketing expenses decreased $8.5 million or 7%, primarily due to a $5.5 million decrease in employee-related costs driven by a decrease in average headcount, a $4.6 million decrease in external sales and marketing expenses, driven by our advertising campaigns launched in the three months ended September 30, 2016 related to Pandora Plus and a $1.6 million decrease in amortization of acquired intangible assets due to the sale of Ticketfly. This was offset by a $5.1 million increase in subscription commissions driven by an increase in subscribers as a result of the launch of Pandora Premium.

For the nine months ended September 30, 2017 compared to 2016, sales and marketing expenses increased $21.5 million or 6%, primarily due to a $12.3 million increase in external sales and marketing expenses, driven by our brand campaigns for Pandora Premium launched in the nine months ended September 30, 2017, a $3.9 million increase in facilities and equipment expenses related to an increase in expensed software, a $3.4 million increase in subscription commissions driven by an increase in subscribers as a result of the launches of Pandora Plus and Pandora Premium and a $2.8 million increase in employee-related costs, primarily due to severance costs incurred in connection with the reduction in force in the first quarter of 2017 and the dissolution of the Australia and New Zealand business operations.

General and administrative

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
General and administrative	$ 41,909	$ 48,171	$ 6,262	$ 129,193	$ 150,650	$ 21,457

General and administrative consists primarily of employee-related costs, including salaries, benefits and severance expense for finance, accounting, legal, internal information technology and other administrative personnel, and facilities and equipment costs. In addition, general and administrative expenses include legal expenses, professional services costs for outside accounting and other services, credit card fees and sales and other tax expense.

For the three months ended September 30, 2017 compared to 2016, general and administrative expenses increased $6.3 million or 15%, primarily due to a $9.4 million loss on the sale of Ticketfly on September 1, 2017, offset by a $3.2 million decrease in employee-related costs driven by a decrease in average headcount as a result of the reduction in force in the first quarter of 2017.

For the nine months ended September 30, 2017 compared to 2016, general and administrative expenses increased $21.5 million or 17%, primarily due to a $9.4 million loss on the sale of Ticketfly on September 1, 2017, an $8.2 million increase in provision for bad debt primarily related to our ticketing service and a $6.9 million increase in legal fees primarily related to the rate-setting proceedings under Section 115, offset by a $7.7 million decrease in employee-related costs primarily driven by a decrease in average headcount.

Goodwill impairment

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Goodwill impairment	—	—	—	—	131,997	131,997

We had no goodwill impairment expense for the three months ended September 30, 2017.

For the nine months ended September 30, 2017, goodwill impairment was $132.0 million and consisted primarily of $131.7 million of impairment expense related to the write down of Ticketfly goodwill, which was based on the fair value of Ticketfly's net assets as implied by the original estimated purchase price of $184.5 million as of June 30, 2017. Refer to Note 6 "Dispositions" and Note 7 "Goodwill and Intangible Assets" in the Notes to Condensed Consolidated Financial Statements for further information on the goodwill impairment.

Contract termination fee (benefit)

	Three months ended September 30,			Nine months ended September 30,		
	2016	2017	$ Change	2016	2017	$ Change
	(in thousands)			(in thousands)		
Contract termination (benefit) fees	—	(423)	(423)	—	23,044	23,044

For the three months ended September 30, 2017, contract termination benefit was $0.4 million and consisted of a change in estimate of legal and professional fees related to the termination of the contractual commitment with KKR Classic Investors L.P. ("KKR"). In May 2017, we entered into an agreement to sell redeemable convertible preferred stock to KKR. In conjunction with the Series A, we terminated the contractual commitment to sell redeemable convertible preferred stock to KKR, which resulted in contract termination fees, including the related legal and professional fees.

For the nine months ended September 30, 2017, contract termination fees were $23.0 million and consisted of fees related to the termination of the contractual commitment with KKR.

Interest expense

Interest expense in the three and nine months ended September 30, 2017 consists primarily of interest expense on our 1.75% Convertible Senior Notes due 2020 and interest on our credit facility. Refer to Note 9 "Debt Instruments" in the Notes to Condensed Consolidated Financial Statements for further details on our Notes and credit facility.

Benefit from (provision for) income taxes

We have historically been subject to income taxes in the United States and various foreign jurisdictions. If we expand our operations to other foreign locations, we become subject to taxation based on the applicable foreign statutory rates and our effective tax rate could fluctuate accordingly.

Our benefit from (provision for) income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted statutory income tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized.

Off-Balance Sheet Arrangements

Our liquidity is not dependent on the use of off-balance sheet financing arrangements and as of September 30, 2017 we had no such arrangements.

Contractual Obligations

There has been no material change in our contractual obligations other than in the ordinary course of business since the year ended December 31, 2016.

Quarterly Trends

Our operating results fluctuate from quarter to quarter as a result of a variety of factors. We expect our operating results to continue to fluctuate in future quarters.

Pandora—Internet Radio and On-Demand Music Subscription Services

Our results reflect the effects of seasonal trends in listener and advertising behavior. During the last quarter of each calendar year, we expect to experience both higher advertising sales due to greater advertiser demand during the holiday season and increased usage due to the popularity of holiday music. In addition, in the first quarter of each calendar year, we expect to experience lower advertising sales due to reduced advertiser demand, and increased usage by listeners due to increased use of media-streaming devices received as gifts during the holiday season. We believe these seasonal trends have affected, and will continue to affect our operating results, particularly if increases in content acquisition costs from increased usage are not offset by increases in advertising sales in the first calendar quarter.

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

Ticketing Service

Ticketfly's results reflect the effects of seasonality related to the timing of events. Tickets for festivals, which constitute a significant portion of Ticketfly's business, typically go on sale during the first half of the year. As such, the Ticketfly business has historically experienced an increase in revenue in the first half of each year relative to the fourth quarter of the prior year. On September 1, 2017, we completed the sale of Ticketfly. Refer to Note 6 "Dispositions" in the Notes to Condensed Consolidated Financial Statements for further details on the Ticketfly disposition.

Liquidity and Capital Resources

As of September 30, 2017, we had cash, cash equivalents and investments totaling $499.4 million, which primarily consisted of cash and money market funds held at major financial institutions and investment-grade corporate debt securities.

Our principal uses of cash during the three and nine months ended September 30, 2017 were funding our operations, as described below, repaying our credit facility and capital expenditures.

Sources of Funds

We believe, based on our current operating plan, that our existing cash and cash equivalents and additional sources of funding will be sufficient to meet our anticipated cash needs for at least the next twelve months.

From time to time, we may explore additional financing sources and means to lower our cost of capital, which could include equity, equity-linked and debt financing. In addition, in connection with any future acquisitions, we may require additional funding which may be provided in the form of additional debt, equity or equity-linked financing or a combination thereof. There can be no assurance that any additional financing will be available to us on acceptable terms.

Our Indebtedness

Credit Facility

We are party to a $120.0 million credit facility with a syndicate of financial institutions, which expires on September 12, 2018. In September 2016, we borrowed $90.0 million from the credit facility to enhance our working capital position. This amount was repaid in full in September 2017.

As of September 30, 2017, we had no outstanding borrowings, $1.2 million in letters of credit outstanding and $118.8 million of available borrowing capacity under the credit facility. We are in compliance with all financial covenants associated with the credit facility as of September 30, 2017.

1.75% Convertible Senior Notes Due 2020

On December 9, 2015, we completed an unregistered Rule 144A offering of $345.0 million aggregate principal amount of our 1.75% Convertible Senior Notes due 2020. The net proceeds from the sale of the Notes were approximately $336.5 million, after deducting the initial purchaser's fees and other estimated expenses. We used approximately $43.2 million of the net proceeds to pay the cost of the capped call transactions. Refer to Note 9 "Debt Instruments" in the Notes to Condensed Consolidated Financial Statements for further details on our Notes.

Redeemable Convertible Preferred Stock

In June 2017, we entered into an agreement with Sirius XM Radio, Inc. ("Sirius XM") to sell 480,000 shares of Series A redeemable convertible preferred stock ("Series A") for $1,000 per share, with gross proceeds of $480.0 million. The Series A shares were issued in two rounds: an initial closing of 172,500 shares for $172.5 million that occurred on June 9, 2017 upon signing the agreement with Sirius XM, and an additional closing of 307,500 shares for $307.5 million that occurred on September 22, 2017 upon the receipt of antitrust clearance and the completion of other customary closing conditions. Refer to Note 10 "Redeemable Convertible Preferred Stock" in the Notes to Condensed Consolidated Financial Statements for further details on the redeemable convertible preferred stock.

Capital Expenditures

Consistent with previous periods, future capital expenditures will primarily focus on acquiring additional hosting and general corporate infrastructure. Our access to capital is adequate to meet our anticipated capital expenditures for our current plans.

Historical Trends

The following table summarizes our cash flow data for the nine months ended September 30, 2016 and 2017.

	Nine months ended September 30,	
	2016	2017
	(in thousands)	
Net cash used in operating activities	$ (179,073)	$ (218,627)
Net cash (used in) provided by investing activities	(43,755)	135,063
Net cash provided by financing activities	96,248	376,564

Operating activities

In the nine months ended September 30, 2017, net cash used in operating activities was $218.6 million and primarily consisted of our net loss of $473.6 million, which was partially offset by non-cash charges of $314.6 million, primarily related to $132.0 million in goodwill impairment, $98.3 million in stock-based compensation expense and $49.1 million in depreciation and amortization expense. Net cash used in operating activities also included an increase in prepaid content acquisition costs of $33.8 million, an increase in prepaid and other current assets of $18.0 million, a decrease in accrued compensation of $12.6 million and an increase in accounts receivable of $11.3 million, offset by a decrease in accrued content acquisition costs of $6.1 million. Net cash used in operating activities increased by $39.6 million from the nine months ended September 30, 2016, primarily due to an increase in our net loss of $220.7 million, offset by an increase in goodwill impairment of $132.0 million and changes in working capital of $30.6 million.

Investing activities

In the nine months ended September 30, 2017, net cash provided by investing activities was $135.1 million and included $125.4 million in proceeds from sales of subsidiaries, net of cash and $37.1 million in proceeds from maturities of investments, offset by $13.9 million of capital expenditures for internal-use software and $12.9 million of capital expenditures for leasehold

improvements and server equipment. Net cash provided by investing activities increased by $178.8 million from the nine months ended September 30, 2016, primarily due to an increase in net proceeds from sales of subsidiaries of $125.4 million and a decrease in capital expenditures for leasehold improvements and server equipment of$33.5 million.

Financing activities

In the nine months ended September 30, 2017, net cash provided by financing activities was $376.6 million and included $480.0 million in proceeds from the issuance of redeemable convertible preferred stock, offset by $90.0 million in repayment of debt and $29.3 million in cash paid for issuance costs. Net cashprovided by financing activities increased $280.3 million from the nine months ended September 30, 2016 primarily due to an increase in proceeds from the issuance of redeemable convertible preferred stock of $480.0 million, offset by a decrease in borrowings under debt arrangements of$90.0 million, an increase in repayment of debt of$90.0 million and an increase in payments of issuance costs of $29.3 million.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Our estimates form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimate that are reasonably likely to occur, could materially impact the condensed consolidated financial statements. We believe that our critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the condensed consolidated financial statements.

Other than discussed below, there have been no material changes to our critical accounting policies and estimates as compared to those described in our Annual Report on Form 10-K for the year ended December 31, 2016 under the caption "Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates."

Stock-Based Compensation—Restricted Stock Units and Stock Options

Stock-based awards granted to employees, including grants of restricted stock units ("RSUs") and stock options, are recognized as expense in our statements of operations based on their grant date fair value. We recognize stock-based compensation expense on a straight-line basis over the service period of the award, which is generally three to four years. We estimate the fair value of RSUs at our stock price on the grant date. We generally estimate the grant date fair value of stock options using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model is affected by our stock price on the date of grant, the expected stock price volatility over the expected term of the award, which is based on projected employee stock option exercise behaviors, the risk-free interest rate for the expected term of the award and expected dividends.

Stock-based compensation expense is recorded in the statement of operations for only those stock-based awards that will vest. In the first quarter of 2017 we adopted new accounting guidance from the Financial Accounting Standards Board ("FASB") on stock compensation, or ASU 2016-09, as described in "Recently Adopted Accounting Standards" in Note 2 of the "Notes to Condensed Consolidated Financial Statements" and have elected to account for forfeitures as they occur, rather than estimating expected forfeitures. In addition, we recognize all income tax effects of awards in the income statement when the awards vest or are settled as required by ASU 2016-09.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Fluctuation Risk

There have been no material changes in our primary market risk exposures or how those exposures are managed from the information disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016. For further discussion of quantitative and qualitative disclosures about market risk, reference is made to our Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. Based on this evaluation at the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2017.

Changes in Internal Control over Financial Reporting

There have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The material set forth in Note 5 in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Before deciding to invest in our common stock, you should carefully consider each of the risk factors described in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which supersede the description of risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. Those risks and the risks described in this Quarterly Report on Form 10-Q, including in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," could materially harm our business, financial condition, operating results, cash flow and prospects. If that occurs, the trading price of our common stock could decline, and you may lose all or part of your investment.

There have been no material changes to the Risk Factors described under “Part II - Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, other than as set forth below. The risk factors below, all of which originally appear in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, have been updated to reflect subsequent developments relevant to such risk factors.

Risks Related to Our Business

We have engaged and may in the future engage in the acquisition or disposition of other companies, technologies and businesses, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.

We have recently acquired and may in the future seek to acquire or invest in businesses, products or technologies that we believe could complement or expand our service, enhance our technical capabilities or otherwise offer growth opportunities. For example, in 2015, we acquired Next Big Sound, Ticketfly and certain assets of Rdio. These acquisitions, and our pursuit of future potential acquisitions, may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. In addition, we have limited experience acquiring and integrating other businesses. We may be unsuccessful in integrating our acquired businesses or any additional business we may acquire in the future or may not otherwise realize anticipated benefits of past or future acquisitions.

We also may not achieve the anticipated benefits from any acquired business due to a number of factors, including:

- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- diversion of management’s attention from other business concerns;
- regulatory uncertainties;
- harm to our existing business relationships with business partners and advertisers as a result of the acquisition;
- harm to our brand and reputation;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not

yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer.

In addition, we recently concluded that operating Ticketfly is no longer part of our strategy, and as such agreed to sell Ticketfly to a third party. The sale price in this disposition of Ticketfly is substantially less that we paid to acquire Ticketfly in 2015. This disposition has also required, and continues to require, significant attention by our management and board of directors, and has caused us to incur significant expenses related to the sale. While we entered into a commercial arrangement with the purchaser that we anticipate will afford us some of the benefits we had sought to obtain when we purchased Ticketfly, we may not realize the expected benefits of this commercial agreement. Further, we will be subject to potential liability for indemnities we have agreed to in the sale agreement.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, operating results and financial condition may be harmed.

Some of our current or future strategic initiatives may require substantial additional capital resources before they begin to generate revenue. Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. For example, our current credit facility contains restrictive covenants relating to our capital raising activities and other financial and operational matters, and any debt financing secured by us in the future could involve further restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, volatility in the credit markets may have an adverse effect on our ability to obtain debt financing. If we do not have funds available to enhance the Pandora service, maintain the competitiveness of our technology and pursue business opportunities, we may not be able to service our existing listeners, acquire new listeners or attract or retain advertising customers, each of which could inhibit the implementation of our business plan and materially harm our operating results.

We remain liable for potential sales tax and other tax liabilities related to our ownership of the Ticketfly business .

The application of indirect taxes (such as sales, use, excise, admissions, amusement, entertainment or other transaction-based taxes) to internet-based live entertainment ticketing businesses such as Ticketfly is a complex and evolving area. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the internet and ecommerce. In many cases, it is not clear how existing statutes apply to the internet or ecommerce. In addition, governments are increasingly looking for ways to increase revenues, which has resulted in discussions about tax reform and other legislative action to increase tax revenues, including through indirect taxes. Changes in these tax laws could adversely affect our business.

Ticketfly is not the seller of tickets sold on the Ticketfly platform. Instead it facilitates the transaction between its venue partners and customers. If a taxing jurisdiction were to treat Ticketfly as the seller and liable for the tax of the venue partners or customers, it could result in a material liability.

Ticketfly does not currently calculate all applicable indirect taxes on the fees charged when a customer purchases tickets on the Ticketfly platform. Some jurisdictions may interpret their law in a manner that would require Ticketfly to calculate, collect and remit the applicable indirect taxes on the entire charges. Such an interpretation could negatively impact our customers and our business.

We closed the sale of Ticketfly to Eventbrite pursuant to the Ticketfly Purchase Agreement on September 1, 2017, but we remain obligated to indemnify Eventbrite for any taxes, including indirect taxes, owed with respect to any period ending on or before the closing date of the sale of Ticketfly to Eventbrite (including any period prior to our acquisition of Ticketfly). As described above, such indirect taxes for which we are required to indemnify Eventbrite could be material.

The issuance of shares of our Series A redeemable convertible preferred stock to Sirius dilutes the ownership of holders of our common stock and may adversely affect the market price of our common stock.

