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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

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)	

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 23, 2014 was: 208,086,733.

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, 2013	As of September 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 245,755	$ 148,884
Short-term investments	98,662	167,510
Accounts receivable, net of allowance of $1,272 at December 31, 2013 and $1,046 at September 30, 2014	164,023	197,516
Prepaid expenses and other current assets	10,343	11,135
Total current assets	518,783	525,045
Long-term investments	105,686	120,944
Property and equipment, net	35,151	42,292
Other long-term assets	13,715	13,986
Total assets	$ 673,335	$ 702,267
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 14,413	$ 13,001
Accrued liabilities	14,881	14,993
Accrued royalties	66,110	71,509
Deferred revenue	42,650	18,243
Accrued compensation	17,952	31,353
Total current liabilities	156,006	149,099
Other long-term liabilities	9,098	10,814
Total liabilities	165,104	159,913
Stockholders' equity:		
Common stock: 195,395,940 shares issued and outstanding at December 31, 2013 and 207,863,135 at September 30, 2014	20	21
Additional paid-in capital	675,103	752,048
Accumulated deficit	(166,591)	(209,275)
Accumulated other comprehensive loss	(301)	(440)
Total stockholders' equity	508,231	542,354
Total liabilities and stockholders' equity	$ 673,335	$ 702,267

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,	
	2013	2014	2013	2014
	(recast)		(recast)	
Revenue				
Advertising	$ 134,963	$ 194,293	$ 359,232	$ 512,251
Subscription and other	34,340	45,300	78,299	140,551
Total revenue	169,303	239,593	437,531	652,802
Cost of revenue				
Cost of revenue - Content acquisition costs	83,535	111,315	249,186	331,051
Cost of revenue - Other	12,126	15,453	32,749	44,421
Total cost of revenue	95,661	126,768	281,935	375,472
Gross profit	73,642	112,825	155,596	277,330
Operating expenses				
Product development	9,099	13,381	23,661	38,288
Sales and marketing	47,049	72,320	129,465	200,416
General and administrative	21,397	29,143	51,683	81,369
Total operating expenses	77,545	114,844	204,809	320,073
Loss from operations	(3,903)	(2,019)	(49,213)	(42,743)
Other income (expense), net	(173)	44	(422)	236
Loss before provision for income taxes	(4,076)	(1,975)	(49,635)	(42,507)
Income tax expense	(16)	(50)	(45)	(177)
Net loss	$ (4,092)	$ (2,025)	$ (49,680)	$ (42,684)
Weighted-average common shares outstanding used in computing basic and diluted net loss per share	178,635	206,982	175,407	204,208
Net loss per share, basic and diluted	$ (0.02)	$ (0.01)	$ (0.28)	$ (0.21)

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,	
	2013	2014	2013	2014
	(recast)		(recast)	
Net loss	$ (4,092)	$ (2,025)	$ (49,680)	$ (42,684)
Change in foreign currency translation adjustment	17	(138)	(40)	(122)
Change in net unrealized losses on marketable securities	—	(217)	4	(17)
Other comprehensive income (loss)	17	(355)	(36)	(139)
Total comprehensive loss	$ (4,075)	$ (2,380)	$ (49,716)	$ (42,823)

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,	
	2013	2014
	(recast)	
Operating activities		
Net loss	$ (49,680)	$ (42,684)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	7,718	11,224
Stock-based compensation	28,826	60,116
Amortization of premium on investments	87	2,106
Amortization of debt issuance costs	192	148
Changes in assets and liabilities		
Accounts receivable	(27,058)	(33,493)
Prepaid expenses and other assets	(6,946)	(4,288)
Accounts payable and accrued liabilities	14,228	5,807
Accrued royalties	7,903	5,416
Accrued compensation	(2,245)	12,579
Deferred revenue	13,707	(24,407)
Reimbursement of cost of leasehold improvements	1,555	3,161
Net cash used in operating activities	(11,713)	(4,315)
Investing activities		
Purchases of property and equipment	(15,391)	(23,194)
Purchases of patents	(8,000)	—
Purchases of investments	(24,634)	(273,427)
Proceeds from maturities of investments	44,290	186,667
Payments related to acquisition	(400)	—
Net cash used in investing activities	(4,135)	(109,954)
Financing activities		
Borrowings under debt arrangements	10,000	—
Repayments of debt	(10,000)	—
Proceeds from follow-on offering, net of issuance costs	379,309	—
Proceeds from exercise of stock options	14,640	15,168
Payment of debt issuance costs in connection with the debt refinancing	(450)	—
Tax withholdings related to net share settlements of restricted stock units	(480)	(1,986)
Proceeds from employee stock purchase plan	—	4,388
Net cash provided by financing activities	393,019	17,570
Effect of exchange rate changes on cash and cash equivalents	(28)	(172)
Net increase (decrease) in cash and cash equivalents	377,143	(96,871)
Cash and cash equivalents at beginning of period	59,939	245,755
Cash and cash equivalents at end of period	$ 437,082	$ 148,884
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	$ 294	$ 314
Purchases of property and equipment recorded in accounts payable and accrued liabilities	$ 1,711	$ 2,550

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

Pandora Media, Inc.

Notes to Condensed Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Pandora Media, Inc. provides an internet radio service offering a personalized experience for each listener wherever and whenever they want to listen to radio on a wide range of smartphones, tablets, traditional computers and car audio systems, as well as a range of other internet-connected devices. We have pioneered a new form of radio—one that uses intrinsic qualities of music to initially create stations and then adapts playlists in real-time based on the individual feedback of each listener. We offer local and national advertisers an opportunity to deliver targeted messages to our listeners using a combination of audio, display and video advertisements. We also offer a paid subscription service which we call Pandora One. We were incorporated as a California corporation in January 2000 and reincorporated as a Delaware corporation in December 2010.

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") 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 Transition Report on Form 10-K for the eleven months ended December 31, 2013.