The Sirius Investment Agreement provides that (i) 172,500 shares of Series A Preferred Stock would be issued and sold to Sirius on June 9, 2017 (the “Initial Closing”) and (ii) the remaining 307,500 shares will be issued and sold to Sirius at a future date (the “Additional Closing”), subject to the satisfaction of certain customary closing conditions.

The Initial Closing occurred on June 9, 2017, whereby Sirius paid to the Company $172.5 million in exchange for 172,500 shares of Series A redeemable convertible preferred stock. The Additional Closing occurred on September 22, 2017 whereby the Company issued and sold to Sirius 307,500 shares of Series A Preferred Stock for $307.5 million. As of October 31, 2017, these shares represented approximately 16.0% of our outstanding common stock, on an as-converted basis. Holders of Series A redeemable convertible preferred stock are entitled to a cumulative dividend at the rate of 6.0% per annum, payable quarterly in arrears. Beginning on September 22, 2017, the Series A redeemable convertible preferred stock is convertible at the option of the holders at any time into shares of common stock at an initial conversion price of $10.50 per share of common stock and an initial conversion rate of 95.2381 shares of common stock per share of Series A redeemable convertible preferred stock, subject to certain customary anti-dilution adjustments. Any conversion of Series A redeemable convertible preferred stock may be settled by the Company, at our option, in shares of common stock, cash or any combination thereof. However, subject to explicit stockholder approval, the Series A redeemable convertible preferred stock may not be converted into more than 19.99% of our outstanding common stock.

The conversion of the Series A redeemable convertible preferred stock to common stock would dilute the ownership interest of existing holders of our common stock. Furthermore, any sales in the public market of the common stock issuable upon conversion of the Series A redeemable convertible preferred stock could adversely affect prevailing market prices of our common stock. We granted Sirius customary registration rights in respect of their shares of Series A redeemable convertible preferred stock and any shares of common stock issued upon conversion of the Series A redeemable convertible preferred stock. These registration rights would facilitate the resale of such securities into the public market, and any such resale would increase the number of shares of our common stock available for public trading. Sales by Sirius of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference					Filed Herewith
		Form	File No.	Exhibit	Filing Date	Filed By	
3.01	Amended and Restated Certificate of Incorporation	S-1/A	333-172215	3.1	4/4/2011		
3.02	Certificate of Amendment to the Amended and Restated Certificate of Incorporation	10-Q	001-35198	3.02	7/26/2016		
3.03	Amended and Restated Bylaws	S-1/A	333-172215	3.2	4/4/2011		
3.04	Certificate of Amendment to the Amended and Restated Bylaws	10-Q	001-35198	3.04	7/26/2016		
3.05	Certificate of Amendment to the Amended and Restated Bylaws	8-K	001-35198	3.1	3/2/2017		
3.06	Certificate of Amendment to the Amended and Restated Bylaws	8-K	001-35198	3.1	3/16/2017		
3.07	Certificate of Amendment to the Amended and Restated Bylaws	8-K	001-35198	3.1	3/30/2017		
3.08	Certificate of Amendment to the Amended and Restated Bylaws	8-K	001-35198	3.1	4/14/2017		
3.09	Certificate of Amendment to the Amended and Restated Bylaws	8-K	001-35198	3.1	4/27/2017		
3.10	Certificate of Amendment to the Amended and Restated Bylaws	8-K	001-35198	3.2	9/26/2017		
3.11	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock	8-K	001-35198	3.1	6/14/2017		
10.01†*	Separation Agreement and General Release between Tim Westergren and Pandora Media, Inc., dated July 15, 2017						X
10.02†	First Amendment to Offer Letter with Naveen Chopra, dated August 7, 2017						X
10.03†	Restricted Stock Unit Agreement under the 2011 Equity Incentive Plan between Naveen Chopra and Pandora Media, Inc., dated August 7, 2017						X
10.04†	Amended and Restated Executive Severance and Change of Control Policy, dated as of August 9, 2017	8-K	001-35198	10.1	8/14/2017		
10.05†*	Offer Letter with Roger Lynch, dated August 9, 2017						X

10.06†*	Separation Agreement and General Release between Michael Herring and Pandora Media, Inc., dated August 15, 2017	X
10.07	Amendment No. 1 to Membership Interest Purchase Agreement, dated as of June 9, 2017 by and among Eventbrite, Inc., Pandora Media, Inc., and Ticketfly, LLC, dated September 1, 2017	X
10.08†	Restricted Stock Unit Agreement under the 2011 Equity Incentive Plan between Roger Lynch and Pandora Media, Inc., dated September 18, 2017	X
10.09†	Restricted Stock Unit Agreement under the 2011 Equity Incentive Plan between Roger Lynch and Pandora Media, Inc., dated September 18, 2017	X
10.10†	Option Agreement under the 2011 Equity Incentive Plan between Roger Lynch and Pandora Media, Inc., dated September 18, 2017	X
31.01	Certification of the Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X
31.02	Certification of the Principal Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X
32.01	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 8 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
101. INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X
101. SCH	XBRL Taxonomy Schema Linkbase Document	X
101.CAL	XBRL Taxonomy Calculation Linkbase Document	X
101. DEF	XBRL Taxonomy Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Labels Linkbase Document	X

101.PRE	XBRL Taxonomy Presentation Linkbase Document	X

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished on a supplemental basis to the Securities and Exchange Commission upon request; provided, however that we may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedules or exhibits so furnished.

† Indicates management contract or compensatory plan.

SIGNATURES

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

PANDORA MEDIA, INC.

Date: November 2, 2017

By: /s/ Naveen Chopra

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

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SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this "Agreement"), including and incorporating, by reference, the attached Summary of Terms and Severance Benefits and Equity Acceleration Summary, and the definitions for the capitalized terms set forth therein, is made by and between Pandora Media, Inc., a Delaware corporation, with its principal place of business at 2100 Franklin Street, Suite 700, Oakland, CA 94612 ("Pandora" or "Company") and Executive (collectively, the "Parties"). This Agreement is made as of the Agreement Date and shall become effective as of the Effective Date.

A. Executive is the Founder of Pandora, and has been employed by the Company since the Company's inception; and

B. Executive will be separated from employment with Pandora effective as of the Separation Date; and

C. The Parties desire to reach an agreement as to the rights, benefits, and obligations of each Party arising out of Executive's employment and the anticipated separation from the Company, to resolve all disputes Executive may have against Pandora or the other Releasees (as defined below) – known, unknown, asserted or un-asserted.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth below, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Executive and Pandora agree as follows:

1. *Change in Employment Status.* Except in the event either Executive or Pandora terminates Executive's employment sooner, Executive's last day of employment with the Company shall be the Separation Date. To the extent that, as of the Separation Date, Executive has any remaining

accrued but unused PTO, Executive will receive a cashout of such PTO balance, in accordance with applicable laws.

2. *Separation from Offices and Directorships*. As of the Separation Date, Executive acknowledges that he has resigned from all officer and director positions with the Company, its subsidiaries or any affiliates of any of them (including, without limitation, Executive's position as Chief Executive Officer (CEO) of the Company). Executive agrees to execute such additional documentation as the Company or its subsidiaries or affiliates may reasonably request to effectuate such resignations.

3. *Severance Payment and Benefits*. If Executive timely signs, dates, returns, and does not revoke (i) this Agreement in accordance with Section 24 of this Agreement; and so long as Executive is not in breach of his obligations under this Agreement, then the Company will provide Executive the following (the "***Severance Benefits***") in full satisfaction of any monetary or other obligations to which Executive could claim entitlement under Executive's Offer Letter or the Company's Executive Severance and Change of Control Policy ("***Executive Severance Policy***"):

(a) A cash payment equal to twelve (12) times Executive's monthly base salary in effect on the Separation Date, gross, paid in a lump sum by the Payment Date (***Severance Months***);

(b) A cash payment equal to a prorated (to the Separation Date) portion of the amount that Executive would have received under Pandora's Corporate Incentive Plan for the Fiscal Year Ending December 31, 2017, based on the Company's actual performance as determined by the Compensation Committee of the Board of Directors in its discretion for the remaining executive officers of the Company following the completion of the Current Year's annual performance period; *provided* that such payment will not exceed Executive's prorated annual

target bonus for the Current Year; *provided further* that such payment will be made no later than March 15, 2018;

(c) So long as Executive timely elects (and remains eligible for) health benefits continuation pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***"), payment by the Company of Executive's applicable premiums (including spouse or family coverage if Executive had such coverage on the Separation Date) for such continuation coverage under COBRA (payable as and when such payments become due) during the period commencing on the Separation Date and ending on the earliest to occur of (a) twelve (12) months following the Separation Date, and (b) the date on which the Executive and Executive's covered dependents, if any, become eligible for health insurance coverage through another employer, or becomes otherwise covered under another group health plan;

(d) Reasonable outplacement and career continuation services by a firm to be selected by the Company for up to three (3) months following the Separation Date, if Executive elects to participate in such services; and

(e) The following vesting schedule:

i. Effective on the Effective Date, accelerated vesting by twelve (12) months of all outstanding Company stock options held by Executive as of the Separation Date; *provided* that, in lieu of the foregoing, stock options that do not vest monthly will be accelerated through twelve (12) months following the Separation Date as if such stock options had been on a monthly vesting schedule through the original vesting

period; *provided* that the parties agree that **Attachment A** correctly sets forth all outstanding stock options held by Executive and the stock options to be accelerated under this Section 3(e)(i);

ii. Effective on the Effective Date, accelerated vesting by twelve (12) months of all outstanding non-performance-based equity awards, restricted stock, restricted stock units or RSUs, held by Executive as of the Separation Date; *provided* that, in lieu of the foregoing, non-performance-based equity awards that do not vest monthly will be accelerated through twelve (12) months following the Separation Date, as if such equity award had been on a monthly vesting schedule through the original vesting period, but only if the date reflecting the number of Severance Months past the Separation Date is later than such equity award's originally scheduled vesting date; *provided* that the parties agree that **Attachment A** correctly sets forth all outstanding Non-Performance RSUs held by Executive and the Non-Performance RSUs to be accelerated under this Section 3(e)(ii);

iii. In the case of any outstanding performance-based equity awards (as defined by the Company's 2011 Equity Incentive Plan) held by Executive as of the Separation Date, continued eligibility for the vesting of market stock units ("***MSUs***"), performance-based restricted stock units ("***PSUs***") (collectively "***Performance Awards***") based on the achievement of the Performance Award vesting conditions on the applicable Vesting Dates (as such term is defined in the applicable Notice(s) of Performance Award Grant(s)); *provided* that the parties agree that **Attachment A** correctly sets

forth the Performance Awards eligible for continued vesting under this Section 3(e)(iii); and

iv. *provided*, that all remaining stock options, restricted stock, restricted stock units or other equity-based awards, or portions thereof, that do not vest in accordance with this Agreement shall be forfeited and cancelled by the Company.

All payments made to Executive or on Executive's behalf under this Agreement will be subject to payroll withholding requirements as required by law. Such payments are in lieu of any other severance payments to which Executive might claim entitlement (and which the Company would dispute) under the Offer Letter and in lieu of any payments or benefits to which Executive might otherwise claim entitlement (and which the Company would dispute) under any benefit plan, compensation plan, deferred compensation plan, incentive plan or bonus plan of the Company, including, without limitation, the Executive Severance Policy, or under any other contractual right or agreement.

Executive further agrees and acknowledges that, as of the date he executes this Agreement, Executive has been paid all compensation due and owing through such signature date, including any then-earned wages, salary, bonuses, commissions or incentives, accrued but unused PTO, reimbursable expenses (previously submitted to the Company), and any and all other benefit payments and/or other payments or compensation of any type (except for Executive's final paycheck, which shall include any balance of accrued but unused PTO as of the Separation Date, and as otherwise explicitly provided in this Agreement with respect to severance benefits under the Company's Executive Severance Policy) and that no further payments or amounts are owed or will be owed.

4. *Tax Obligations*. Pandora makes no representations or warranties with respect to the tax consequences of the payments provided to Executive under the terms of this Agreement. Executive agrees and understands that Executive is responsible for payment, if any, of applicable taxes owed by Executive on the payments made by Pandora under this Agreement, or penalties assessed for failure of Executive to pay such taxes. Executive further agrees to indemnify and hold Pandora harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments or recoveries by any government agency against Pandora for any amounts claimed due on account of: (a) Executive's failure to pay, or Executive's delayed payment of, applicable taxes, or (b) damages sustained by Pandora by reason of defending any such claims, including attorneys' fees and costs.

5. *General Release of Claims*.

(a) As consideration for the Severance Benefits described in this Agreement, Executive hereby completely releases and forever discharges Pandora, its subsidiary, predecessor(s), successor(s), and related corporations, divisions and entities, and its and each of their current and former officers, directors, executives, agents, investors, attorneys, shareholders, founders, administrators, affiliates, benefit plans, plan administrators, insurers, divisions, successor corporations, and assigns (collectively referred to as "***Releasees***") from any and all legally waivable claims, complaints, rights, duties, obligations, demands, actions, liabilities and causes of action of any kind whatsoever, whether presently known or unknown, suspected or unsuspected, which Executive may have or have ever had against Releasees, including without limitation all claims arising from or connected with Executive's employment by Pandora and Executive's separation from employment, whether based in common law, tort, or contract (express or implied), or on federal, state or local laws or regulations, any and all claims

arising out of any dispute over tax withholding on the payments provided to Executive pursuant to this Agreement, and any and all claims for attorneys' fees and costs. Executive has been advised that Executive's release does not apply to (i) any rights or claims that may arise after the date that Executive executed this Agreement; (ii) claims that cannot be released as a matter of law; (iii) any unemployment insurance claim; (iv) any workers' compensation insurance benefits, to the extent any applicable state law prohibits the direct release of such benefits without judicial or agency approval; (v) continued participation in certain benefits under COBRA (and any state law counterpart), if applicable; and (vi) any benefit entitlements vested as of Executive's last day of employment, pursuant to the written terms of any applicable Executive benefit plan sponsored by the Company.

(b) Executive understands and agrees that this is a final release and that Executive is waiving (to the extent waivable in accordance with applicable laws) all rights now or in the future to pursue any remedies available under any employment related causes of action against Releasees, including without limitation claims of wrongful discharge, emotional distress, defamation, harassment, discrimination, retaliation, breach of contract or covenant of good faith and fair dealing, claims of violation of the California labor laws, claims under Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act of 1963, the Civil Rights Act of 1866, as amended, the Americans with Disabilities Act of 1990 ("ADA"), the Age Discrimination in Employment Act of 1967 ("ADEA"), the Family and Medical Leave Act of 1993 ("FMLA"), the California Family Rights Act ("CFRA"), the California Fair Employment and Housing Act ("FEHA"), the Executive Retirement Income Security Act ("ERISA"), the National Labor Relations Act ("NLRA"), the California Constitution; the Genetic Information Nondiscrimination Act of 2008 ("GINA"), the Worker Adjustment and Retraining

Notification Act ("WARN"), the Sarbanes-Oxley Act of 2002, the Fair Credit Reporting Act, the California Labor Code, the California Business & Professions Code, the California Government Code, and any other laws and regulations relating to employment and that are waivable in accordance with applicable laws.

(c) Executive specifically agrees that this Agreement includes without limitation any and all claims that were raised, or that reasonably could have been raised, under the applicable Wage Order, Labor Code sections 201, 202, 203, 212, 226, 226.3, 226.7, 432.7, 510, 512, 515, 558, 1194, and 1198, as well as claims under the Business & Professions Code sections 17200, *et seq.* and Labor Code sections 2698, *et seq.* based on alleged violations of Labor Code provisions. Executive further covenants that Executive will not seek to initiate any proceedings seeking penalties under Labor Code sections 2699, *et seq.* based upon the Labor Code provisions specified above.

(d) Executive further acknowledges and agrees that Executive has received all leave to which Executive was entitled and requested, if any, under all federal, state, and local laws and regulations related to leave from employment, including, but not limited to, the FMLA, the CFRA, and California worker's compensation, and paid family leave laws.

6. *Release of Unknown Claims*. For the purpose of implementing a full and complete release, Executive expressly acknowledges that the releases given in this Agreement are intended to include, without limitation, claims that Executive did not know or suspect to exist in Executive's favor at the time of the date of Executive's execution of this Agreement, regardless of whether the knowledge of such claims, or the facts upon with they might be based, would have materially affected the settlement of this matter; and that the Separation Pay provided under this Agreement is also for the release of those

claims and contemplates the extinguishment of any such unknown claims, despite the fact that California Civil Code section 1542 may provide otherwise. Executive hereby expressly waives any right or benefit available to Executive in any capacity under the provisions of California Civil Code Section 1542, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

7. *No Knowledge of Claims by Company against Executive.* Company represents that, as of the date it executes this Agreement, it is unaware of (i) any actions by Executive that would constitute a breach of his obligations under this Agreement, or (ii) any claims that it has against Executive.

8. *No Pending Lawsuits*. Executive represents that Executive has no lawsuits, administrative charges, claims or actions pending in Executive's name, or on behalf of any other person or entity, against Pandora or any of the other Releasees. Executive agrees that, consistent with applicable laws, and subject to the Permitted Disclosures and Actions provision set forth below, Executive will not knowingly encourage, counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, grievances, claims, charges or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so, or as otherwise required by applicable law or regulation, and Executive will notify Pandora within three (3) business days of receipt of any such subpoena or court order.

9. *Covenant Not to Sue*. Executive warrants and represents that Executive has not filed and has not assigned any claims or causes of action covered by this release. Subject to Section 5 above, and

subject to the Permitted Disclosures and Actions provision set forth below, Executive agrees that at no time in the future will Executive file or maintain any charge, claim or action of any kind, nature or character against Releasees, or cause or knowingly permit, on the Executive's behalf, any such charge, claim or action to be filed or maintained, in any federal, state or municipal court, administrative agency or other tribunal, arising out of any of the matters released by this Agreement. If Executive initiates any lawsuit or other legal proceeding in contravention of this covenant not to sue, Executive shall be required to immediately repay to Pandora the full consideration paid to Executive pursuant to this Agreement, regardless of the outcome of Executive's legal action.

10. *Non-Disparagement*. Subject to the Permitted Disclosures and Actions provision set forth below, Executive agrees not to make statements or representations to any other person, entity or firm about Pandora, including its affiliated and related companies and subsidiaries, or its directors, officers, agents, executives, and representatives, which are offensive or derogatory, or which could adversely affect Pandora's name or reputation or the name or reputation of any director, officer, agent or executive of Pandora. Nothing in this Agreement is intended to unlawfully impair or interfere with Executive's rights under Section 7 of the National Labor Relations Act.

11. *Return of Property and Confidentiality Obligations*. Executive represents that, as of the Separation Date, Executive will return to Pandora, and will not directly or indirectly possess or maintain control over, any records, documents, specifications, or any confidential material or any equipment or other property of Pandora, except as otherwise agreed by Pandora's General Counsel. Executive further represents that Executive has complied with and will continue to comply with the terms of any Confidential Information, Invention Assignment, and Arbitration Agreement ("CIIAAA"), signed by

Executive, and will preserve as confidential all confidential information pertaining to the business of Pandora and its customers, licensees, and affiliates. Executive acknowledges and agrees that the CIIAAA will continue in full force and effect following Executive's separation from the employ of Pandora. Executive agrees and acknowledges that – as a condition of receiving any benefits or payments from Pandora that Executive is entitled to solely by reason of this Agreement – Executive must sign and return to Pandora all acknowledgment forms provided to Executive by Pandora upon separation from employment, including but not limited to Notice to Executive of Change in Relationship, Separation Packet cover page, and Termination Certification. Executive is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

12. *Expense Reimbursement*. Executive represents and agrees that, if Executive has any outstanding job-related expenses, Executive will submit them for reimbursement, consistent with Company policy, by the Separation Date. Executive understands that it is Executive's obligation to provide Pandora with adequate documentation of any expenses. Pandora will reimburse Executive the amounts it is required to reimburse after receiving documentation and consistent with Company policy, without regard to this Agreement.

13. *Cooperation with Pandora*. Subject to the Permitted Disclosures and Actions provision set forth below, Executive agrees that Executive will reasonably cooperate with Pandora, its agents, and its attorneys with respect to any matters in which Executive was involved during Executive's employment with Pandora or about which Executive has information, will provide upon reasonable request from Pandora information about any such matter, will make every reasonable effort to be available to assist with any litigation or potential litigation relating to Executive's actions as a Pandora Executive, and will testify truthfully in any legal proceeding related to Executive's employment with Pandora.

14. *No Lien or Assignment By Executive*. Executive warrants and represents that there are no liens or claims of lien in law or equity or otherwise of or against any of the claims or causes of action released herein. Executive acknowledges and agrees that this Agreement, and any of the rights hereunder, may not be assigned or otherwise transferred, in whole or in part by Executive.

15. *Arbitration*.

(a) Any and all controversies arising out of or relating to the validity, interpretation, enforceability, or performance of this Agreement will be solely and finally settled by means of binding arbitration in the State of California. Any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. ("JAMS"), pursuant to its Employment Arbitration Rules & Procedures (the "JAMS Rules"), which may be found at http://www.jamsadr.com/rules-employment-arbitration/ or obtained upon request made to the Company's Legal Department at 2100 Franklin Street, Suite 700, Oakland, CA 94612.

(b) Any arbitration under this Agreement shall be conducted in the county of the State in which the Executive last worked for the Company. The arbitrator shall be selected by mutual agreement of Executive and the Company. Unless the Company and Executive mutually agree otherwise, the arbitrator shall be an attorney licensed to practice in the location where the arbitration proceeding will be conducted or a retired federal or state judicial officer who presided in the jurisdiction where the arbitration will be conducted.

(c) The party bringing the claim must demand arbitration in writing and deliver the written demand by hand or first class mail to the other party within the applicable statute of limitations period. Any demand for arbitration made to the Company shall be provided to the Company's Legal Department at 2100 Franklin Street, Suite 700, Oakland, CA 94612. The arbitrator shall resolve all disputes regarding the timeliness or propriety of the demand for arbitration. In arbitration, the parties will have the right to conduct adequate civil discovery, bring dispositive motions, and present witnesses and evidence, as needed to present their cases and defenses, and any disputes in this regard shall be resolved by the arbitrator. Each party will pay the fees for his, her, or its own attorneys, subject to any remedies to which that party may later be entitled under applicable law. The arbitrator's fees and costs shall be apportioned between the parties in accordance with the JAMS Rules. The prevailing party shall be entitled to judicial relief from a court of competent jurisdiction to enforce the arbitration award. **THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHTS TO HAVE ANY DISPUTE UNDER THIS AGREEMENT RESOLVED BY A JUDGE OR JURY TRIAL.**

16. *No Admission*. The execution of this Agreement and the performance of its terms shall in no way be construed as an admission of wrongdoing or liability by either Executive or Pandora. Both Parties expressly disclaim any liability for claims by the other.

17. *Permitted Disclosures and Actions*. This Agreement does not prohibit or restrict Executive, the Company, or the other Releasees from lawfully: (i) initiating communications directly with, cooperating with, providing relevant information (including but not limited to information regarding the existence of or facts and circumstances underlying this Agreement), or otherwise assisting in an investigation by (A) the Securities and Exchange Commission (SEC), Department of Justice, any agency Inspector General, or any other governmental, regulatory, or legislative body regarding a possible violation of any federal law relating to fraud or any SEC rule or regulation; or (B) the Equal Employment Opportunity Commission (EEOC) or any other governmental authority with responsibility for the administration of fair employment practices laws regarding a possible violation of such laws;
(ii) responding to any inquiry from any such governmental, regulatory, or legislative body or official or governmental authority, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; or (iii) participating, cooperating, testifying, or otherwise assisting in any governmental action, investigation, or proceeding relating to a possible violation of any such law, rule or regulation. Further, nothing in this Agreement shall prohibit or restrict Executive from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the SEC or any other federal or state regulatory authority regarding this Agreement or its underlying facts or circumstances, or regarding any potentially fraudulent or suspicious activities.

18. *Voluntary Execution*. Executive acknowledges and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of Pandora or any third party, with the full intent of releasing all of Executive's claims against Pandora and any of the other Releasees. By this writing, Pandora has advised Executive to consult with an attorney prior to executing this Agreement. Executive represents that Executive has had an opportunity to consult with an attorney, if the Executive wishes, and has carefully read and understands the scope and effect of the provisions set forth in this Agreement.

19. *Entire Agreement.* Executive acknowledges that this Agreement is a full and accurate embodiment of the understanding between Executive and the Company, and that it supersedes any prior agreements or understandings made by the Parties, except the CIIAAA, which shall remain in full force and effect subsequent to the execution of this Agreement. This Agreement may only be amended in a writing signed by Executive and an authorized representative of Pandora.

20. *Governing Law and Venue*. This Agreement will be construed and enforced in accordance with the laws of the State of California, without regard to choice-of-law provisions. Except as provided for in this Agreement, Executive hereby consents to personal and exclusive jurisdiction and venue in the State of California, County of Alameda.

21. *Counterparts*. This Agreement may be executed in counterparts and by facsimile, and each counterpart and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. This Agreement shall be binding upon and shall inure to the benefit of the parties and their heirs, administrators, representatives, executors, successors and assigns.

22. *Section 409A*.

(a) This Agreement is intended to comply with short term deferral and separation pay plan exceptions to section 409A of the Internal Revenue Code of 1986, as amended and its corresponding regulations ("Section 409A"). For purposes of Section 409A, all payments to be made upon separation from employment under this Agreement may only be made upon a "separation from service" (within the meaning of such term under Section 409A), each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. In no event will Executive, directly or indirectly, designate the calendar year of payment of any severance benefits. All reimbursements and in-kind benefits provided under this Agreement will be made or provided in accordance with the requirements of Section 409A.

(b) Notwithstanding any provision in this Agreement to the contrary, if at the time of Executive's "separation from service" with Pandora, Pandora has securities which are publicly-traded on an established securities market and Executive is a "specified Executive" (as defined in Section 409A) and it is necessary to postpone the commencement of any severance payments otherwise payable pursuant to this Agreement as a result of such separation from service to prevent any accelerated or additional tax under Section 409A, then Pandora will postpone the commencement of the payment of any such payments hereunder that are not otherwise exempt from Section 409A, until the first payroll date that occurs after the date that is six (6) months following Executive's separation from service with Pandora.

23. *Severability*. If any provision of this Agreement is held by a court of competent jurisdiction to be void or unenforceable for any reason, the remaining provisions of this Agreement shall continue with full force and effect without said provision so long as the remaining provisions remain intelligible and continue to reflect the original intent of the Parties.

24. *Age Discrimination in Employment Act*. Executive acknowledges, agrees and understands that:

(a) under the general release detailed above, Executive is waiving and releasing, among other claims, any rights and claims that may exist under the Age Discrimination in Employment Act ("ADEA");

(b) the waiver and release of claims set forth in the release above does not apply to any rights or claims that may arise under the ADEA after the date of execution of this Agreement;

(c) the payments and other consideration that are being provided to Executive are of significant value and are in addition to what Executive otherwise would be entitled;

(d) Executive is being advised to consult an attorney before signing this Agreement. Executive acknowledges that Executive has been given the opportunity to consult with counsel of Executive's choice before signing this Agreement, and that Executive fully understands the contents and legal effect of this Agreement;

(e) Executive further acknowledges that Executive has been given the right to consider this Agreement for up to twenty-one (21) days before signing it, though Executive may sign earlier, and if Executive fails to sign and return this Agreement by the Deadline for Executive's Signature date set forth in the Summary of Terms, Company's offer and this Agreement will expire on its own terms;

(f) Executive may revoke acceptance of this Agreement by providing written notice to Pandora within seven (7) days from the date Executive signs this Agreement, and any notice of revocation of this Agreement must be in writing and transmitted by hand or certified mail to Pandora Media, Inc., 2100 Franklin Street, Suite 700, Oakland, CA 94612, Attn: General Counsel; and

(g) because of Executive's right to revoke this Agreement, this Agreement shall not become final and binding on both Parties until the eighth (8th) day after the return of an executed copy of this Agreement by Executive to Company, the Effective Date, and Executive will not be entitled to any of the payments or benefits set forth in this Agreement until the Payment Date, as set forth in the Summary of Terms.

PANDORA MEDIA, INC. ***TIM WESTERGREN***

By: /s/ Steve Bene By: /s/ Tim Westergren

Name: Steve Bene Date: 7/15/17

Title: General Counsel

Date: 7/17/17

NOT TO BE SIGNED UNTIL ON/AFTER THE SEPARATION DATE

pandora®

August 7, 2017

Naveen Chopra

Re: Amendment to Employment Offer dated February 24, 2017

Dear Naveen:

This letter (the "Amendment") will amend the terms of the Employment Offer dated February 24, 2017 (the "Agreement") between you and Pandora Media, Inc. (the "Company").

1. **Responsibilities, Duties**. Beginning June 27, 2017 (the "Transition Start Date"), you will serve as interim Chief Executive Officer and President of the Company ("CEO") and will perform the Additional Duties (as defined in paragraph 5 below), in each case until the earlier of (1) the start date of a new Chief Executive Officer; and (2) the date you are removed as CEO by the Company's Board of Directors (such earlier date being the "Transition End Date"). The Chief of Staff will report to you while you are CEO. In addition to the foregoing, you will continue performing your role as Chief Financial Officer ("CFO").

2. **Additional Cash Compensation**. Beginning on the Transition Start Date and ending on the Transition End Date (the "Transition Period"), in consideration of your service as CEO, in addition to your current base salary the Company will pay you a monthly cash payment of $29,000 per month (subject to applicable tax withholdings and pursuant to the Company's regular payroll policy), with the first such payment (for July 2017) being prorated for the additional four days from Transition Start Date until June 30, 2017. You will be paid the full $29,000 for the month in which the Transition End Date occurs, regardless of when during that month the Transition End Date occurs.

3. **Additional Equity Award**. On or as soon as practicable following the date of this Amendment, the Company will grant you an equity award of 152,250 restricted stock units ("RSUs"). Four-fifths of the RSUs (rounded up to the nearest whole share) will vest on August 15, 2018, and the remaining RSUs will vest on February 15, 2019. Additional terms – including acceleration terms – will be as specified in the attached form of Restricted Stock Unit Agreement and in the Company's 2011 Equity Incentive Plan.

4. **Enhanced Severance**. For the period of one year following the Transition End Date, your benefits under the Pandora Media, Inc. Executive Severance and Change of Control Policy, as amended (the "Policy") will be modified as follows:

(a) Section 6, paragraph (vi) will be modified such that "**Severance Months**" shall mean, in the case of an Involuntary Termination, 12 months, and in the case of a Change in Control Termination, 18 months; and

(b) Clause (E) of Section 6, paragraph (iii) (the definition of "**Good Reason**") will be modified such that "a material reduction in the Eligible Officer's duties and responsibilities" will not include a reduction or removal of any of the Additional Duties, or of your incremental duties as CEO; and

(c) The ending of the additional cash compensation specified in paragraph 2 above of this Amendment as of the Transition End Date will not be deemed "a material reduction of Eligible Officer's base salary or target annual incentive bonus" under Clause (A) of Section 6, paragraph (iii).

After the conclusion of the one-year period following the Transition End Date, you will revert to benefits as specified under the Policy for the role of the CFO.

5. **Certain Definitions**. Your "Additional Duties" are responsibility for Subscriptions, Business Development and Content Licensing.

6. **Attorneys' Fees**. The Company will pay directly or reimburse you for reasonable legal fees and costs incurred in connection with negotiating and reviewing this Amendment and any related documents or matters, with the Company's payment or reimbursement not to exceed five thousand dollars ($5,000).

Except as expressly set forth in this Amendment, the terms and conditions of the Agreement remain in full force and effect.

Very truly yours,

PANDORA MEDIA, INC.

By: /s/ Kristen Robinson

Name: Kristen Robinson

Title: Chief Human Resources Officer

ACCEPTED AND AGREED:

Naveen Chopra

/s/ Naveen Chopra
Signature

Date: Aug 7, 2017

PANDORA MEDIA, INC.

2011 Equity Incentive Plan

NOTICE OF RESTRICTED STOCK UNIT GRANT

Naveen K Chopra

You have been granted the number of restricted stock units (the "RSUs"), each representing one share of Common Stock of Pandora Media, Inc. (the "Company") (the "Shares"), as follows:

Date of Grant: **08/04/2017**

Total Number of RSUs Granted: **152,250**

Grant Number: **RU09757**

Vesting/Exercise Schedule: So long as your Continuous Service Status continues, the RSUs shall vest in accordance with the following schedule:

Please refer to Appendix attached to the Restricted Stock Unit Agreement attached hereto

By accepting these RSUs, you agree that these RSUs are granted under and governed by the terms and conditions of the Pandora Media, Inc. 2011 Equity Incentive Plan and the Restricted Stock Unit Agreement attached hereto and incorporated by reference herein.

In addition, you agree and acknowledge that your rights to any Shares underlying the RSUs will be earned only as you provide services to the Company over time and that nothing in this Notice or the attached documents confers upon you any right to continue your employment or consulting relationship with the Company for any period of time, nor does it interfere in any way with your right or the Company's right to terminate that relationship at any time, for any reason, with or without cause.

PANDORA MEDIA, INC.

/s/ Naveen Chopra

Naveen K Chopra

By: /s/ Naveen Chopra

Name: Naveen Chopra

Title: Interim CEO

PANDORA MEDIA, INC.

2011 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

1. **Grant of RSUs.** Pandora Media, Inc., a Delaware corporation (the "Company"), hereby grants to you ("Participant") the number of RSUs (each representing a share of Common Stock of the Company) set forth in the Notice of Restricted Stock Unit Grant (the "Notice"), subject to the terms, definitions and provisions of the Pandora Media, Inc. 2011 Equity Incentive Plan (the "Plan") adopted by the Company, which is incorporated in this Agreement by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Notice or the Plan, as applicable. The terms and conditions of this Restricted Stock Unit Award Agreement (this "Agreement"), to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. *Vesting*. The RSUs shall become vested on the vesting schedule set forth in the Appendix attached hereto, subject to Participant remaining in Continuous Service Status on the applicable vesting date.