We changed our fiscal year from the twelve months ending January 31 to the calendar twelve months ending December 31, effective beginning with the year ended December 31, 2013. As a result of this change, our prior fiscal year was an 11-month transition period ended on December 31, 2013. All references herein to a fiscal year refer to the twelve months ended December 31 of such year, and references to the first, second, third and fourth fiscal quarters refer to the three months ended March 31, June 30, September 30 and December 31, respectively. Prior year results have been recast on a calendar quarter basis. Refer to our Transition Report on Form 10-K for the eleven months ended December 31, 2013 for additional information regarding our fiscal year change.

Certain changes in presentation have been made to conform the prior period presentation to current period reporting. Our statements of operations now include the presentation of gross profit, which is calculated as total revenue less cost of revenue. In addition, we have reclassified certain software license fees, facilities-related expenses and depreciation expenses among the general and administrative, cost of revenue — other, sales and marketing and product development lines in our condensed consolidated statements of operations. Furthermore, we have reclassified certain compensation-related amounts from the accrued liabilities line item to the accrued compensation line item of our condensed consolidated balance sheets and our 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 for determining accrued royalties, selling prices for elements sold in multiple-element arrangements, the allowance for doubtful accounts, stock-based compensation, income taxes and the subscription return reserve. 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 Transition Report on Form 10-K for the eleven months ended December 31, 2013.

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 the 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 four years. We estimate the grant date fair value of RSUs at our stock price. We estimate the grant date fair value of employee stock options using the Black-Scholes valuation model. The determination of the fair value of a stock option is affected by the deemed fair value of the underlying stock price on the grant date, as well as other assumptions including the risk-free interest rate, the estimated volatility of our stock price over the term of the award, the estimated period of time that we expect employees to hold their stock options and the expected dividend rate. Stock-based compensation expense is recorded net of estimated forfeitures for only those stock-based awards that we expect to vest. We estimate the forfeiture rate based on historical forfeitures of equity awards and, as necessary, adjust the rate to reflect changes in facts and circumstances. We revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

Stock-Based Compensation — Employee Stock Purchase Plan

In December 2013, our board of directors approved the Employee Stock Purchase Plan ("ESPP"), which was approved by our stockholders at the annual meeting in June 2014. 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, net of estimated forfeitures.

Deferred Revenue

Our deferred revenue consists principally of both prepaid but unrecognized subscription revenue and advertising fees received or billed in advance of the delivery or completion of the delivery of services. Deferred revenue is recognized as revenue when the services are provided and all other revenue recognition criteria have been met.

In addition, subscription revenue derived from sales through certain mobile devices may be subject to refund or cancellation terms which may affect the timing or amount of the subscription revenue recognition. When refund rights exist, we recognize revenue when services have been provided and the rights lapse or when we have developed sufficient transaction history to estimate a return reserve.

We were required to defer revenue for certain in application ("in-app") mobile subscriptions that contained refund rights until the refund rights lapsed or until we developed sufficient operating history to estimate a return reserve. As of December 31, 2013, we had deferred all revenue related to these in-app mobile subscriptions subject to refund rights totaling approximately $14.2 million, as we did not have sufficient history to estimate a return reserve. Beginning in January 2014, we had sufficient historic transactional information which enabled us to estimate future returns. Accordingly, in January 2014, we began recording revenue related to these in-app mobile subscriptions net of estimated returns. This change resulted in a one-time increase in subscription revenue in the three months ended March 31, 2014 of approximately $14.2 million, as the previously deferred revenue was recognized. As of September 30, 2014, the deferred revenue related to the return reserve was not significant.

Concentration of Credit Risk

For the three and nine months ended September 30, 2013 and 2014, we had no customers that accounted for more than 10% of our total revenue. As of December 31, 2013 and September 30, 2014, we had no customers that accounted for more than 10% of our total accounts receivable.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-9,*Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-9"). ASU 2014-9 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, 2016. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. We are currently evaluating implementation methods and the effect that implementation of this standard will have on our consolidated financial statements upon adoption.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-15,*Going Concern (Subtopic 205-40)* ("ASU 2014-15"). ASU 2014-15 requires management of all entities to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued (or available to be issued when applicable). The guidance is effective for fiscal years beginning after December 15, 2016 and for interim periods within that fiscal year. We do not expect the adoption of this guidance to have a material effect on our consolidated financial statements.

3. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consisted of the following:

	As of December 31, 2013	As of September 30, 2014
	(in thousands)	
Cash and cash equivalents:		
Cash	$ 89,176	$ 51,004
Money market funds	98,437	91,780
Commercial paper	54,247	6,100
Corporate debt securities	3,895	—
Total cash and cash equivalents	$ 245,755	$ 148,884
Short-term investments:		
Commercial paper	$ 47,526	$ 54,643
Corporate debt securities	50,436	112,867
U.S. government and government agency debt securities	700	—
Total short-term investments	$ 98,662	$ 167,510
Long-term investments:		
Corporate debt securities	$ 100,690	$ 107,840
U.S. government and government agency debt securities	4,996	13,104
Total long-term investments	$ 105,686	$ 120,944
Cash, cash equivalents and investments	$ 450,103	$ 437,338

Our short-term investments have maturities of less than twelve months 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, 2013 and September 30, 2014.

	As of December 31, 2013			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	$ 98,437	$ —	$ —	$ 98,437
Commercial paper	101,773	—	—	101,773
Corporate debt securities	155,273	6	(258)	155,021
U.S. government and government agency debt securities	5,700	—	(4)	5,696
Total cash equivalents and marketable securities	$ 361,183	$ 6	$ (262)	$ 360,927

	As of September 30, 2014			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	$ 91,780	$ —	$ —	$ 91,780
Commercial paper	60,743	—	—	60,743
Corporate debt securities	220,969	24	(286)	220,707
U.S. government and government agency debt securities	13,115	2	(13)	13,104
Total cash equivalents and marketable securities	$ 386,607	$ 26	$ (299)	$ 386,334

The following table presents available-for-sale investments by contractual maturity date as ofDecember 31, 2013 and September 30, 2014.