2. *Forfeiture of Unvested RSUs*. Except as set forth in the Appendix attached hereto, immediately upon termination of Participant's employment (including due to death or disability), any unvested RSUs shall be forfeited without consideration.

3. *Conversion into Common Stock*. Shares will be issued on the applicable vesting date (or, to the extent not administratively feasible, within 30 days thereafter). As a condition to such issuance, Participant shall have satisfied his or her tax withholding obligations as specified in this Agreement and shall have completed, signed and returned any documents and taken any additional action that the Company deems appropriate to enable it to accomplish the delivery of the Shares. In no event will the Company be obligated to issue a fractional share. Notwithstanding the foregoing, (i) the Company shall not be obligated to deliver any Shares during any period when the Company determines that the conversion of a RSU or the delivery of shares hereunder would violate any federal, state or other applicable laws and/or may issue shares subject to any restrictive legends that, as determined by the Company's counsel, is necessary to comply with securities or other regulatory requirements, and (ii) the date on which shares are issued may include a delay in order to provide the Company such time as it determines appropriate to address tax withholding and other administrative matters.

4. *Tax Treatment*. Any withholding tax liabilities (whether as a result of federal, state or other law and whether for the payment and satisfaction of any income tax, social security tax, payroll tax, or payment on account of other tax related to withholding obligations that arise by reason of the RSUs) incurred in connection with the RSUs becoming vested and Shares issued, or otherwise incurred in connection with the RSUs, may be satisfied in any of the following manners determined by the Participant (and the Committee may with prior written notice to Participant require any of the following methods): (i) by the sale by Participant of a number of Shares that are issued under the RSUs, which the Company determines is sufficient to generate

an amount that meets the tax withholding obligations plus additional Shares to account for rounding and market fluctuations, and payment of such tax withholding to the Company, and such Shares may be sold as part of a block trade with other participants of the Plan; (ii) by the Company withholding a number of Shares that would otherwise be issued under the RSUs that the Company determines have a fair market value equal to the minimum amount of taxes that the Company concludes it is required to withhold under applicable law; or (iii) by payment by Participant to the Company in cash or by check an amount equal to the minimum amount of taxes that the Company concludes it is required to withhold under applicable law. Participant hereby authorizes the Company to withhold such tax withholding amount from any amounts owing to Participant to the Company and to take any action necessary in accordance with this paragraph.

Notwithstanding the foregoing, Participant acknowledges and agrees that he is responsible for all taxes that arise in connection with the RSUs becoming vested and Shares being issued or otherwise incurred in connection with the RSUs, regardless of any action the Company takes pursuant to this Section.

5. *Restrictions on Transfer*. Participant understands and agrees that the RSUs may not be sold, given, transferred, assigned, pledged or otherwise hypothecated by the holder.

6. *Certificates*. Certificates, transfer agent book entries or other evidence of ownership as determined by the Company issued in respect of the Shares shall, unless the Committee otherwise determines, be registered in the name of Participant. The stock certificate, if any, shall carry such appropriate legends, and such written instructions shall be given to the Company transfer agent, as may be deemed necessary or advisable by counsel to the Company in order to comply with the requirements of the Securities Act of 1933, any state securities laws or any other applicable laws.

7. *No Stockholder Rights*. Participant will have no voting or other rights as the Company's other stockholders with respect to the Shares until issuance of the Shares.

8. *No Employment/Service Rights*. Neither this Agreement nor the grant of the RSUs hereby confers on Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes in any way with the right of the Company or any Subsidiary to determine the terms of Participant's employment or service.

9. *Entire Agreement; Terms of Plan, Interpretations*. Participant acknowledges that he has received and reviewed a copy of the Plan. This Agreement (including the Notice and the Appendix attached hereto) contains the entire understanding of the parties hereto in respect of the subject matter contained herein. This Agreement together with the Plan supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof. This Agreement and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which shall be controlling. All interpretations or determinations of the Committee and/or the Board shall be binding and conclusive upon Participant and his legal representatives on any question arising hereunder.

Appendix: Vesting Schedule

- 121,800 of the RSUs set forth in the Notice shall vest on August 15, 2018 and 30,450 of the RSUs set forth in the Notice shall vest on February 15, 2019, subject to the Participant remaining in Continuous Service Status on the applicable vesting date.

- In the case of an Involuntary Termination (as defined in the Company's Executive Severance Change of Control Policy, as amended, (the "***Policy***")) of Participant, the RSUs set forth in the Notice shall fully vest on the effective date of the Release (as defined in the Policy), and such acceleration shall supersede and replace any other acceleration benefit with respect to the RSUs set forth in the Notice that would have been provided under the Policy in the case of an Involuntary Termination. The RSUs that vest pursuant to this provision shall be settled within 30 days following Participant's Involuntary Termination.

- In the case of a voluntary termination for Good Reason (as defined below) (and regardless of whether or not a Change of Control (as defined in the Company's 2011 Equity Incentive Plan) precedes said voluntary termination) of Participant, the RSUs set forth in the Notice shall fully vest on the effective date of the Release (as defined in the Policy), and such acceleration shall supersede and replace any other acceleration benefit with respect to the RSUs set forth in the Notice that would have been provided under the Policy in the case of a voluntary termination for Good Reason. The RSUs that vest pursuant to this provision shall be settled within 30 days following Participant's termination of employment for Good Reason.

    - "**Good Reason**" means Participant's resignation from employment after the occurrence of one of the following events without Participant's consent: (A) a material reduction of Participant's base salary or target annual incentive bonus; (B) any requirement by the Company (or its successor) that Participant engage in any illegal or unethical conduct, after Participant has given the Company thirty (30) days' notice and opportunity to cure; (C) the Company's failure to fully cure within thirty (30) days any material breach by the Company of the Policy or of any other material agreement between Participant and the Company, in each case which Participant has notified the Committee in writing; (D) a relocation of Participant's principal place of employment by more than fifty (50) miles or (E) a material reduction in duties and responsibilities; *provided* that in any event, Participant notifies the Company of the event constituting Good Reason within ninety (90) days after the occurrence of the event constituting Good Reason and gives the Company thirty (30) days to cure (to the extent capable of cure), and then Participant resigns within thirty (30) days thereafter *provided further* that (A) with respect to clause (E) above, Participant acknowledges and agrees that his ceasing to serve as CEO and perform the Additional Duties (each as defined in that certain Amendment to Employment Offer dated August 7, 2017 (the "Amendment")) in connection with the Transition End Date (as defined in the Amendment) will not, by itself, constitute Good Reason to voluntarily terminate employment and (B) in the event Participant voluntarily terminates employment for Good Reason as a result of the occurrence of the events described in clause (E) only 121,800 of the RSUs shall be subject to accelerated vesting in accordance with this Appendix.

- The RSUs are intended to be exempt from or comply with Section 409A of the Code and shall be interpreted and construed accordingly, and each vesting hereunder shall be considered a separate payment. Notwithstanding any other provision in the RSU Agreement, to the extent the RSUs

constitute nonqualified deferred compensation, within the meaning of Section 409A, (i) if Participant is a specified employee (within the meaning of Section 409A of the Code) as of the date of Participant's "separation from service" (within the meaning of Section 409A of the Code), then the RSUs that vest upon Participant's separation from service shall be settled on the first business day after the date that is six months following Participant's separation from service or Participant's death, if earlier, and (ii) if the RSUs are conditioned upon the effectiveness of the Release and are to be settled during a designated period that begins in one taxable year and ends in a second taxable year, such RSUs shall be settled in the later of the two taxable years.

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August 9, 2017

Roger J. Lynch

Re: Employment Offer

Dear Roger:

On behalf of Pandora Media, Inc. (the "Company"), we are pleased to offer you the position of President and Chief Executive Officer, reporting to the Board of Directors of the Company (the "Board"). This letter agreement sets forth the terms and conditions of your employment with the Company (the "Agreement"), if you accept and commence such employment. Please understand that this offer, if not accepted, will expire on August 13, 2017.

1. Responsibilities; Duties. You are expected to begin work on a date no earlier than September 11, 2017 and no later than September 18, 2017 (the "Start Date") contingent on satisfaction of the pre-employment conditions set forth below. You are required to faithfully and conscientiously perform your assigned duties and to diligently observe all your obligations to the Company and to perform such duties as may be expected of a President and Chief Executive Officer of a publicly held company. You agree to devote your full business time and efforts, energy and skill to your employment at the Company, and you agree to apply all your skill and experience to the performance of your duties and advancing the Company's interests. During your employment with the Company, you may not perform services as an employee, independent contractor, or consultant of any other competitive organization and you will not assist any other person or organization in competing with the Company or in preparing to engage in competition with the business or proposed business of the Company, including any of its subsidiaries. Any other outside business relationships you engage in, including holding a position on the board of directors of another public or private company, should be made known to the Company's General Counsel in writing and approved by the Nominating and Corporate Governance Committee of the Board. The Company acknowledges and agrees that you have made known to the Company's General Counsel your membership on the board of directors of Video Networks International Ltd. and your role as a senior advisor to Evolution Media Capital and that each such membership or role, as applicable, has been approved by the Board, subject to continued compliance with the Company's Code of Business Conduct and Ethics. You shall comply with, and be bound by, the Company's operating policies, procedures, employment policies, and practices from time to time in effect during your employment. You will be appointed as a member of the Board effective as of the Start Date, and the Company shall cause you to be nominated as a member of the Board at each annual meeting of stockholders of the Company at which your Board seat is up for re-election during your employment with the Company.

2. Compensation. In consideration for rendering services to the Company during the term of your employment and fulfilling your obligations under this Agreement, you will be eligible to receive the benefits set forth in this Agreement.

a. Base Salary. In this exempt full-time position, you will earn an annualized base salary of $650,000, subject to applicable deductions and tax and other withholdings. Your salary will be payable pursuant to the Company's regular payroll policy and timing.

b. Business Expenses. The Company shall, upon submission and approval of written statements and bills in accordance with the then regular procedures of the Company, pay or reimburse you for any and all necessary, customary and usual expenses incurred by you while traveling for, or on behalf of, the Company, and any and all other reasonable and necessary expenses (including entertainment) incurred by you for or on behalf of the Company in the normal course of business, as determined to be appropriate by the Company. It is your responsibility to review and comply with the Company's business expense reimbursement policies. Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Agreement is determined to be subject to Section 409A of the Internal Revenue Code of 1986, as amended, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the expenses eligible for reimbursement in any other taxable year (except for any lifetime or other aggregate limitation applicable to medical expenses), in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which you incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

c. Performance Bonus. For each year during the term of your employment, you will be eligible to participate in the Corporate Incentive Plan (CIP) with a target bonus of 100% of your base salary, which, for 2017, will be prorated to your Start Date. The actual bonus amount paid will be determined in the sole and absolute discretion of the Company's Compensation Committee; provided, however, that with respect to 2017, you will be entitled to receive a minimum bonus of 1/3rd of your target bonus ($216,666) subject to your continued employment through December 31, 2017 with such bonus payable at the same time as the 2017 CIP bonuses are paid to other executive officers. Any bonus for future years will be subject to the terms and conditions of any bonus or incentive compensation plan that the Company adopts at a later time. Except with respect to 2017, nothing hereunder shall be construed or interpreted as a guarantee for you to receive any bonuses or incentive compensation.

d. Relocation Expenses. The Company will pay you a lump sum amount of $250,000 to cover the costs associated with your relocation to the San Francisco Bay area, with such payment net of applicable withholding taxes and deductions to be made within 30 days following the Start Date. In addition, the Company will provide temporary housing and transportation for you and your family for three months and two relocation trips from Denver, Colorado to the San Francisco Bay area for you and your family but such benefits will not extend beyond December 31, 2017.

3. Employee Benefits. You will be eligible to participate in any employee benefit plans or programs maintained, or established, by the Company including, but not limited to, paid time off, group health benefits, life insurance, dental plan, 401(k) and other benefits made available generally to employees, subject to eligibility requirements and the applicable terms and conditions of the plan or program in question and the determination of any committee administering such plan or program.

You will be entitled to severance and change in control benefits as provided in the Pandora Media Inc. Executive Severance and Change of Control Policy, as amended ("Severance Policy"), as modified herein, which Severance Policy, as modified below, is incorporated herein. You will be an "Eligible Officer" under the Severance Policy and be subject to and benefit from the terms and conditions thereof, except as modified below. For the avoidance of doubt, in the event of any conflict between this Agreement and the Severance Policy, this Agreement shall control.

a. Section 2. *Amendment Or Termination of the Policy*, shall not apply. Your rights and obligations under the Severance Policy and this Agreement may not be modified unless mutually agreed to by you and the Company in writing.

b. Section 4(a)(ii) shall be replaced with the following: a cash payment equal to such Eligible Officer's annual target bonus, paid in a lump sum within 10 business days following the effectiveness of the Release; *provided* that if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year.

c. Section 5(iii) shall be replaced with the following: accelerated vesting, effective on the effective date of the Release or the date of the consummation of the Change of Control, if later, of all outstanding Equity Awards held by the Eligible Officer as of the Termination Date; *provided* that any notice of award or grant agreement related to any market stock units, performance-based restricted stock units or other Performance Awards (as defined in the Company's 2011 Equity Incentive Plan) held by the Eligible Officer as of the Termination Date that includes specific vesting treatment in the case of a Change of Control Termination more favorable to you shall supersede this provision with respect to such Performance Award.

d. Section 6(iv) "**Change of Control Termination**" shall be replaced with the following: "**Change of Control Termination**" means, within 18 months following, or three months before, a Change of Control any termination of the CEO's employment with the Company (or its successor) (A) by the Company (or its successor for any reason other than Cause or (B) by the Eligible Officer for Good Reason; provided that any such termination within three months before a Change of Control will only constitute a Change of Control Termination if such termination (x) occurred in anticipation of the Change of Control, or (y) was implemented at the request of the acquiror in the Change of Control.

e. A new Section 8(j) shall be added as follows: *Vesting Suspension*. Upon any Involuntary Termination prior to a Change of Control, any unvested Equity Awards that would otherwise be forfeited after giving application to the provisions hereof and any applicable award documents shall not terminate until the date on which it is determined whether the Eligible Officer is eligible to receive additional accelerated vesting hereunder; provided that, following the Involuntary Termination, if (i) a Change of Control does not occur within three months following the Termination Date or (ii) a Change of Control occurs within three months following the Termination Date but the termination (x) did not occur in anticipation of the Change of Control, or (y) was not implemented at the request of the acquiror in the Change of Control, then any remaining unvested Equity Awards that did not accelerate as a result of such Involuntary Termination shall terminate upon expiration of the three month period following the Termination Date.

A copy of the Severance Policy is attached as **Attachment A and constitutes a part of this Agreement**.

4 . Equity Grant. Contingent upon the commencement of your employment on the Start Date, the Company will grant you the following equity grants on the Start Date, subject to the terms of the Pandora Media, Inc. 2011 Equity Incentive Plan (the "Equity Plan"):

a . **Restricted Stock Units Awards.** You will be granted two time-based equity awards (the "RSU Awards") in the form of restricted stock units:

(i) An equity award (the "First RSU Award") with an intended value of approximately $3,250,000, which will be converted to a number of restricted stock units ("RSUs") as of the grant date by dividing $3,250,000 by the average closing stock price of the Company's Common Stock for the 30 calendar day period ending on the last day of the calendar month ending prior to your Start Date, rounded up to the nearest whole RSU. Fifty percent (50%) of the RSUs subject to the First RSU Award will vest on December 20, 2017 and 12.5% of the RSUs subject to the First RSU Award will vest on each of February 15, 2018, May 15, 2018, August 15, 2018 and November 15, 2018.

(ii) An equity award (the "Second RSU Award") with an intended value of approximately $3,250,000, which will be converted to a number of RSUs as of the grant date by dividing $3,250,000 by the average closing stock price of the Company's Common Stock for the 30 calendar day period ending on the last day of the calendar month ending prior to your Start Date, rounded up to the nearest whole RSU. Twenty-five percent (25%) of the RSUs subject to the Second RSU Award will vest on the first standard quarterly Company vesting date that is approximately one (1) year after the grant date of the Second RSU Award (August 15, 2018) and 6.25% of the RSUs subject to the Second RSU Award will vest quarterly on the Company's standard quarterly vesting dates (November 15, February 15, May 15 and August 15) over the three year period thereafter.

b. **Stock Option** (the "Option"). You will be granted an option to purchase a number of shares of Company Common Stock to be determined by dividing $5,250,000 by the Black-Scholes value per share of an option to purchase Company Common Stock (calculated as of the date of grant using the method and inputs consistent with those used by the Company for financial statement purposes). The Option will have an exercise price per share equal to the closing price per share of the Company's Common Stock on the date of grant (as reported by the NYSE). The Option shares will vest and become exercisable at the rate of 25% of the total number of shares on the twelve (12) month anniversary of your Vesting Commencement Date (as defined in the Stock Option Agreement to be executed between you and the Company, which date will be your Start Date) and 1/48th of the total number of shares each month thereafter on the monthly anniversary of the Vesting Commencement Date.

c . **Vesting and Other Conditions**. Vesting of both the RSU Awards and the Option will, of course, depend on your continued employment with the Company on the applicable vesting dates, except as otherwise provided in the Severance Policy. The awards will be subject to the terms of the Equity Plan and the Restricted Stock Unit Agreements and Stock Option Agreement

between you and the Company, which Restricted Stock Unit Agreements and Stock Option Agreement are substantially in the forms attached hereto as **Attachments B, C and D**, respectively, and may not be amended without your consent. You understand that issuing the RSU Awards and the Option described in this Agreement is expressly contingent on receipt of fully executed Restricted Stock Unit Agreements and Stock Option Agreement substantially in the form of applicable Attachments B, C, and D, execution copies of which will be separately provided to you promptly following grant by the Company and which must be signed by you to be effective.

d. **Post-Termination Exercise Period**. The Option and any other stock options granted to you by the Company will include a 12-month post-termination exercise period (but in no event beyond the maximum expiration date of the option) in the event your continued service with the Company terminates for any reason.

5. At-Will Employment. Your employment with the Company will be on an "at will" basis, meaning that either you or the Company may terminate your employment at any time without notice and for any reason or no reason, without further obligation or liability, except to the extent required by law with respect to final payment of accrued wages, or as expressly provided herein with respect to potential severance opportunities. Further, your continued employment as well as your participation in any benefit programs does not assure you of continuing employment with the Company. The Company also reserves the right to modify or amend the terms of its benefit plans at any time for any reason. This policy of at-will employment is the entire agreement as to the duration of your employment and may only be modified upon an express written approval of the Board.

6. Acknowledgement of Satisfaction of All Pre-employment Conditions.

a. **Confidentiality Agreement.** The Company acknowledges that simultaneously with the signing of this Agreement, you have executed the Company's Confidential Information, Invention Assignment and Arbitration Agreement, a copy of which is enclosed as **Attachment E** (the "Confidentiality Agreement"), the terms of which may not be amended without your consent.

b. **Right to Work.** For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within three days following your Start Date, or our employment relationship with you may be terminated and this Agreement will be void.

c. **Verification of Information.** By accepting this conditional offer of employment, you warrant that all information provided by you is true and correct to the best of your knowledge, and you expressly release all parties from any and all liability for damages that may result from obtaining, furnishing, collecting or verifying such information, as well as from the use of or disclosure of such information by the Company or its agents.

7. No Conflicting Obligations. You understand and agree that by accepting this offer of employment, you represent to the Company that performance of your duties to the Company and the terms of this Agreement and the Confidentiality Agreement will not breach any other agreement (written or oral) to which you are a party (including without limitation, current or past employers) and that you have not, and will not during the term of your employment with the Company, enter into any oral or written

agreement which may result in a conflict of interest or may otherwise be in conflict with any of the provisions of this Agreement, the Confidentiality Agreement or the Company's policies. You are not to bring with you to the Company, or use or disclose to any person associated with the Company, any confidential or proprietary information belonging to any former employer or other person or entity with respect to which you owe an obligation of confidentiality under any agreement or otherwise. The Company does not need and will not use such information. Also, we expect you to abide by any obligations to refrain from soliciting any person employed by or otherwise associated with any former employer and suggest that you refrain from having any contact with such persons until such time as any non-solicitation obligation expires. To the extent that you are bound by any such obligations, you must inform the Company's General Counsel immediately prior to accepting this Agreement.

8. General Obligations. As an employee, you will be expected to adhere to the Company's standards of professionalism, loyalty, integrity, honesty, reliability and respect for all. Please note that the Company is an equal opportunity employer. The Company does not permit, and will not tolerate, the unlawful discrimination or harassment of any employees, applicants, consultants, or related third parties on the basis of sex, gender, gender identity, gender expression, sex stereotype, transgender, race, color, religion or religious creed, age, national origin or ancestry, marital status, military or protected veteran status, immigration status, mental or physical disability or medical condition, genetic information, sexual orientation, pregnancy, childbirth or related medical condition, or any other status protected by applicable law. Any questions regarding this EEO statement should be directed to Human Resources. You will also be required to review, understand, and comply with all other generally applicable employment policies that the Company may adopt from time to time.

9. Termination Obligations.

a. You agree that all property, including, without limitation, all equipment, proprietary information, documents, books, records, reports, notes, contracts, lists, computer disks (and other computer-generated files and data), and copies thereof, created on any medium and furnished to, obtained by, or prepared by you in the course of or incident to your employment with the Company, belongs to the Company and shall be returned to the Company promptly upon any termination of your employment, or sooner if so requested by the Company.

b. Upon termination of your employment with the Company for any reason, you will resign in writing (or be deemed to have resigned) from all other offices and directorships then held with the Company or any affiliate of the Company, unless otherwise agreed with the Company.

c. Following the termination of your employment with the Company for any reason, you shall fully cooperate with the Company in all matters relating to the winding up of pending work on behalf of the Company and the orderly transfer of duties, responsibilities, and knowledge to such persons as the Company shall designate. You shall also cooperate in the defense of any action brought by any third party against the Company. If necessary, the Company shall pay you for your time incurred to comply with this provision at a reasonable per diem or per hour rate as to be mutually determined between you and the Company.

d. Following the termination of your employment with the Company for any reason, you agree that you will not at any time make any statements or comments (written or oral) to any third

party or take any action disparaging the integrity or reputation of the Company or any of its subsidiaries, employees, officers, directors, stockholders or affiliates, subject to the provisions of Section 10(c) below.

10. Miscellaneous Terms.

a . Indemnification/Insurance. You will be eligible for indemnification in accordance with the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws (as each may be amended). You will be provided with the Company's form indemnification agreement, consistent with what has been entered into by other executive officers and directors of the Company. During the term of your employment, the Company shall obtain and maintain directors' and officers' liability insurance for the benefit of the officers and directors of the Company.

b. Entire Agreement. This Agreement, together with its attachments, set forth the entire terms of your employment with the Company and supersede any prior representations or agreements, whether written or oral.

c. Permitted Disclosures and Actions. Notwithstanding any other provision of this Agreement to the contrary, nothing in this Agreement prohibits or restricts you or the Company from (i) initiating communications directly with, cooperating with, providing relevant information to, or otherwise assisting in an investigation by (A) the Securities and Exchange Commission (the "SEC"), or any other governmental, regulatory, or legislative body) regarding a possible violation of any federal law relating to fraud or any SEC rule or regulation; or (B) the EEOC or any other governmental authority with responsibility for the administration of fair employment practices laws regarding a possible violation of such laws; (ii) responding to any inquiry from any such governmental, regulatory, or legislative body or official or governmental authority; or (iii) participating, cooperating, testifying, or otherwise assisting in any governmental action, investigation, or proceeding relating to a possible violation of any such law, rule or regulation. Federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

d . Recoupment Policy. All incentive compensation provided by the Company and its affiliates pursuant to this Agreement or otherwise will be subject to any applicable recoupment or clawback policy that is adopted by the Board from time to time, subject to applicable law.

e . Withholding. All payments hereunder will be subject to withholding of applicable federal, state and local income and employment taxes and other deductions.

f . Governing Law. This Agreement will be governed by the laws of California, without regard to its conflict of laws provisions.

g. Amendment. This Agreement may not be modified or amended except by an express written approval of the Board.

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

i. Severability. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law, and wherever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event, any provision of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, paragraph or clause of this Agreement shall be held to be indefinite or invalid, the entire Agreement shall not fail on account thereof, and the balance of the Agreement shall continue in full force and effect.

j. Waiver. Failure or delay of either party to insist upon compliance with any provision hereof will not operate as, and is not to be construed as, a waiver or amendment of such provision or the right of the aggrieved party to insist upon compliance with such provision or to take remedial steps to recover damages or other relief for noncompliance. Any express waiver of any provision of this Agreement will not operate and is not to be construed as a waiver of any subsequent breach, whether occurring under similar or dissimilar circumstances.

k. Attorneys' Fees. The Company will pay directly or reimburse you for reasonable legal fees and costs incurred in connection with negotiating and reviewing this letter and any related documents or matters, not to exceed twenty-five thousand dollars ($25,000).

[Signature Page Follows]

We are all delighted to be able to extend you this offer and look forward to working with you. To indicate your acceptance of the Company's offer, please sign and date this Agreement in the space provided below and return it to me, along with a signed and dated original copy of the Confidentiality Agreement, prior to the expiration date specified in the opening paragraph of this Agreement.

Very truly yours,

PANDORA MEDIA, INC.

By:/s/ Steve Bene

Name: Steve Bene
Title: General Counsel

ACCEPTED AND AGREED:

I have read this offer and agree to accept employment with Company under the terms set forth in this Agreement.

Roger J. Lynch

/s/ Roger J. Lynch
Signature

8/9/17
Date

pandora®

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (this "Agreement"), including and incorporating, by reference, the attached Summary of Terms and the definitions for the capitalized terms set forth therein, is made by and between Pandora Media, Inc., a Delaware corporation, with its principal place of business at 2100 Franklin Street, Suite 700, Oakland, CA 94612 ("Pandora" or "Company") and Executive (collectively, the "Parties"). This Agreement is made as of the Agreement Date and shall become effective as of the Effective Date.

A. Executive has been employed by Pandora since the Employment Start Date;

and

B. Executive will be separated from employment with Pandora effective as of the Separation Date;

and

C. The parties desire to reach an agreement as to the rights, benefits, and obligations of each party arising out of Executive's employment and the anticipated separation from the Company, to resolve all disputes Executive may have against Pandora or the other Releasees (as defined below) – known, unknown, asserted or un-asserted.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth below, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Executive and Pandora agree as follows:

1. *Change in Employment Status*. Except in the event either Executive or Pandora terminates Executive's employment sooner, Executive's last day of employment with the Company shall be the Separation Date. To the extent that, as of the Separation Date, Executive has any remaining

accrued but unused PTO, Executive will receive a cashout of such PTO balance, in accordance with applicable laws.

2. *Resignation from Offices and Directorships*. As of the Separation Date, Executive shall resign from all officer and director positions with the Company, its subsidiaries or any affiliates of any of them (including, without limitation, Executive's position as President of the Company). Executive agrees to execute such additional documentation as the Company or its subsidiaries or affiliates may reasonably request to effectuate such resignations.

3. Severance Payment and Benefits. If Executive timely signs, dates, returns, and does not revoke (i) this Agreement in accordance with Section 24 of this Agreement; and so long as Executive is not in breach of his obligations under this Agreement, then the Company will provide Executive the following (the "***Severance Benefits***") in full satisfaction of any monetary or other obligations to which Executive could claim entitlement under Executive's Offer Letter or the Company's Executive Severance and Change of Control Policy ("***Executive Severance Policy***"):

(a) A cash payment equal to six (6) times Executive's monthly base salary in effect on the Separation Date, gross, paid in a lump sum by the Payment Date ("***Severance Months"***);

(b) A cash payment equal to a prorated (to the Separation Date) portion of the amount that Executive would have received under Pandora Media, Inc.'s Corporate Incentive Plan for Fiscal Year Ending December 31, 2017, based on the Company's actual performance as determined by the Compensation Committee of the Board in its discretion for the remaining executive officers of the Company following the completion of the Current Year's annual performance period; *provided* that such payment will not exceed

Executive's prorated annual target bonus for the Current Year; *provided further* that such payment will be made no later than March 15, 2018;

(c) So long as Executive timely elects (and remains eligible for) health benefits continuation pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***"), payment by the Company of Executive's applicable premiums (including spouse or family coverage if Executive had such coverage on the Separation Date) for such continuation coverage under COBRA (payable as and when such payments become due) during the period commencing on the Separation Date and ending on the earliest to occur of (a) six (6) months following the Separation Date, and (b) the date on which the Executive and Executive's covered dependents, if any, become eligible for health insurance coverage through another employer, or becomes otherwise covered under another group health plan;

(d) Reasonable outplacement and career continuation services by a firm to be selected by the Company for up to three (3) months following the Separation Date, if Executive elects to participate in such services; and

(e) The following vesting schedule:

i. Effective on the Effective Date, accelerated vesting by six (6) months of all outstanding Company stock options held by Executive as of the Separation Date; *provided* that, in lieu of the foregoing, stock options that do not vest monthly will be accelerated through six (6) months following the Separation Date as if such stock option had been on a monthly vesting schedule through

the original vesting period; *provided* that the parties agree that **Attachment A** correctly sets forth all outstanding Non-Performance RSUs held by Executive and the Non-Performance RSUs to be accelerated under this Section 3(e)(i).

ii. Effective on the Effective Date, accelerated vesting by six (6) months of all outstanding non-performance-based equity awards, restricted stock, restricted stock units or RSUs ("***Non-Performance RSUs***"), held by Executive as of the Separation Date; *provided* that, in lieu of the foregoing, Non-Performance- RSUs that do not vest monthly will be accelerated through six (6) months following the Separation Date, as if such equity award had been on a monthly vesting schedule through the original vesting period, but only if the date reflecting the number of Severance Months above past the Separation Date is later than such equity award's originally scheduled vesting date; *provided* that the parties agree that **Attachment A** correctly sets forth all outstanding Non-Performance RSUs held by Executive and the Non-Performance RSUs to be accelerated under this Section 3(e)(ii).

iii. Continued eligibility for the vesting of market stock units ("***MSUs***"), performance-based restricted stock units ("***PSUs***") (collectively "***Performance Awards***") based on the achievement of the Performance Award vesting conditions on the applicable Vesting Dates (as such term is defined in the applicable Notice(s) of Performance Award Grant; *provided* that the parties agree that **Attachment A** correctly sets forth the Performance Awards

(MSUs and PSUs) eligible for continued vesting under this Section 3(e)(iii); and

iv. *provided*, that all remaining stock options, restricted stock, restricted stock units or other equity-based awards, or performance-based restricted stock units, or portions thereof, that do not vest in accordance with this Agreement shall be forfeited and cancelled by the Company.

All payments made to Executive or on Executive's behalf under this Agreement will be subject to payroll withholding requirements as required by law. Such payments are in lieu of any other severance payments to which Executive might claim entitlement (and which the Company would dispute) under the Offer Letter and in lieu of any payments or benefits to which Executive might otherwise claim entitlement (and which the Company would dispute) under any benefit plan, compensation plan, deferred compensation plan, incentive plan or bonus plan of the Company, including, without limitation, the Severance Policy, or under any other contractual right or agreement.

Executive further agrees and acknowledges that, as of the date he executes this Agreement, Executive has been paid all compensation due and owing through such signature date, including any then-earned wages, salary, bonuses, commissions or incentives, accrued but unused PTO, reimbursable expenses (previously submitted to the Company), and any and all other benefit payment and/or other payment or compensation of any type (except for Executive's final paycheck, which shall include any balance of accrued but unused PTO as of the Separation Date, and as otherwise explicitly provided in this Agreement with respect to severance benefits under the Company's Executive Severance Policy) and that no further payments or amounts are owed or will be owed.

4. *Tax Obligations*. Pandora makes no representations or warranties with respect to the tax consequences of the payments provided to Executive under the terms of this Agreement. Executive agrees and understands that Executive is responsible for payment, if any, of applicable taxes owed by Executive on the payments made by Pandora under this Agreement, or penalties assessed for failure of Executive to pay such taxes. Executive further agrees to indemnify and hold Pandora harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments or recoveries by any government agency against Pandora for any amounts claimed due on account of Executive's failure to pay, or Executive's delayed payment of, applicable taxes owed by him.

5. *General Release of Claims*.

(a) As consideration for the Severance Benefits described in this Agreement, Executive hereby completely releases and forever discharges Pandora, its subsidiary, predecessor, successor, and related corporations, divisions and entities, and its and each of their current and former officers, directors, executives, agents, investors, attorneys, shareholders, founders, administrators, affiliates, benefit plans, plan administrators, insurers, divisions, successor corporations, and assigns (collectively referred to as "***Releasees***") from any and all legally waivable claims, complaints, rights, duties, obligations, demands, actions, liabilities and causes of action of any kind whatsoever, whether presently known or unknown, suspected or unsuspected, which Executive may have or have ever had against Releasees, including without limitation all claims arising from or connected with Executive's employment by Pandora and Executive's separation from employment, whether based in common law, tort, or contract (express or implied), or on federal, state or local laws or regulations, and any and all claims for attorneys' fees and costs. Executive has been advised that Executive's release does not apply

to (i) any rights or claims that may arise after the date that Executive executed this Agreement; (ii) claims that cannot be released as a matter of law; (iii) any unemployment insurance claim; (iv) any workers' compensation insurance benefits, to the extent any applicable state law prohibits the direct release of such benefits without judicial or agency approval; (v) continued participation in certain benefits under COBRA (and any state law counterpart), if applicable; and (vi) any benefit entitlements vested as of Executive's last day of employment, pursuant to written terms of any applicable Executive benefit plan sponsored by the Company.