	As of December 31, 2013	
	Adjusted Cost	Fair Value
	(in thousands)	
Due in one year or less	$ 255,278	$ 255,241
Due after one year through three years	105,905	105,686
Total	$ 361,183	$ 360,927

	As of September 30, 2014	
	Adjusted Cost	Fair Value
	(in thousands)	
Due in one year or less	$ 265,438	$ 265,390
Due after one year through three years	121,169	120,944
Total	$ 386,607	$ 386,334

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, 2014 were primarily a result of unfavorable changes in interest rates subsequent to the initial purchase of these securities. As of September 30, 2014, we owned 119 securities that were in an unrealized loss position. We do not intend nor expect to need to sell these securities before recovering the associated unrealized losses. We expect to recover the full carrying value of these securities. As a result, no portion of the unrealized losses at September 30, 2014 is deemed to be other-than-temporary and the unrealized losses are not deemed to be

credit losses. No available-for-sale securities have been in an unrealized loss position for twelve months or more. When evaluating the 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, 2014, we did not recognize any impairment charges.

4. Fair Value

We record cash equivalents and short-term 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 fair value of these financial assets and liabilities was determined using the following inputs at December 31, 2013 and September 30, 2014:

	As of December 31, 2013		
	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	(in thousands)		
Assets:			
Money market funds	$ 98,437	$ —	$ 98,437
Commercial paper	—	101,773	101,773
Corporate debt securities	—	155,021	155,021
U.S. government and government agency debt securities	—	5,696	5,696
Total assets measured at fair value	$ 98,437	$ 262,490	$ 360,927

	As of September 30, 2014		
	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	(in thousands)		
Assets:			
Money market funds	$ 91,780	$ —	$ 91,780
Commercial paper	—	60,743	60,743
Corporate debt securities	—	220,707	220,707
U.S. government and government agency debt securities	—	13,104	13,104
Total assets measured at fair value	$ 91,780	$ 294,554	$ 386,334

Our money market funds are classified as Level 1 within the fair value hierarchy because they are valued primarily using quoted market prices. Our other 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, 2013 and September 30, 2014, we held no Level 3 assets or liabilities.

5. Commitments and Contingencies

Legal Proceedings

We have been in the past, and continue to be, a party to privacy and patent infringement litigation which has consumed, and may continue to consume, financial and managerial resources. We are also from time to time subject to various other legal proceedings and claims arising in the ordinary course of our business. 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.

In September 2011, a putative class action lawsuit was filed against Pandora in the United States District Court for the Northern District of California alleging that we violated Michigan's video rental privacy law and consumer protection statute by allowing our listeners' listening history to be visible to the public. Our motion to dismiss the complaint was granted on September 28, 2012, judgment was entered on November 14, 2012. The plaintiff appealed the judgment to the U.S. Court of Appeals for the Ninth Circuit. Briefing of the appeal was completed on August 2, 2013. No date has been set for oral argument.

On September 10, 2012, B.E. Technology, LLC filed suit against Pandora in the United States District Court for the Western District of Tennessee alleging that we infringe a B.E. Technology patent and seeking injunctive relief and monetary damages. We filed our answer on December 31, 2012. Defendants in other suits in which B.E. Technology is plaintiff have filed inter partes review petitions before the U.S. Patent and Trademark Office challenging the validity of the patent Pandora is alleged to have infringed. The trial court granted Pandora's motion to stay this litigation until the inter partes review has been concluded.

We currently believe that Pandora has substantial and meritorious defenses to the claims in the lawsuits discussed above and intend to vigorously defend our position.

We are also subject to legal proceedings involving musical work royalty rates. On November 5, 2012, we filed a petition in the rate court established by the consent decree between the American Society of Composers, Authors and Publishers ("ASCAP") and the U.S. Department of Justice in the U.S. District Court for the Southern District of New York for the determination of reasonable license fees and terms for the ASCAP consent decree license applicable to the period January 1, 2011 through December 31, 2015. On June 11, 2013 we filed a motion for partial summary judgment seeking a determination

that as a matter of law the publishers alleged to have withdrawn certain rights of public performance by digital audio transmission from the scope of grant of rights ASCAP could license on behalf of such publishers subsequent to the date of our request for a license from ASCAP were not valid as to our ASCAP consent decree license. On September 17, 2013, our motion for partial summary judgment was granted, alleviating the need to negotiate direct licenses for such purportedly withdrawn performance rights. A trial to determine the royalty rates we will pay ASCAP concluded in February 2014 and the court issued its opinion in March 2014. On April 14, 2014, ASCAP filed a notice of appeal of the District Court's decision with the Second Circuit Court of Appeals.

On June 13, 2013, Broadcast Music, Inc. ("BMI") filed a petition in the rate court established by the consent decree between BMI and the U.S. Department of Justice in the U.S. District Court for the Southern District of New York for the determination of reasonable fees and terms for the BMI consent decree license applicable to the period January 1, 2013 through December 31, 2014. We filed our response on July 19, 2013. On November 1, 2013, we filed a motion for partial summary judgment seeking a determination that as a matter of law the publishers alleged to have withdrawn certain rights of public performance by digital audio transmission from the scope of grant of rights BMI could license on behalf of such publishers subsequent to the date of our request for a license from BMI were not valid as to our BMI consent decree license. On December 18, 2013, our motion for summary judgment was denied.

On April 17, 2014, UMG Recordings, Inc., Sony Music Entertainment, Capitol Records, LLC, Warner Music Group Corp., and ABKCO Music and Records, Inc. filed suit against Pandora Media Inc. in the Supreme Court of the State of New York. The complaint claims common law copyright infringement and unfair competition arising from allegations that Pandora owes royalties for the public performance of sound recordings recorded prior to February 15, 1972.

On October 2, 2014, Flo & Eddie Inc. filed 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.

The outcome of any litigation is inherently uncertain. Based on our current knowledge we believe that the final outcome of the matters discussed above will not likely, 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. In particular, rate court proceedings could take years to complete, could be very costly and may result in royalty rates that are materially less favorable than rates we currently pay.

Indemnification Agreements, Guarantees and Contingencies

In the ordinary course of business, 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 are accounted for in accordance with guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. 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 financial position, results of operations or cash flows.

6. Other Long-Term Assets

	As of December 31, 2013	As of September 30, 2014
	(in thousands)	
Other long-term assets:		
Patents, net of amortization	$ 7,636	$ 7,091
Long-term security deposits	4,736	4,956
Other	1,343	1,939
Total other long-term assets	$ 13,715	$ 13,986

Pending Acquisition

In June 2013, we entered into a local marketing agreement to program KXMZ-FM, a Rapid City, South Dakota-area terrestrial radio station. In addition, we entered into an agreement to purchase the assets of KXMZ-FM for a total purchase price of approximately $0.6 million in cash, subject to certain closing conditions. As of September 30, 2014, we have paid $0.4 million of the purchase price, which is included in the other long-term assets line item of our balance sheets.

The completion of the KXMZ-FM acquisition is subject to various closing conditions, which include, but are not limited to, regulatory approval by the Federal Communications Commission. Upon completion of these conditions, we expect to account for this acquisition as a business combination.

7. Debt Instruments

We are party to a $60.0 million credit facility with a syndicate of financial institutions, which expires on September 12, 2018. The interest rate on borrowings is either LIBOR plus 2.00% -2.25% or an alternate base rate plus 1.00%-1.25%, both of which are per annum rates based on outstanding borrowings. The amount of borrowings available under the credit facility at any time is based on our monthly accounts receivable balance at such time, and the amounts borrowed are collateralized by our personal property (including such accounts receivable but excluding intellectual property). Under the credit facility, we can request up to $15.0 million in letters of credit be issued by the financial institutions.

The credit facility contains customary events of default, conditions to borrowing and covenants, including restrictions on our ability to dispose of assets, make acquisitions, incur debt, incur liens and make distributions to stockholders. The credit facility also includes a financial covenant requiring the maintenance of minimum liquidity of at least $5.0 million. During the continuance of an event of a default, the lenders may accelerate amounts outstanding, terminate the credit facility and foreclose on all collateral.

As of September 30, 2014, we had no borrowings outstanding, $1.1 million in letters of credit outstanding and $58.9 million of available borrowing capacity under the credit facility.

8. Stock-based Compensation Plans and Awards

Employee Stock Purchase Plan

In December 2013, our board of directors approved the Employee Stock Purchase Plan (“ESPP”), which was approved by our stockholders at the annual meeting in June 2014. The ESPP allows eligible employees to purchase shares of our common stock through payroll deductions of up to 15% of their eligible compensation, subject to a maximum of $25,000 per calendar year. Shares reserved for issuance under the ESPP include 4,000,000 shares of common stock. The ESPP provides for six- month offering periods, commencing in February and August of each year. At the end of each offering period employees are able to purchase shares at 85% of the lower of the fair market value of our common stock on the first trading day of the offering period or on the last day of the offering period.

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, net of estimated forfeitures.

The per-share fair value of shares to be granted under the ESPP is determined on the first day of the offering period using the Black-Scholes option pricing model using the following assumptions:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2014	2013	2014
Expected life (in years)	N/A	0.5	N/A	0.5
Risk-free interest rate	N/A	0.05 - 0.08%	N/A	0.05 - 0.08%
Expected volatility	N/A	42%	N/A	42%
Expected dividend yield	N/A	0%	N/A	0%

During the three and nine months ended September 30, 2014, we withheld $1.9 million and $4.4 million in contributions from employees and recognized $0.6 million and $1.5 million of stock-based compensation expense related to the ESPP. In the three and nine months ended September 30, 2014, 149,378 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 expenses for stock options at the grant date fair value of the award and recognize expenses 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, 2013 and 2014, we recorded stock-based compensation expense from stock options of approximately $3.7 million and $4.0 million. During the nine months ended September 30, 2013 and 2014, we recorded stock-based compensation expense from stock options of approximately $8.6 million and $11.2 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,	
	2013	2014	2013	2014
Expected life (in years)	6.32	6.08	5.99 - 6.32	6.08
Risk-free interest rate	2.04%	1.93%	0.99 - 2.04%	1.71 - 1.93%
Expected volatility	58%	58%	57 - 59%	58 - 59%
Expected dividend yield	0%	0%	0%	0%

Restricted stock units

The fair value of the restricted stock units is expensed ratably over the vesting period. RSUs vest annually on a cliff basis over the service period, which is generally four years. During the three months ended September 30, 2013 and 2014, we recorded stock-based compensation expense from RSUs of approximately $8.5 million and $17.5 million. During the nine months ended September 30, 2013 and 2014, we recorded stock-based compensation expense from RSUs of approximately $20.2 million and $47.4 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,	
	2013	2014	2013	2014
	(in thousands) (unaudited)		(in thousands) (unaudited)	
Stock-based compensation expense:				
Cost of revenue - Other	$ 540	$ 1,063	$ 1,435	$ 2,976
Product development	2,610	4,402	6,449	12,289
Sales and marketing	5,754	10,442	15,202	28,675
General and administrative	3,260	6,204	5,740	16,176
Total stock-based compensation expense	$ 12,164	$ 22,111	$ 28,826	$ 60,116

9. Net Loss Per Share

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

Diluted net loss per share is computed by giving effect to all potential shares of common stock, including stock options and restricted stock units, to the extent dilutive. Basic and diluted net loss per share were the same for the three and nine months ended September 30, 2013 and 2014, 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 share:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2014	2013	2014
	(in thousands except per share amounts)		(in thousands except per share amounts)	
Numerator:				
Net loss	$ (4,092)	$ (2,025)	$ (49,680)	$ (42,684)
Denominator:				
Weighted-average common shares outstanding used in computing basic and diluted net loss per share	178,635	206,982	175,407	204,208
Net loss per share, basic and diluted	$ (0.02)	$ (0.01)	$ (0.28)	$ (0.21)

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

	As of September 30,	
	2013	2014
	(in thousands)	
Options to purchase common stock	23,859	11,571
Restricted stock units	10,340	11,339
Total common stock equivalents	34,199	22,910

Notes to Condensed Consolidated Financial Statements - Continued

10. Subsequent Event

Subsequent to September 30, 2014, the Company amended the operating lease agreement for its corporate headquarters in Oakland, California to increase both the leased space and the term of the lease, which previously required monthly lease payments through September 2017. This amendment is expected to result in an additional commitment of approximately $18.4 million through 2020.