(b) Executive understands and agrees that this is a final release and that Executive is waiving (to the extent waivable in accordance with applicable laws) all rights now or in the future to pursue any remedies available under any employment related cause of action against Releasees, including without limitation claims of wrongful discharge, emotional distress, defamation, harassment, discrimination, retaliation, breach of contract or covenant of good faith and fair dealing, claims of violation of the California labor laws, claims under Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act of 1963, the Civil Rights Act of 1866, as amended, the Americans with Disabilities Act of 1990 ("ADA"), the Age Discrimination in Employment Act of 1967 ("ADEA"), the Family and Medical Leave Act of 1993 ("FMLA"), the California Family Rights Act ("CFRA"), the California Fair Employment and Housing Act ("FEHA"), the Executive Retirement Income Security Act ("ERISA"), the National Labor Relations Act ("NLRA"), the California Constitution; the Genetic Information Nondiscrimination Act of 2008 ("GINA"), the Worker Adjustment and Retraining Notification Act ("WARN"), the Sarbanes-Oxley Act of 2002, the Fair Credit Reporting Act, the California Labor Code, the California Business & Professions Code, the California Government Code,

and any other laws and regulations relating to employment and that are waivable in accordance with applicable laws.

(c) Executive specifically agrees that this Agreement includes without limitation any and all claims that were raised, or that reasonably could have been raised, under the applicable Wage Order, Labor Code sections 201, 202, 203, 212, 226, 226.3, 226.7, 432.7, 510, 512, 515, 558, 1194, and 1198, as well as claims under the Business & Professions Code sections 17200, *et seq.* and Labor Code sections 2698, *et seq.* based on alleged violations of Labor Code provisions. Executive further covenants that Executive will not seek to initiate any proceedings seeking penalties under Labor Code sections 2699, *et seq.* based upon the Labor Code provisions specified above.

(d) Executive further acknowledges and agrees that Executive has received all leave to which Executive requested and was entitled, if any, under all federal, state, and local laws and regulations related to leave from employment, including, but not limited to, the FMLA, the CFRA, and California worker's compensation and paid family leave laws.

6. *Release of Unknown Claims*. For the purpose of implementing a full and complete release, Executive expressly acknowledges that the releases given in this Agreement are intended to include, without limitation, claims that Executive did not know or suspect to exist in Executive's favor at the time of the date of Executive's execution of this Agreement, regardless of whether the knowledge of such claims, or the facts upon with they might be based, would have materially affected the settlement of this matter; and that the Separation Pay provided under this Agreement is also for the release of those claims and contemplates the extinguishment of any such unknown claims, despite the fact that California Civil Code section 1542 may provide otherwise. Executive hereby expressly waives any

right or benefit available to Executive in any capacity under the provisions of California Civil Code Section 1542, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

7. *No Pending Lawsuits*. Executive represents that Executive has no lawsuits, administrative charges, claims or actions pending in Executive's name, or on behalf of any other person or entity, against Pandora or any of the other Releasees. Executive agrees that, consistent with applicable laws, and subject to the Permitted Disclosures and Actions provision set forth below, Executive will not knowingly encourage, counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, grievances, claims, charges or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so, or as otherwise required by applicable law or regulation, and to notify Pandora within three (3) business days of receipt of any such subpoena or court order.

8. *Covenant Not to Sue*. Executive warrants and represents that Executive has not filed and has not assigned any claims or causes of action covered by this release. Subject to Section 5 above, and subject to the Permitted Disclosures and Actions provision set forth below, Executive agrees that at no time in the future will Executive file or maintain any charge, claim or action of any kind, nature or character against Releasees, or cause or knowingly permit, on the Executive's behalf, any such charge, claim or action to be filed or maintained, in any federal, state or municipal court, administrative agency or other tribunal, arising out of any of the matters released by this Agreement.

9. *Nondisclosure of Agreement*. Executive will maintain the fact and terms of this Agreement and any payments made by Pandora in strict confidence and will not disclose the same to any other person or entity (except the Court in any proceedings to enforce the terms of this Agreement, Executive's legal counsel, spouse or domestic partner, accountant, and any professional tax advisor to the extent that they need to know the information contained in this Agreement to provide tax-related advice, as otherwise required by applicable laws, or consistent with the Permitted Disclosures and Actions provision set forth below) without the prior written consent of Pandora.

10. *Non-Disparagement*. Subject to the Permitted Disclosures and Actions provision set forth below, Executive agrees not to make statements or representations to any other person, entity or firm about Pandora, including its affiliated and related companies and subsidiaries, or its directors, officers, agents, Executives, and representatives, which are offensive or derogatory, or which are likely to adversely affect Pandora's name or reputation or the name or reputation of any director, officer, agent or Executive of Pandora. The foregoing sentence is not intended to restrict Executive's good faith expressions of opinion or competitive comparisons involving Pandora, including its affiliated and related companies and subsidiaries. Nothing in this Agreement is intended to unlawfully impair or interfere with Executive's rights under Section 7 of the National Labor Relations Act or to respond to subpoenas to testify or provide information.

11. *Return of Property and Confidentiality Obligations*. Executive represents that, as of the Separation Date, Executive will return to Pandora, and will not directly or indirectly possess or maintain control over, any records, documents, specifications, or any confidential material or any equipment or other property of Pandora. Executive further represents that Executive has complied with and will

continue to comply with the terms of any Confidential Information, Invention Assignment, and Arbitration Agreement ("CIIAAA"), signed by Executive, and will preserve as confidential all confidential information pertaining to the business of Pandora and its customers, licensees and affiliates. Executive acknowledges and agrees that the CIIAAA will continue in full force and effect following Executive's separation from the employ of Pandora. Executive agrees and acknowledges that – as a condition of receiving any benefits or payments from Pandora that Executive is entitled to solely by reason of this Agreement – Executive must sign and return to Pandora all acknowledgment forms provided to Executive by Pandora upon separation from employment, including but not limited to Notice to Executive of Change in Relationship, Separation Packet cover page, and Termination Certification. Executive is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

12. *Expense Reimbursement*. Executive represents and agrees that, if Executive has any outstanding job-related expenses, Executive will submit them for reimbursement, consistent with Company policy, by the Separation Date. Executive understands that it is Executive's obligation to provide Pandora with adequate documentation of that expense. Pandora will reimburse Executive the amounts it is required to reimburse after receiving documentation and consistent with Company policy, without regard to this Agreement.

13. *Cooperation with Pandora*. Subject to the Permitted Disclosures and Actions provision set forth below, Executive agrees that Executive will cooperate with Pandora, its agents, and its attorneys with respect to any matters in which Executive was involved during Executive's employment with Pandora or about which Executive has information, will provide upon request from Pandora all such information or information about any such matter, will make every reasonable effort to be available to assist with any litigation or potential litigation relating to Executive's actions as a Pandora Executive, and will testify truthfully in any legal proceeding related to Executive's employment with Pandora. Pandora will reimburse Executive for all expenses incurred in connection with any reasonable requests for cooperation or assistance by Pandora and shall reimburse Executive at a reasonable hourly rate for any non de-minimis time expended after the Separation Date.

14. *No Lien or Assignment By Executive*. Executive warrants and represents that there are no liens or claims of lien in law or equity or otherwise of or against any of the claims or causes of action released herein. Executive acknowledges and agrees that this Agreement, and any of the rights hereunder, may not be assigned or otherwise transferred, in whole or in part by Executive.

15. *Arbitration*.

(a) Any and all controversies arising out of or relating to the validity, interpretation, enforceability, or performance of this Agreement will be solely and finally settled by means of binding arbitration in the State of California. Any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. ("JAMS"), pursuant to its Employment Arbitration Rules & Procedures (the "JAMS Rules"), which may be found at http://www.jamsadr.com/rules-employment-arbitration/ or

obtained upon request made to the Company's Legal Department at 2100 Franklin Street, Suite 700, Oakland, CA 94612.

(b) Any arbitration under this Agreement shall be conducted in the county of the State in which the Executive last worked for the Company. The arbitrator shall be selected by mutual agreement of Executive and the Company. Unless the Company and Executive mutually agree otherwise, the arbitrator shall be an attorney licensed to practice in the location where the arbitration proceeding will be conducted or a retired federal or state judicial officer who presided in the jurisdiction where the arbitration will be conducted.

(c) The party bringing the claim must demand arbitration in writing and deliver the written demand by hand or first class mail to the other party within the applicable statute of limitations period. Any demand for arbitration made to the Company shall be provided to the Company's Legal Department at 2100 Franklin Street, Suite 700, Oakland, CA 94612. The arbitrator shall resolve all disputes regarding the timeliness or propriety of the demand for arbitration. In arbitration, the parties will have the right to conduct adequate civil discovery, bring dispositive motions, and present witnesses and evidence, as needed to present their cases and defenses, and any disputes in this regard shall be resolved by the arbitrator. Each party will pay the fees for his, her, or its own attorneys, subject to any remedies to which that party may later be entitled under applicable law. The arbitrator's fees and costs shall be paid for by Pandora. The prevailing party shall be entitled to judicial relief from a court of competent jurisdiction to enforce the arbitration award. **THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHTS TO HAVE ANY DISPUTE UNDER THIS AGREEMENT RESOLVED BY A JUDGE OR JURY TRIAL.**

16. *No Admission*. The execution of this Agreement and the performance of its terms shall in no way be construed as an admission of wrongdoing or liability by either Executive or Pandora. Both parties expressly disclaim any liability for claims by the other.

17. *Permitted Disclosures and Actions*. This Agreement does not prohibit or restrict Executive, the Company, or the other Releasees from lawfully: (i) initiating communications directly with, cooperating with, providing relevant information (including but not limited to information regarding the existence of or facts and circumstances underlying this Agreement), or otherwise assisting in an investigation by (A) the Securities and Exchange Commission (SEC), Department of Justice, any agency Inspector General, or any other governmental, regulatory, or legislative body regarding a possible violation of any federal law relating to fraud or any SEC rule or regulation; or (B) the Equal Employment Opportunity Commission (EEOC) or any other governmental authority with responsibility for the administration of fair employment practices laws regarding a possible violation of such laws;
(ii) responding to any inquiry from any such governmental, regulatory, or legislative body or official or governmental authority, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; or (iii) participating, cooperating, testifying, or otherwise assisting in any governmental action, investigation, or proceeding relating to a possible violation of any such law, rule or regulation. Further, nothing in this Agreement shall prohibit or restrict Executive from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the SEC or any other federal or state regulatory authority regarding this Agreement or its underlying facts or circumstances, or regarding any potentially fraudulent or suspicious activities.

18. *Voluntary Execution*. Executive acknowledges and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of Pandora or any third party, with the full intent of releasing all of Executive's claims against Pandora and any of the other Releasees. By this writing, Pandora has advised Executive to consult with an attorney prior to executing this Agreement. Executive represents that Executive has had an opportunity to consult with an attorney, if the Executive wishes, and has carefully read and understands the scope and effect of the provisions set forth in this Agreement.

19. *Entire Agreement.* Executive acknowledges that this Agreement is a full and accurate embodiment of the understanding between Executive and the Company, and that it supersedes any prior agreements or understandings made by the Parties, except the CIIAAA, which shall remain in full force and effect subsequent to the execution of this Agreement. This Agreement may only be amended in a writing signed by Executive and an authorized representative of Pandora.

20. *Governing Law and Venue*. This Agreement will be construed and enforced in accordance with the laws of the State of California, without regard to choice-of-law provisions. Except as provided for in this Agreement, Executive hereby consents to personal and exclusive jurisdiction and venue in the State of California, County of Alameda.

21. *Counterparts*. This Agreement may be executed in counterparts and by facsimile, and each counterpart and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. This Agreement shall be binding upon and shall inure to the benefit of the parties and their heirs, administrators, representatives, executors, successors and assigns.

22. *Section 409A*.

(a) This Agreement is intended to comply with short term deferral and separation pay plan exceptions to section 409A of the Internal Revenue Code of 1986, as amended and its corresponding regulations ("Section 409A"). For purposes of Section 409A, all payments to be made upon separation from employment under this Agreement may only be made upon a "separation from service" (within the meaning of such term under Section 409A), each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. In no event will Executive, directly or indirectly, designate the calendar year of payment of any severance benefits. All reimbursements and in-kind benefits provided under this Agreement will be made or provided in accordance with the requirements of Section 409A.

(b) Notwithstanding any provision in this Agreement to the contrary, if at the time of Executive's "separation from service" with Pandora, Pandora has securities which are publicly-traded on an established securities market and Executive is a "specified Executive" (as defined in Section 409A) and it is necessary to postpone the commencement of any severance payments otherwise payable pursuant to this Agreement as a result of such separation from service to prevent any accelerated or additional tax under Section 409A, then Pandora will postpone the commencement of the payment of any such payments hereunder that are not otherwise exempt from Section 409A, until the first payroll date that occurs after the date that is six (6) months following Executive's separation from service with Pandora.

23. *Severability*. If any provision of this Agreement is held by a court of competent jurisdiction to be void or unenforceable for any reason, the remaining provisions of this Agreement shall continue with full force and effect without said provision so long as the remaining provisions remain intelligible and continue to reflect the original intent of the Parties.

24. *Age Discrimination in Employment Act*. Executive acknowledges, agrees and understands that:

(a) under the general release detailed above, Executive is waiving and releasing, among other claims, any rights and claims that may exist under the Age Discrimination in Employment Act ("ADEA");

(b) the waiver and release of claims set forth in the release above does not apply to any rights or claims that may arise under the ADEA after the date of execution of this Agreement;

(c) the payments and other consideration that are being provided to Executive are of significant value and are in addition to what Executive otherwise would be entitled;

(d) Executive is being advised to consult an attorney before signing this Agreement. Executive acknowledges that Executive has been given the opportunity to consult with counsel of Executive's choice before signing this Agreement, and that Executive fully understands the contents and legal effect of this Agreement;

(e) Executive further acknowledges that Executive has been given the right to consider this Agreement for up to twenty-one (21) days before signing it, though Executive may sign earlier, and if Executive fails to sign and return this Agreement by the Deadline for Executive's Signature date set forth in the Summary of Terms, Company's offer and this Agreement will expire on its own terms;

(f) Executive may revoke acceptance of this Agreement by providing written notice to Pandora within seven (7) days from the date Executive signs this Agreement, and any notice of revocation of this Agreement must be in writing and transmitted by hand or certified mail to Pandora Media, Inc., 2100 Franklin Street, Suite 700, Oakland, CA 94612, Attn: General Counsel; and

(g) because of Executive's right to revoke this Agreement, this Agreement shall not become final and binding on both Parties until the eighth (8th) day after the return of an executed copy of this Agreement by Executive to Company (the Effective Date) and Executive will not be entitled to any of the payments or benefits set forth in this Agreement until the Payment Date, as set forth in the Summary of Terms.

SIGNATURE PAGE FOLLOWS

PANDORA MEDIA, INC. ***MICHAEL HERRING***

By: /s/ Kristen Robinson By: /s/ Michael Herring

Name: Kristen Robinson Date: Aug 15, 2017

Title: Chief Human Resources Officer

Date: Aug 15, 2017

NOT TO BE SIGNED UNTIL ON/AFTER THE SEPARATION DATE

AMENDMENT NO. 1 TO MEMBERSHIP INTEREST PURCHASE AGREEMENT

AMENDMENT NO. 1, dated as of September 1, 2017 (this "***Amendment***"), to the Membership Interest Purchase Agreement, dated as of June 9, 2017 (the "***Agreement***"), by and among Eventbrite, Inc., a Delaware corporation (" ***Buyer***"), Pandora Media, Inc., a Delaware corporation ("***Seller***") and Ticketfly, LLC, a Delaware limited liability company (the "***Company***").