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 Transition Report on Form 10-K for the eleven months ended December 31, 2013 filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

We changed our fiscal year to the calendar twelve months ending December 31, effective beginning with the year ended December 31, 2013As a result of this change, our prior fiscal year was an 11-month transition period ended on December 31, 2013. All references herein to a fiscal year refer to the twelve months ended December 31 of such year, and references to the first, second, third and fourth fiscal quarters refer to the three months ended March 31, June 30, September 30 and December 31, respectively. Prior year results have been recast on a calendar quarter basis. Refer to our Transition Report on Form 10-K for the eleven months ended December 31, 2013 for additional information regarding our fiscal year change.

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 Transition Report on Form 10-K for the eleven months ended December 31, 2013. 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.

Some of the industry and market data contained in this Quarterly Report on Form 10-Q are based on independent industry publications, including those generated by Triton Digital Media ("Triton") or other publicly available information. This information involves a number of assumptions and limitations. Although we believe that each source is reliable as of its respective date, we have not independently verified the accuracy or completeness of this information.

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 is the leader in internet radio in the United States, offering a personalized experience for each of our listeners wherever and whenever they want to listen to radio on a wide range of smartphones, tablets, traditional computers and car

audio systems, as well as a range of other internet-connected devices. The majority of our listener hours occur on mobile devices, with the majority of our revenue generated from advertising on these devices. We have pioneered a new form of radio—one that uses intrinsic qualities of music to initially create stations and then adapts playlists in real-time based on the individual feedback of each listener. We offer local and national advertisers an opportunity to deliver targeted messages to our listeners using a combination of audio, display and video advertisements.

As of September 30, 2014, we had more than 250 million registered users, and more than 200 million registered users had accessed Pandora through smartphones and tablets. For the three months ended September 30, 2014, we streamed 4.99 billion hours of radio, and as of September 30, 2014, we had 76.5 million active users during the prior 30 day period. According to an August 2014 report by Triton, we have more than a 70% share of internet radio among the top 20 stations and networks in the United States. Since we launched our free, advertising-supported radio service in 2005 our listeners have created over 7 billion stations.

At the core 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 1,000,000 uniquely analyzed songs from over 125,000 artists, spanning over 600 genres and sub-genres, which we develop one song at a time by evaluating and cataloging each song's particular attributes. When a listener enters a single song, artist or genre to start a station, the Pandora service instantly generates a station that plays music we think that listener will enjoy. Based on listener reactions to the songs we stream, we further tailor the station to match the listener's preferences in real time.

We currently provide the Pandora service through two models:

- *Free Service.* Our free service is advertising-based and allows listeners access to our music and comedy catalogs and personalized playlist generating system for free across all of our delivery platforms.

- *Pandora One.* Pandora One is provided to paying subscribers without any external advertising. Pandora One enables listeners to create more stations, have more daily skips and enjoy higher quality audio on supported devices.

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 traditional computers, we have developed Pandora mobile device applications or "apps" for smartphones such as iPhone, Android and the Windows Phone and for tablets including the iPad and Android tablets. We distribute those mobile apps free to listeners via app stores. In addition, Pandora is now integrated with more than 1,000 connected devices, including automobiles, automotive aftermarket devices and consumer electronic devices.

Recent Events

In August 2014, we announced an agreement to partner with Music and Entertainment Rights Licensing Independent Network ("Merlin"), the global rights agency for the independent label sector, whose membership includes over 20,000 independent record labels and distributors worldwide. This partnership was designed to help independent labels and artists increase the audiences they reach. Participating labels, and the artists they represent, can also take advantage of the marketing capabilities of our connected platform, including providing direct access to our metadata to help participating labels make data-driven business decisions. We do not expect this partnership to have a material effect on our financial condition or operating results.

In July 2014, we signed a multi-year agreement with BMG Rights Management US LLC ("BMG") for a U.S. license for BMG's complete Broadcast Music, Inc. ("BMI") and the American Society of Composers, Authors and Publishers ("ASCAP") catalog of musical works. We do not expect this agreement to have a material effect on our consolidated financial condition or operating results.

Effective in March 2014, we implemented a change in the pricing structure for Pandora One under which the $36 annual subscription option was eliminated. In addition, effective in May 2014, the monthly pricing option for Pandora One was increased to $4.99 per-month for new subscribers. Existing monthly subscribers who did not lapse maintained the $3.99 per-month pricing structure, and existing annual subscribers who did not lapse were migrated to the $3.99 per-month monthly pricing structure.

An important element of our strategy to achieve greater penetration of the local radio advertising market is to have Pandora's audience data presented in a manner consistent with similar data on terrestrial radio stations so that advertisers and

advertising agencies can better evaluate the relative value proposition of advertising on Pandora. In February 2014, Triton received Media Rating Council ("MRC") accreditation for its Webcast Metrics Local ("WCML") product, which allows agencies and advertisers to evaluate Pandora's relative audience scale using broadcast metrics in specific advertising markets. Also in February 2014, we completed the WCML publisher audit of our user-declared geographic and demographic listener data. We believe this accreditation validates that our local audience metrics are reliable and effective.

In June 2013, we entered into a local marketing agreement to program KXMZ-FM, a Rapid City, South Dakota-area terrestrial radio station. In addition, we entered into an agreement to purchase the assets of KXMZ-FM for a total purchase price of approximately $0.6 million in cash, subject to certain closing conditions. These agreements were made in part to allow us to qualify for certain settlement agreements concerning royalties for the public performance of musical works between the Radio Music Licensing Committee ("RMLC") and ASCAP and BMI. We believe that we qualify for the RMLC royalty rates, which provide us with savings of less than 1% of revenue in cost of revenue - content acquisition costs, compared with the latest contractual rates. As of September 30, 2014, we have paid $0.4 million of the purchase price, which is included in the other long-term assets line item of our balance sheets. Completion of the KXMZ-FM acquisition is subject to various closing conditions. These include, but are not limited to, regulatory approval by the Federal Communications Commission. Upon completion of these conditions, we expect to account for this transaction as a business combination.

Factors Affecting our Business Model

As our mobile listenership increases, we face new challenges in optimizing our advertising products for delivery on mobile and other connected device platforms and monetizing inventory generated by listeners using these platforms. The mobile digital advertising market is at an early stage of development, with lower overall spending levels than traditional online advertising markets, and faces technical challenges due to fragmented platforms and a lack of standard audience measurement protocols. As a greater share of our listenership is consumed on mobile devices, our ability to monetize increased mobile streaming may not keep up with our past monetization of streaming to desktop computers and laptops.

In addition, our monetization strategy includes increasing the number of ad campaigns for traditional computer, mobile and other connected device platforms sold to local advertisers, placing us in more direct competition with broadcast radio for advertiser spending, especially for audio advertisements. By contrast, historically our display advertisers have been predominantly national brands. To successfully monetize our growing listener hours, a key strategy is to convince a substantial base of local advertisers of the benefits of advertising on the Pandora service including demonstrating the effectiveness and relevance of our advertising products, and in particular, audio advertising products, across the range of our delivery platforms.

Growth in our active users and distribution platforms has fueled a corresponding growth in listener hours. Our total number of listener hours is a key driver for both revenue generation opportunities and content acquisition costs, which are the largest component of our expenses.

- *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. In turn, our ability to generate revenue depends on the extent to which we are able to sell the inventory we have.

- *Cost of Revenue—Content Acquisition Costs.* The number of sound recordings we transmit to users of the Pandora service, as generally reflected by listener hours, drives substantially all of our content acquisition costs, although certain of our licensing agreements require us to pay fees for public performances of musical works based on a percentage of revenue.

We pay royalties to the copyright owners, or their agents, of each sound recording that we stream and to the copyright owners, or their agents, of the musical work embodied in that sound recording, subject to certain exclusions. Royalties for sound recordings are negotiated with and paid to record labels, rights organizations or to SoundExchange. Royalties for musical works are most often negotiated with and paid to PROs such as ASCAP, BMI and SESAC or directly to publishing companies. Royalties are calculated based on the number of sound recordings streamed, revenue earned or other usage measures.

We stream spoken word comedy content pursuant to a federal statutory license, for which the underlying literary works are not currently entitled to eligibility for licensing by any PRO for the United States. Rather, pursuant to industry-wide custom and practice, this content is performed absent a specific license from any such PRO or the copyright owner of such content. However, we pay royalties to SoundExchange at rates negotiated between representatives of online music services and SoundExchange for the right to stream this spoken word comedy content.

Given the current royalty structures in effect through 2015 with respect to the public performance of sound recordings in the United States, our content acquisition costs increase with each additional listener hour, regardless of whether we are able to generate more revenue. As such, our ability to achieve and sustain profitability and operating leverage depends on our ability to increase our revenue per hour of streaming through increased advertising revenue across all of our delivery platforms.

In addition, we expect to invest heavily in our operations to support anticipated future growth. One of our key objectives is furthering our market leadership in internet radio, which we believe will strengthen our brand and help us to convince advertisers to allocate spending towards our ad products. As such, a central focus is adding, retaining and engaging listeners to build market share and grow our listener hours. As our business matures, we expect that our revenue growth will exceed the growth in our listener hours. However, we expect to incur annual net losses on a U.S. GAAP basis in the near term because our current strategy is to leverage any improvements in gross profit by investing in broadening distribution channels, developing innovative and scalable advertising products, increasing utilization of advertising inventory and building our sales force. These investments are intended to drive further growth in our business through both increased listener hours and monetization of those hours, and as a result we are targeting gradual improvements in gross profit over time. Our planned reinvestment of any resulting incremental gross profit will continue to depress any growth of bottom line profitability.

Key Metrics

Listener Hours

We track listener hours because it is a key indicator of the growth of our business. 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. 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 the three and nine months ended September 30, 2013 and 2014.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2014	2013	2014
	(in billions)		(in billions)	
Listener hours	3.99	4.99	12.16	14.83

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. Active users are defined 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 within a month as one individual may register for, and use, multiple accounts.

The table below sets forth our total active users as of September 30, 2013 and 2014.

	As of September 30,	
	2013	2014
	(in millions)	
Active users	72.7	76.5

Revenue per Thousand Listener Hours ("RPMs")

We track total RPMs for our service, which includes ad and subscription RPMs, because it is a key indicator of our ability to monetize our listener hours. We focus on total RPMs across all of our delivery platforms. Total RPMs compare advertising and subscription and other revenue in a given period to total listener hours in the period. We calculate total RPMs by dividing the total revenue by the number of thousands of listener hours using the inputs below.

The table below sets forth our users on an advertising and subscription basis as of September 30, 2013 and 2014.

	As of September 30,	
	2013	2014
User type	Users (in millions)	
Ad-based active users	70.1	73.5
Subscribers*	3.1	3.5
Total	73.2	77.0

* Includes subscribers that have not used our service within the trailing 30 days to the end of the final calendar month of the period.