RECITALS

WHEREAS, Buyer, Seller and the Company have entered into the Agreement; and

WHEREAS, Buyer, Seller and the Company desire to amend the Agreement, in accordance with Section 10.5 thereof.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I

1.1 Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

ARTICLE II

2.1 Amendment to Section 6.10(b). Section 6.10(b) of the Agreement is hereby deleted and replaced in its entirety with the following:

(b) Tax Contests. Buyer shall notify the Seller in writing upon receipt by Buyer of any written notice from a Governmental Entity of an audit, contest, examination, litigation or other controversy with respect to Taxes of the Company or any of its Subsidiaries which may give rise to a claim for Taxes for which the Seller may have an indemnification obligation (each, a "***Tax Contest***"); provided that any failure by Buyer to so notify the Seller shall not relieve the Seller of its indemnification obligations hereunder unless and to the extent that the Seller is materially and adversely prejudiced thereby. Except as provided in the next sentence, the Seller, at its own expense, shall be permitted to participate in, but not control, any Tax Contest and Buyer shall not settle or otherwise compromise any Tax Contest if such settlement or compromise would result in an indemnification obligation of the Seller without the prior written consent of the Seller, such consent not to be unreasonably withheld, conditioned or delayed. With respect to the ongoing sales and use Tax audit of the Company by the taxing authority of the State of Texas for the period January 1, 2014 through April 30, 2017 that is disclosed in Schedule 2.11(d) of the Company Disclosure Letter, (the "***Texas Audit***"), Buyer and Seller have agreed that (i) Seller shall (1) continue to control the Texas Audit after the Closing Date until the Texas Audit is completely and finally resolved, (2) periodically consult with the Buyer with respect to, and apprise Buyer of the status of, the Texas Audit, (3) permit the Buyer, at its own expense, to participate in, but not control, the Texas Audit, and (4) have the authority to settle or otherwise compromise the Texas Audit with the consent of Buyer, which shall not be unreasonably withheld, conditioned or delayed (and for the avoidance of doubt, Buyer's inability to pay or cause to be paid Taxes due pursuant to the following clause (ii) shall not be reasonable grounds to withhold consent), (ii) Buyer shall, or shall cause the Company to, timely pay the full amount of any Taxes due to the taxing authority of the State of Texas in connection with any such settlement or compromise, provided that the principal amount of the Note shall be reduced by an amount equal to the amount of Pre-Closing Taxes that Buyer and Seller have agreed that Seller would be liable for in connection with such settlement or compromise pursuant to Section 9.1(a)(v) (or if the principal amount of the Note has been reduced to zero (0), Seller shall pay such Pre-Closing Taxes to the taxing authority of the State of Texas subject to the same limitations set forth in Article 9 (other than Sections 9.2(f), 9.4 and 9.5) that are applicable to Indemnifiable Damages under Section 9.1(a)(v)); provided, further, that in the event that Buyer does not timely pay, or cause the Company to timely pay, the amount due pursuant to the foregoing clause (ii) before the last date under the assessment, agreement or other demand for payment before additional amounts of interest or penalties are imposed (the "Texas Audit Due Date"), Seller shall no longer be liable to Buyer for any amount of such additional interest and penalties accruing or assessed after the Texas Audit Due Date, regardless of whether such amounts would otherwise constitute Pre-Closing Taxes under this Agreement and (iii) in the event that the timely payment of Taxes by the Texas Audit Due Date pursuant to clause (ii) has been satisfied, then Buyer and Seller agree that the procedural requirements of Sections 9.2(f), 9.4 and 9.5 with respect to Indemnifiable Damages shall not apply. This Section 6.10(b) shall not apply to any Tax Contest (other than, to the extent applicable, the Texas Audit) which constitutes a Voluntary Disclosure Filing.

2.2 Amendment to Section 6.10(i). Section 6.10(i) of the Agreement is hereby deleted and replaced in its entirety with the following:

(i) Voluntary Disclosure Agreements. After the Closing Date, the Company and its Subsidiaries shall, at the direction of the Buyer, be permitted to initiate, control and settle or otherwise compromise all voluntary disclosure agreements, initiatives and similar processes, including the filing and/or amendment of any Tax Returns or agreements, for the mitigation of any Liability for sales and use Taxes (and any similar or equivalent Taxes) in all applicable state and local jurisdictions (collectively, the "Voluntary Disclosure Filings"). Buyer agrees that it shall use good faith, commercially reasonable efforts to minimize the liability for such Taxes in the preparation, filing, negotiation and settlement of such Voluntary Disclosure Filings. The Seller agrees that it shall not be permitted to contact any venue, customer or former customer of the Company and its Subsidiaries with respect to any sales, use or similar Tax matters, except with the prior written consent of the Buyer. Not less than fifteen (15) Business Days prior to the filing of each Voluntary Disclosure Filing, Buyer shall provide Seller with a draft copy of such Voluntary Disclosure Filing for Seller's review, and Buyer shall consider in good faith any comments to such Voluntary Disclosure Filing provided by Seller prior to filing. If Seller and Buyer do not agree with respect to the amount of Tax liability reflected in any Voluntary Disclosure Filing, and Seller and Buyer cannot mutually agree to continue their efforts to resolve such differences, Seller and Buyer shall engage an accounting firm acceptable to both Seller and Buyer to review the matters in dispute with respect to such Voluntary Disclosure Filing. Seller and Buyer shall each be entitled to make a presentation to the accounting firm within ten (10) Business Days after the engagement of the accounting firm, pursuant to procedures

to be agreed to among Seller, Buyer and the accounting firm (or, if they cannot agree on such procedures, pursuant to procedures determined by the accounting firm), regarding their respective positions relating to such matters in dispute. After such review, the accounting firm shall promptly (and in any event within sixty (60) Business Days following its engagement) determine in writing the resolution of such disputed matters, which written determination shall be final and binding on the parties hereto. The cost of such review shall be paid one-half by Seller and one-half by Buyer. Notwithstanding anything in this Agreement to the contrary, Buyer agrees that Seller shall be entitled, but not obligated, to continue to control, on behalf of the Company and its Subsidiaries, any Voluntary Disclosure Filing process that is already in progress at the Closing Date and with respect to which the Buyer has requested continued assistance from the Seller after the Closing Date ("***Ongoing VDA Process***"), provided that (i) Seller shall (1) periodically consult with Buyer with respect to, and apprise Buyer of the status of, such Ongoing VDA Process, (2) have the authority to settle or otherwise compromise such Ongoing VDA Process with the consent of Buyer, which shall not be unreasonably withheld, conditioned or delayed (and for the avoidance of doubt, Buyer's inability to pay or cause to be paid Taxes due pursuant to the following clause (ii) shall not be reasonable grounds to withhold consent), and (3) permit the Buyer, at its own expense, to participate in, but not control, such Ongoing VDA Process, (ii) Buyer shall, or shall cause the Company to, timely pay the full amount of any Taxes due to the relevant Tax Authority in connection with any such settlement or compromise, provided that the principal amount of the Note shall be reduced by an amount equal to the amount of Pre-Closing Taxes that Buyer and Seller have agreed that Seller would be liable for in connection with such settlement or compromise pursuant to Section 9.1(a)(v); provided, further, that in the event that Buyer does not timely pay, or cause the Company to timely pay, the amount due pursuant to the foregoing clause (ii) before the last date under the assessment, agreement or other demand for payment before additional amounts of interest or penalties are imposed (the "VDA Due Date"), Seller shall no longer be liable to Buyer for any amount of such additional interest and penalties accruing or assessed after the VDA Due Date, regardless of whether such amounts would otherwise constitute Pre-Closing Taxes under this Agreement, and (iii) in the event that the timely payment of Taxes by the VDA Due Date pursuant to clause (ii) has been satisfied, then Buyer and Seller agree that the procedural requirements of Sections 9.2(f), 9.4 and 9.5 with respect to Indemnifiable Damages shall not apply. Buyer shall cooperate with any reasonable request for assistance from Seller with respect to any such Ongoing VDA Process, including by (but not limited to) providing Seller with any relevant information, granting Seller any necessary power of attorney and filing any Tax Returns necessary to assist Seller with the resolution of any such Ongoing VDA Process. Notwithstanding anything else in this Agreement to the contrary, Seller shall bear the costs and expenses relating to an Ongoing VDA Process so long as such Ongoing VDA Process is controlled by Seller; provided that Buyer shall reimburse Seller for one-half of any costs or expenses incurred by Seller after the Closing Date as a result of an Ongoing VDA Process, no later than ten (10) days after the date on which Seller provides to Buyer documentation evidencing such costs or expenses incurred by Seller. In the event of any conflict between Section 6.10(a), Section 6.10(b), Section 6.10(c) or Section 9.6 and this Section 6.10(i), this Section 6.10(i) shall control. For the avoidance of doubt, if the principal amount of the Note has been reduced to zero (0), any such Pre-Closing Taxes due to the relevant Tax Authority in connection with any settlement or compromise of such Ongoing VDA Process which did not result in a reduction of the principal amount of the Note shall be Indemnifiable Damages pursuant to Section 9.1(a)(v), subject to the same limitations set forth in Article 9 (other than Sections 9.2(f), 9.4 and 9.5).

2.3 Amendment to Section 6.15. Section 6.15 of the Agreement is hereby deleted and replaced in its entirety with the following:

6.15 Board Observer Rights. As long as the Note is outstanding and Seller or its successors own at least 1% on a fully diluted basis of Buyer's securities, Buyer shall invite a representative of Seller to attend all meetings of Buyer's board of directors in a non-voting observer capacity and, in this respect, shall give such representative copies of all notices, minutes, consents and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representative shall agree to hold in confidence and trust pursuant to the provisions of Section 6.2, and to act in a fiduciary manner with respect to, all information so provided; provided, further, that Buyer may withhold any information and to exclude such representative from any materials or meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between Buyer and its counsel or result in disclosure of trade secrets or other highly confidential information. Buyer's obligations and Seller's rights under this Section 6.15 shall terminate upon a Buyer Liquidity Event pursuant to which the Note is repaid in full to Seller in accordance with its terms.

2.4 New Sections 6.16, 6.17 and 6.18 Added to Article VI: Additional Agreements . The following Sections 6.16, 6.17 and 6.18 are each hereby added to Article VI after Section 6.15:

6.16 Note Valuation Information. As long as the Note is outstanding, Buyer shall provide Seller and its Representatives on a quarterly basis with information pertaining to Buyer's fair value per share for such quarter, including a complete copy of Buyer's 409A valuation for such quarter. Such information shall be delivered by Buyer to Seller no later than 10 business days prior to each end of Seller's fiscal quarter. Buyer's obligations and Seller's rights under this Section 6.16 shall terminate upon a Buyer Liquidity Event pursuant to which the Note is repaid in full to Seller in accordance with its terms.

6.17 Pemberton Claims. Prior to the Closing, Seller may cause the Company to assign to Seller all of the Company's rights to any Legal Proceeding of any nature available to or being pursued by Seller prior to the Closing against: (a) Pemberton Music Festival Partnership ("***Pemberton***"), including in connection with Pemberton's assignment into bankruptcy as of May 18, 2017 (the "***Pre-Closing Pemberton Claims***") and (b) Huka Productions, LLC (the "***Pre-Closing Huka Claims***"), in each case, whether arising by way of counterclaim or otherwise. For sake of clarity, this Section 6.17 shall have no effect on Seller's obligations to indemnify Buyer under Article IX, and any recoveries made by Seller with respect to the Pre-Closing Pemberton Claims or the Pre-Closing Huka Claims shall not be deducted from any Indemnifiable Damages.

6.18 Pemberton and Huka Claims Information. Following the Closing Date, Buyer shall, and shall cause the Company and its Affiliates to, promptly: (a) provide Seller and its Representatives with materials and information pertaining to the Pre-Closing Pemberton Claims and the Pre-Closing Huka Claims and (b) execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out Section 6.17.

2.5 Amendment to Exhibit A: Definitions.

The definition of "Buyer Liquidity Event" is hereby added to Exhibit A: Definitions after the definition of "Business Day" and before the definition of "Canadian Multi-Employer Plan":

"***Buyer Liquidity Event***" means (a) the consummation of the sale of the Buyer's securities pursuant to a registration statement filed

by Buyer under the Securities Act in connection with the firm commitment underwritten offering of its securities to the general public; or (b) the consummation of a merger or consolidation of Buyer that is effected (i) for independent business reasons unrelated to extinguishing such rights; and (ii) for purposes other than (A) the reincorporation of Buyer in a different state; or (B) the formation of a holding company that will be owned exclusively by Buyer's stockholders and will hold all of the outstanding shares of capital stock of Buyer's successor.

The definition of "Cash Purchase Price" is hereby deleted and replaced in its entirety with the following:

"***Cash Purchase Price***" means $150,000,000 in cash, plus (i) the Signing Bonus, if any; plus (ii) the Closing Net Working Capital Surplus, if any and less (iii) the Closing Net Working Capital Shortfall, if any."

The following definition of "Signing Bonus" is hereby added to Exhibit A: Definitions after the definition of "Securities Act" and before the definition of "Straddle Period":

"***Signing Bonus***" means the aggregate cash paid by Seller and the Company on or after the Agreement Date and prior Closing to new clients of the Company and renewal of existing clients of the Company, provided that such amount shall not exceed $2,750,000 for purposes of adjusting the Cash Purchase Price as set forth in the definition of "Cash Purchase Price".

ARTICLE III

3.1 Authorization. Each party hereto represents to the other that (i) such party has all requisite power and authority to execute and deliver this Amendment; and (ii) this Amendment has been duly and validly executed and delivered by such party and constitutes the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms, subject only to the effect, if any, of (i) applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

3.2 Amended Agreement. This Amendment constitutes an amendment to the Agreement in accordance with Section 10.5 thereof and shall be read and construed with the Agreement as one instrument. Except as expressly amended hereby, the Agreement shall remain in full force and effect, and the parties hereby ratify, confirm and adopt the Agreement, as amended hereby.

3.3 Amendments and Waivers. Subject to Applicable Law, the parties hereto may amend this Amendment by authorized action at any time pursuant to an instrument in writing signed on behalf of each of the parties hereto.

3.4 Counterparts. This Amendment may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto; it being understood and agreed that all parties hereto need not sign the same counterpart. The delivery by facsimile or by electronic delivery in PDF format of this Agreement with all executed signature pages (in counterparts or otherwise) shall be sufficient to bind the parties hereto to the terms and conditions set forth herein. All of the counterparts will together constitute one and the same instrument and each counterpart will constitute an original of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, Buyer, Seller and the Company have caused this Amendment to the Agreement to be executed and delivered by their respective officers thereunto duly authorized, all as of the date first written above.

BUYER:

EVENTBRITE, INC.

By: /s/ Julia Hartz
Name: Julia Hartz
Title: CEO

SELLER:

PANDORA MEDIA, INC.

By: /s/ Steve Bené
Name: Steve Bené
Title: General Counsel

THE COMPANY:

TICKETFLY, LLC

By: /s/ Jeremy Liegl
Name: Jeremy Liegl
Title: Manager

ACTIVE 223199900

PANDORA MEDIA, INC.

2011 Equity Incentive Plan

NOTICE OF RESTRICTED STOCK UNIT GRANT

Roger Joseph Lynch

You have been granted the number of restricted stock units (the "RSUs"), each representing one share of Common Stock of Pandora Media, Inc. (the "Company") (the "Shares"), as follows:

Date of Grant: **09/18/2017**

Total Number of RSUs Granted: **390,157**

Grant Number: **RU09951**

Vesting/Exercise Schedule: So long as your Continuous Service Status continues, the RSUs shall vest in accordance with the following schedule:

25% of the RSUs will vest on August 15, 2018 and 6.25% of the RSUs will vest on the Company's standard quarterly vesting dates (*i.e.*, November 15, February 15, May 15 and August 15) over the three year period thereafter.

By accepting these RSUs, you agree that these RSUs are granted under and governed by the terms and conditions of the Pandora Media, Inc. 2011 Equity Incentive Plan and the Restricted Stock Unit Agreement attached hereto and incorporated by reference herein.

In addition, you agree and acknowledge that your rights to any Shares underlying the RSUs will be earned only as you provide services to the Company over time and that nothing in this Notice or the attached documents confers upon you any right to continue your employment or consulting relationship with the Company for any period of time, nor does it interfere in any way with your right or the Company's right to terminate that relationship at any time, for any reason, with or without cause.

PANDORA MEDIA, INC.

/s/ Roger Joseph Lynch

Roger Joseph Lynch

By: /s/ Naveen Chopra

Name: Naveen Chopra

Title: Interim CEO

PANDORA MEDIA, INC.

2011 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

1. **Grant of RSUs.** Pandora Media, Inc., a Delaware corporation (the "Company"), hereby grants to you ("Participant") the number of RSUs (each representing a share of Common Stock of the Company) set forth in the Notice of Restricted Stock Unit Grant (the "Notice"), subject to the terms, definitions and provisions of the Pandora Media, Inc. 2011 Equity Incentive Plan (the "Plan") adopted by the Company, which is incorporated in this Agreement by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Notice or the Plan, as applicable. In addition, Participant and the Company are parties to an Employment Agreement, dated August 9, 2017 (the "Employment Agreement") that contains additional terms applicable to this award, and in the event of any conflict between the terms of the Notice and this Agreement, on the one hand, and the terms of the Employment Agreement, on the other, the applicable terms of the Employment Agreement shall control. Subject to the terms of the Employment Agreement, the terms and conditions of this Restricted Stock Unit Award Agreement (this "Agreement"), to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. *Vesting*. The RSUs shall become vested on the vesting schedule set forth in the Notice, subject to Participant remaining in Continuous Service Status on the applicable vesting date.

2. *Forfeiture of Unvested RSUs*. Immediately upon termination of Participant's Continuous Service Status for any reason (including death or disability), any unvested RSUs shall be forfeited without consideration.

3. *Conversion into Common Stock*. Shares will be issued on the applicable vesting date (or, to the extent not administratively feasible, as soon as practicable thereafter). As a condition to such issuance, Participant shall have satisfied his or her tax withholding obligations as specified in this Agreement and shall have completed, signed and returned any documents and taken any additional action that the Company deems appropriate to enable it to accomplish the delivery of the Shares. In no event will the Company be obligated to issue a fractional share. Notwithstanding the foregoing, (i) the Company shall not be obligated to deliver any Shares during any period when the Company determines that the conversion of a RSU or the delivery of shares hereunder would violate any federal, state or other applicable laws and/or may issue shares subject to any restrictive legends that, as determined by the Company's counsel, is necessary to comply with securities or other regulatory requirements, and (ii) the date on which shares

are issued may include a delay in order to provide the Company such time as it determines appropriate to address tax withholding and other administrative matters.