The table below sets forth our listener hours on an advertising and subscription basis for the three and nine months ended September 30, 2013 and 2014.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2014	2013	2014
User type	Listener hours (in billions)		Listener hours (in billions)	
Ad-based active users	3.41	4.38	10.66	13.01
Subscribers	0.58	0.61	1.50	1.82
Total	3.99	4.99	12.16	14.83

Advertising-based active users ("ad-based active users") are defined as the number of users, excluding subscribers, that have requested audio from our servers within the trailing 30 days to the end of the final calendar month of the period. Subscribers are defined as the number of distinct users at the end of the period that have subscribed to our service. Inactive subscribers are included as they contribute towards revenue per thousand listener hours ("RPMs"), which are described in further detail below.

Advertising Revenue per Thousand Listener Hours ("ad RPMs")

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

Subscription and Other Revenue per Thousand Listener Hours ("subscription RPMs")

We track subscription RPMs because it is a key indicator of the performance of our subscription service. We focus on subscription RPMs across all of our delivery platforms. Subscription RPMs are calculated by dividing subscription and other revenue by the number of thousands of listener hours of our subscription service.

Total Revenue per Thousand Listener Hours ("total RPMs")

We track total RPMs for our service, which includes ad and subscription RPMs, because it is a key indicator of our ability to monetize our listener hours. Total RPMs compare advertising and subscription and other revenue in a given period to total listener hours in the period. We calculate total RPMs by dividing the total revenue by the number of thousands of listener hours.

Licensing Costs per Thousand Listener Hours ("LPMs")

We track LPMs and analyze them in combination with our analysis of RPMs as they provide a key indicator of our profitability. LPMs are relatively fixed licensing costs with scheduled annual rate increases that drive period-over-period changes in LPMs. As such, the margin on our business varies principally with variances in ad RPMs and subscription RPMs.

Estimated RPMs and LPMs by Platform

We also provide estimates of disaggregated ad RPMs, subscription RPMs, total RPMs and related LPMs for our traditional computer platform as well as our mobile and other connected devices platforms, which we calculate by dividing the estimated revenue and costs generated through the respective platforms by the number of thousands of listener hours of our services delivered through such platforms. While we believe that such disaggregated data provides directional insight for evaluating our efforts to monetize our service, we do not validate such disaggregated data to the level of financial statement reporting. Such data should be seen as indicative only and as management's best estimate. We continue to refine our systems and methodologies used to categorize RPMs and LPMs.

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 RPMs and LPMs, including total, traditional computer and mobile and other connected devices, on an advertising ("ad"), subscription and total basis for the three months ended September 30, 2013 and 2014.

	Three months ended September 30,			
	2013		2014	
	RPM	LPM*	RPM	LPM*
Advertising:				
Traditional computer	$ 58.44	$ 19.08	$ 64.13	$ 20.59
Mobile and other connected devices	35.31	18.85	40.82	20.33
Total advertising	$ 39.68	$ 18.89	$ 44.35	$ 20.37
Subscription:				
Traditional computer	$ 53.52	$ 31.91	$ 61.56	$ 33.53
Mobile and other connected devices	60.85	33.49	78.11	36.94
Total subscription	$ 58.93	$ 33.08	$ 74.14	$ 36.12
Total:				
Total traditional computer	$ 57.50	$ 21.54	$ 63.67	$ 22.94
Total mobile and other connected devices	38.75	20.82	44.96	22.18
Total	$ 42.49	$ 20.97	$ 48.00	$ 22.30

* Under the Pureplay Settlement agreement, we pay per-performance rates for the streaming of sound recordings for our Pandora One subscription service that are higher than the per-performance rates for our free, advertising-supported service.

The table below sets forth our RPMs and LPMs, including total, traditional computer and mobile and other connected devices, on an ad and subscription basis for the nine months ended September 30, 2013 and 2014.

	Nine months ended September 30,			
	2013		2014	
	RPM	LPM*	RPM	LPM*
Advertising:				
Traditional computer	$ 53.67	$ 18.91	$ 59.64	$ 20.76
Mobile and other connected devices	28.96	18.55	35.55	20.38
Total advertising	$ 33.70	$ 18.62	$ 39.37	$ 20.44
Subscription:				
Traditional computer	$ 49.95	$ 31.86	$ 60.09	$ 33.54
Mobile and other connected devices	52.97	34.51	84.39	36.59
Total subscription	$ 52.08	$ 33.73	$ 77.32	$ 35.82
Total:				
Total traditional computer	$ 53.01	$ 21.21	$ 59.59	$ 23.09
Total mobile and other connected devices	31.59	20.30	40.82	22.16
Total	$ 35.97	$ 20.49	$ 44.02	$ 22.32

* Under the Pureplay Settlement agreement, we pay per-performance rates for the streaming of sound recordings for our Pandora One subscription service that are higher than the per-performance rates for our free, advertising-supported service.

Total ad RPMs

For the three and nine months ended September 30, 2014 compared to 2013, total ad RPMs increased primarily due to an increase in ad RPMs on the mobile and other connected devices platform. Ad RPMs on the mobile and other connected devices platform increased as advertising revenue growth outpaced the growth in advertising listener hours as a result of an increase in the average price per ad sold on that platform, due in part to our shift to local ad sales.

Total subscription RPMs

For the three months ended September 30, 2014 compared to 2013, total subscription RPMs increased as the growth in subscription and other revenue outpaced the growth in subscription listener hours on both the traditional computer and the mobile and other connected devices platforms, primarily due to an increase in the average price per subscriber as a result of the increase in the Pandora One pricing structure.

For the nine months ended September 30, 2014 compared to 2013, total subscription RPMs increased as the growth in subscription and other revenue outpaced the growth in subscription listener hours on both the traditional computer and the mobile and other connected devices platforms, primarily due to an increase in the average price per subscriber as a result of the increase in the Pandora One pricing structure. In addition, the changes in subscription RPMs for the nine months ended September 30, 2014 reflect a $14.2 million increase in subscription revenue in connection with the one-time recognition of the accumulation of deferred revenue related to in-app subscriptions. Refer to "Deferred Revenue" below for further details regarding these in-app subscriptions.