4. *Tax Treatment*. Any withholding tax liabilities (whether as a result of federal, state or other law and whether for the payment and satisfaction of any income tax, social security tax, payroll tax, or payment on account of other tax related to withholding obligations that arise by reason of the RSUs) incurred in connection with the RSUs becoming vested and Shares issued, or otherwise incurred in connection with the RSUs, may be satisfied in any of the following manners determined by the Committee (and the Committee may with notice to Participant require any of the following methods): (i) by the sale by Participant of a number of Shares that are issued under the RSUs, which the Company determines is sufficient to generate an amount that meets the tax withholding obligations plus additional Shares to account for rounding and market fluctuations, and payment of such tax withholding to the Company, and such Shares may be sold as part of a block trade with other participants of the Plan; (ii) with the consent of the Committee in its discretion, by the Company withholding a number of Shares that would otherwise be issued under the RSUs that the Company determines have a fair market value equal to the minimum amount of taxes that the Company concludes it is required to withhold under applicable law; or (iii) by payment by Participant to the Company in cash or by check an amount equal to the minimum amount of taxes that the Company concludes it is required to withhold under applicable law. Participant hereby authorizes the Company to withhold such tax withholding amount from any amounts owing to Participant to the Company and to take any action necessary in accordance with this paragraph.

Notwithstanding the foregoing, Participant acknowledges and agrees that he is responsible for all taxes that arise in connection with the RSUs becoming vested and Shares being issued or otherwise incurred in connection with the RSUs, regardless of any action the Company takes pursuant to this Section.

5. *Restrictions on Transfer*. Participant understands and agrees that the RSUs may not be sold, given, transferred, assigned, pledged or otherwise hypothecated by the holder.

6. *Certificates*. Certificates, transfer agent book entries or other evidence of ownership as determined by the Company issued in respect of the Shares shall, unless the Committee otherwise determines, be registered in the name of Participant. The stock certificate, if any, shall carry such appropriate legends, and such written instructions shall be given to the Company transfer agent, as may be deemed necessary or advisable by counsel to the Company in order to comply with the requirements of the Securities Act of 1933, any state securities laws or any other applicable laws.

7. *No Stockholder Rights*. Participant will have no voting or other rights as the Company's other stockholders with respect to the Shares until issuance of the Shares.

8. *No Employment/Service Rights*. Neither this Agreement nor the grant of the RSUs hereby confers on Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes in any way with the right of the Company or any Subsidiary to determine the terms of Participant's employment or service.

9. *Entire Agreement; Terms of Plan, Interpretations*. Participant acknowledges that he has received and reviewed a copy of the Plan. This Agreement (including the Notice) and the applicable provisions of the Employment Agreement contain the entire understanding of the parties hereto in respect of the subject matter contained herein. This Agreement together with the Plan and the Employment Agreement supersede all prior agreements and understandings between the parties hereto with respect to the subject matter hereof. This Agreement and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which shall be controlling. All interpretations or determinations of the Committee and/or the Board shall be binding and conclusive upon Participant and his legal representatives on any question arising hereunder.

PANDORA MEDIA, INC.

2011 Equity Incentive Plan

NOTICE OF RESTRICTED STOCK UNIT GRANT

Roger Joseph Lynch

You have been granted the number of restricted stock units (the "RSUs"), each representing one share of Common Stock of Pandora Media, Inc. (the "Company") (the "Shares"), as follows:

Date of Grant: **09/18/2017**

Total Number of RSUs Granted: **390,157**

Grant Number: **RU09950**

Vesting/Exercise Schedule: So long as your Continuous Service Status continues, the RSUs shall vest in accordance with the following schedule:

50% of the RSUs will vest on December 20, 2017 and 12.5% of the RSUs will vest on each of February 15, 2018, May 15, 2018, August 15, 2018 and November 15, 2018.

By accepting these RSUs, you agree that these RSUs are granted under and governed by the terms and conditions of the Pandora Media, Inc. 2011 Equity Incentive Plan and the Restricted Stock Unit Agreement attached hereto and incorporated by reference herein.

In addition, you agree and acknowledge that your rights to any Shares underlying the RSUs will be earned only as you provide services to the Company over time and that nothing in this Notice or the attached documents confers upon you any right to continue your employment or consulting relationship with the Company for any period of time, nor does it interfere in any way with your right or the Company's right to terminate that relationship at any time, for any reason, with or without cause.

PANDORA MEDIA, INC.

/s/ Roger Joseph Lynch

Roger Joseph Lynch

By: /s/ Naveen Chopra

Name: Naveen Chopra

Title: Interim CEO

PANDORA MEDIA, INC.

2011 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

1. **Grant of RSUs.** Pandora Media, Inc., a Delaware corporation (the "Company"), hereby grants to you ("Participant") the number of RSUs (each representing a share of Common Stock of the Company) set forth in the Notice of Restricted Stock Unit Grant (the "Notice"), subject to the terms, definitions and provisions of the Pandora Media, Inc. 2011 Equity Incentive Plan (the "Plan") adopted by the Company, which is incorporated in this Agreement by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Notice or the Plan, as applicable. In addition, Participant and the Company are parties to an Employment Agreement, dated August 9, 2017 (the "Employment Agreement") that contains additional terms applicable to this award, and in the event of any conflict between the terms of the Notice and this Agreement, on the one hand, and the terms of the Employment Agreement, on the other, the applicable terms of the Employment Agreement shall control. Subject to the terms of the Employment Agreement, the terms and conditions of this Restricted Stock Unit Award Agreement (this "Agreement"), to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. *Vesting*. The RSUs shall become vested on the vesting schedule set forth in the Notice, subject to Participant remaining in Continuous Service Status on the applicable vesting date.

2. *Forfeiture of Unvested RSUs*. Immediately upon termination of Participant's Continuous Service Status for any reason (including death or disability), any unvested RSUs shall be forfeited without consideration.

3. *Conversion into Common Stock*. Shares will be issued on the applicable vesting date (or, to the extent not administratively feasible, as soon as practicable thereafter). As a condition to such issuance, Participant shall have satisfied his or her tax withholding obligations as specified in this Agreement and shall have completed, signed and returned any documents and taken any additional action that the Company deems appropriate to enable it to accomplish the delivery of the Shares. In no event will the Company be obligated to issue a fractional share. Notwithstanding the foregoing, (i) the Company shall not be obligated to deliver any Shares during any period when the Company determines that the conversion of a RSU or the delivery of shares hereunder would violate any federal, state or other applicable laws and/or may issue shares subject to any restrictive legends that, as determined by the Company's counsel, is necessary to comply with securities or other regulatory requirements, and (ii) the date on which shares

are issued may include a delay in order to provide the Company such time as it determines appropriate to address tax withholding and other administrative matters.

4. *Tax Treatment*. Any withholding tax liabilities (whether as a result of federal, state or other law and whether for the payment and satisfaction of any income tax, social security tax, payroll tax, or payment on account of other tax related to withholding obligations that arise by reason of the RSUs) incurred in connection with the RSUs becoming vested and Shares issued, or otherwise incurred in connection with the RSUs, may be satisfied in any of the following manners determined by the Committee (and the Committee may with notice to Participant require any of the following methods): (i) by the sale by Participant of a number of Shares that are issued under the RSUs, which the Company determines is sufficient to generate an amount that meets the tax withholding obligations plus additional Shares to account for rounding and market fluctuations, and payment of such tax withholding to the Company, and such Shares may be sold as part of a block trade with other participants of the Plan; (ii) with the consent of the Committee in its discretion, by the Company withholding a number of Shares that would otherwise be issued under the RSUs that the Company determines have a fair market value equal to the minimum amount of taxes that the Company concludes it is required to withhold under applicable law; or (iii) by payment by Participant to the Company in cash or by check an amount equal to the minimum amount of taxes that the Company concludes it is required to withhold under applicable law. Participant hereby authorizes the Company to withhold such tax withholding amount from any amounts owing to Participant to the Company and to take any action necessary in accordance with this paragraph.

Notwithstanding the foregoing, Participant acknowledges and agrees that he is responsible for all taxes that arise in connection with the RSUs becoming vested and Shares being issued or otherwise incurred in connection with the RSUs, regardless of any action the Company takes pursuant to this Section.

5. *Restrictions on Transfer*. Participant understands and agrees that the RSUs may not be sold, given, transferred, assigned, pledged or otherwise hypothecated by the holder.

6. *Certificates*. Certificates, transfer agent book entries or other evidence of ownership as determined by the Company issued in respect of the Shares shall, unless the Committee otherwise determines, be registered in the name of Participant. The stock certificate, if any, shall carry such appropriate legends, and such written instructions shall be given to the Company transfer agent, as may be deemed necessary or advisable by counsel to the Company in order to comply with the requirements of the Securities Act of 1933, any state securities laws or any other applicable laws.

7. *No Stockholder Rights*. Participant will have no voting or other rights as the Company's other stockholders with respect to the Shares until issuance of the Shares.

8. *No Employment/Service Rights*. Neither this Agreement nor the grant of the RSUs hereby confers on Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes in any way with the right of the Company or any Subsidiary to determine the terms of Participant's employment or service.

9. *Entire Agreement; Terms of Plan, Interpretations*. Participant acknowledges that he has received and reviewed a copy of the Plan. This Agreement (including the Notice) and the applicable provisions of the Employment Agreement contain the entire understanding of the parties hereto in respect of the subject matter contained herein. This Agreement together with the Plan and the Employment Agreement supersede all prior agreements and understandings between the parties hereto with respect to the subject matter hereof. This Agreement and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which shall be controlling. All interpretations or determinations of the Committee and/or the Board shall be binding and conclusive upon Participant and his legal representatives on any question arising hereunder.

PANDORA MEDIA, INC.

2011 Equity Incentive Plan

NOTICE OF STOCK OPTION GRANT (NSO)

Roger Joseph Lynch

You have been granted an option to purchase Common Stock of Pandora Media, Inc. (the "Company") as follows:

Date of Grant: **09/18/2017**

Exercise Price per Share: **$8.190000**

Total Number of Shares Granted: **1,189,155**

Type of Option: Nonstatutory Stock Option

Expiration Date: **09/18/2027**

Vesting/Exercise Schedule: So long as your Continuous Service Status continues, the Shares underlying this Option shall vest and become exercisable in accordance with the following schedule:

The Option will vest over four years, with the first 25% vesting on the first anniversary of date of grant of the Option ("Vesting Commencement Date") and the remaining portion will vest as to 1/48th of the Option each month thereafter on the monthly anniversary of the Vesting Commencement date.

Termination Period: This Option may be exercised for 12 months after termination of Continuous Service Status for any reason (but in no event later than the Expiration Date). Optionee is responsible for keeping track of this exercise period following termination for any reason of his or her service relationship with

the Company. The Company will not provide further notice of such periods.

Transferability:	This Option may not be transferred.

By accepting this Option, you agree that this Option is granted under and governed by the terms and conditions of the Pandora Media, Inc. 2011 Equity Incentive Plan and the Stock Option Agreement attached hereto and incorporated by reference herein.

In addition, you agree and acknowledge that your rights to any Shares underlying the Option will be earned only as you provide services to the Company over time, that the grant of the Option is not as consideration for services you rendered to the Company prior to your Vesting Commencement Date, and that nothing in this Notice or the attached documents confers upon you any right to continue your employment or consulting relationship with the Company for any period of time, nor does it interfere in any way with your right or the Company's right to terminate that relationship at any time, for any reason, with or without cause.

PANDORA MEDIA, INC.

/s/ Roger Joseph Lynch

By: /s/ Naveen Chopra

Roger Joseph Lynch

Name: Naveen Chopra

Title: Interim CEO

PANDORA MEDIA, INC.

2011 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT (NSO)

1. **Grant of Option.** Pandora Media, Inc., a Delaware corporation (the "Company"), hereby grants to «Optionee» ("Optionee"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice of Stock Option Grant (the "Notice"), at the exercise price per Share set forth in the Notice (the "Exercise Price") subject to the terms, definitions and provisions of the Pandora Media, Inc. 2011 Equity Incentive Plan (the "Plan") adopted by the Company, which is incorporated in this Agreement by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Plan. In addition, Participant and the Company are parties to an Employment Agreement, dated August 9, 2017 (the "Employment Agreement") that contains additional terms applicable to this award, and in the event of any conflict between the terms of the Notice and this Agreement, on the one hand, and the terms of the Employment Agreement, on the other, the applicable terms of the Employment Agreement shall control.

2. **Designation of Option.** This Option is intended to be a Nonstatutory Stock Option.

3. **Exercise of Option.** This Option shall be exercisable during its term in accordance with the Vesting/Exercise Schedule set out in the Notice as follows:

(a) **Right to Exercise.**

(i) This Option may not be exercised for a fraction of a share.

(ii) In the event of Optionee's termination of Continuous Service Status for any reason, the exercisability of the Option is governed by Section 5 below, subject to the limitations contained in this Section 3.

(iii) In no event may this Option be exercised after the Expiration Date of the Option as set forth in the Notice.

(b) **Method of Exercise.**

(i) This Option shall be exercisable by execution and delivery of a form of exercise notice (which may be written or electronic, as determined by the Company) approved for such purpose by the Company which shall state Optionee's election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares as may be required by the Company. The notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise

Price.

(ii) As a condition to the exercise of this Option, Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the vesting or exercise of the Option, or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.

(iii) The Company is not obligated, and will have no liability for failure, to issue or deliver any Shares upon exercise of the Option unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel.

4. **Method of Payment.** Payment of the Exercise Price shall be by any of the following, or a combination of the following, at the election of Optionee:

(a) cash or check;

(b) cancellation of indebtedness;

(c) if the Common Stock is listed on an exchange or market, and if the Company is at such time permitting broker-assisted cashless exercises, delivery of a properly executed exercise notice together with irrevocable instructions to a broker participating in such cashless brokered exercise program to deliver promptly to the Company the amount required to pay the exercise price (and applicable withholding taxes) and in any event in accordance with applicable law;

(d) with respect to a Nonstatutory Option, such other method as may be approved by the Committee.

5. **Termination of Relationship.** Following the date of termination of Optionee's Continuous Service Status for any reason (the "Termination Date"), Optionee may within the Termination Period set forth in the Notice, exercise this Option to the extent Optionee was vested in the Option Shares it as of such Termination Date. To the extent that Optionee is not entitled to exercise this Option as of the Termination Date, or if Optionee does not exercise this Option within the Termination Period set forth in the Notice, the Option shall terminate in its entirety. In the event the Optionee's Continuous Service Status terminates on account of the Optionee's death, the Option may be exercised within the Termination Period by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent Optionee was vested in the Option as of the Termination Date. In no event, may any Option be exercised after the Expiration Date of the Option as set forth in the Notice.

6. **Non-Transferability of Option.** This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

7. **Lock-Up Agreement.** In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Optionee hereby agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however and whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company's initial public offering. Notwithstanding the foregoing, if during the last 17 days of the restricted period, the Company issues an earnings release or material news or a material event relating to the Company occurs, or prior to the expiration of the restricted period the Company announces that it will release earnings results during the 16-day period beginning on the last day of the restricted period, then, upon the request of the managing underwriter, to the extent required by any FINRA rules, the restrictions imposed by this subsection shall continue to apply until the end of the third trading day following the expiration of the 15-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In no event will the restricted period extend beyond 216 days after the effective date of the registration statement.

8. **Effect of Agreement**. Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof (and has had an opportunity to consult counsel regarding the Option terms), and hereby accepts this Option and agrees to be bound by its contractual terms as set forth herein, in the Plan and the applicable provisions of the Employment Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Plan Administrator regarding any questions relating to the Option. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of the Notice and this Agreement, the Plan terms and provisions shall prevail. The Option, including the Plan and the applicable provisions of the Employment Agreement, constitutes the entire agreement between Optionee and the Company on the subject matter hereof and supersedes all proposals, written or oral, and all other communications between the parties relating to such subject matter.

Exhibit 31.01

Certification of Principal Executive Officer
Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Roger Lynch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pandora Media, 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.

November 2, 2017

/s/ Roger Lynch

Name: Roger Lynch
Title: *Chief Executive Officer (Principal Executive Officer)*

Exhibit 31.02

Certification of Principal Financial Officer
Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Naveen Chopra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pandora Media, 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.

November 2, 2017

/s/ Naveen Chopra

Name: Naveen Chopra
Title: *Chief Financial Officer (Principal Financial Officer)*

Exhibit 32.01

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

The certification set forth below is being submitted in connection with this Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Each of the undersigned certifies that, to his knowledge:

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

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pandora Media, Inc.

November 2, 2017

/s/ Roger Lynch

Name: Roger Lynch
Title: *Chief Executive Officer (Principal Executive Officer)*

/s/ Naveen Chopra

Name: Naveen Chopra
Title: *Chief Financial Officer (Principal Financial Officer)*

This certification accompanying the Report is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities such Section, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before, on or after the date of the Report), irrespective of any general incorporation language contained in such filing.