Total ad LPMs

Total ad LPMs in the three and nine months ended September 30, 2014 increased compared to the respective prior year periods primarily due to scheduled rate increases for sound recording royalties paid to SoundExchange.

Total subscription LPMs

Total subscription LPMs in the three and nine months ended September 30, 2014 increased compared to the respective prior year periods primarily due to scheduled rate increases for sound recording royalties paid to SoundExchange.

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,	
	2013	2014	2013	2014
Revenue:				
Advertising	80 %	81 %	82 %	78 %
Subscription and other	20	19	18	22
Total revenue	100	100	100	100
Cost of revenue:				
Cost of revenue — Content acquisition costs	49	46	57	51
Cost of revenue — Other(1)	7	6	7	7
Total cost of revenue	57	53	64	58
Gross profit	43	47	36	42
Operating expenses:				
Product development(1)	5	6	5	6
Sales and marketing(1)	28	30	30	31
General and administrative(1)	13	12	12	12
Total operating expenses	46	48	47	49
Loss from operations	(2)	(1)	(11)	(7)
Other income (expense), net	—	—	—	—
Loss before provision for income taxes	(2)	(1)	(11)	(7)
Provision for income taxes	—	—	—	—
Net Loss	(2)%	(1)%	(11)%	(7)%
(1) Includes stock-based compensation as follows:				
Cost of revenue - Other	0.3%	0.4%	0.3%	0.5%
Product development	1.5	1.8	1.5	1.9
Sales and marketing	3.4	4.4	3.5	4.4
General and administrative	1.9	2.6	1.3	2.5

Note: Amounts may not recalculate due to rounding

Revenue

	Three months ended September 30,			Nine months ended September 30,		
	2013	2014	$ Change	2013	2014	$ Change
	(in thousands)			(in thousands)		
Advertising	$ 134,963	$ 194,293	$ 59,330	$ 359,232	$ 512,251	$ 153,019
Subscription and other	34,340	45,300	10,960	78,299	140,551	62,252
Total revenue	$ 169,303	$ 239,593	$ 70,290	$ 437,531	$ 652,802	$ 215,271

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-throughs. 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, 2013 and 2014 and the nine months ended September 30, 2013 and 2014, advertising revenue accounted for 80%, 81%, 82% and 78%, 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, 2014 compared to 2013, advertising revenue increased $59.3 million or 44%, primarily due to an approximate 20% increase in the average price per ad sold, due in part to our shift to local ad sales and our focus on monetizing mobile inventory, and an approximate 20% increase in the number of ads sold, primarily due to an increase in advertising listener hours.

For the nine months ended September 30, 2014 compared to 2013, advertising revenue increased $153.0 million or 43%, primarily due to an approximate 30% increase in the average price per ad sold, due in part to our shift to local ad sales and our focus on monetizing mobile inventory, and an approximate 10% increase in the number of ads sold, primarily due to an increase in advertising listener hours.

Subscription and other revenue

Subscription and other revenue is generated primarily through the sale of Pandora One, a premium version of the Pandora service, which currently includes advertisement-free access and higher audio quality on the devices that support it. Subscription revenue is recognized on a straight-line basis over the duration of the subscription period. For the three months ended September 30, 2013 and 2014 and the nine months ended September 30, 2013 and 2014, subscription and other revenue accounted for 20%, 19%, 18% and 22% of our total revenue, respectively.

Effective in March 2014, we implemented a change in the pricing structure for Pandora One under which the $36 annual subscription option was eliminated. In addition, effective in May 2014, the monthly pricing option for Pandora One was increased to $4.99 per-month for new subscribers. Existing monthly subscribers who did not lapse maintained the $3.99 per-month pricing structure, and existing annual subscribers who did not lapse were migrated to the $3.99 per-month monthly pricing structure.

For the three months ended September 30, 2014 compared to 2013, subscription revenue increased $11.0 million or 32%, primarily due to an approximate 15% increase in the average price per subscription as a result of the change in the Pandora One pricing structure and due to an approximate 10% increase in the number of subscribers.

For the nine months ended September 30, 2014 compared to 2013, subscription revenue increased $62.3 million or 80%, primarily due to an approximate 30% increase in the average price per subscription as a result of the change in the Pandora One pricing structure and due to an approximate 10% increase in the number of subscribers. The increase in subscription revenue for the nine months ended September 30, 2014 was also due to a $14.2 million increase in subscription revenue in connection with the one-time recognition of the accumulation of deferred revenue related to in-app subscriptions. Refer to “Deferred Revenue” below for further details regarding these in-app subscriptions.

Deferred revenue

Our deferred revenue consists principally of both prepaid but unrecognized subscription revenue and advertising fees received or billed in advance of the delivery or completion of the delivery of services. Deferred revenue is recognized as revenue when the services are provided and all other revenue recognition criteria have been met.

In addition, subscription revenue derived from sales through certain mobile devices may be subject to refund or cancellation terms which may affect the timing or amount of the subscription revenue recognition. When refund rights exist, we recognize revenue when services have been provided and the rights lapse or when we have developed sufficient transaction history to estimate a return reserve.

We were required to defer revenue for certain in-app mobile subscriptions that contained refund rights until the refund rights lapsed or until we developed sufficient operating history to estimate a return reserve. As of December 31, 2013, we had deferred all revenue related to these in-app mobile subscriptions subject to refund rights totaling approximately $14.2 million, as we did not have sufficient transaction history to estimate a return reserve. Beginning in January 2014, we had sufficient

transaction history that enabled us to estimate future returns. Accordingly, in January 2014, we began recording revenue related to these in-app mobile subscriptions net of estimated returns. This resulted in a one-time increase in subscription revenue in the three months ended March 31, 2014 of approximately $14.2 million, as the previously deferred revenue was recognized. As of September 30, 2014, the deferred revenue related to the return reserve was not significant.

Deferred revenue in our condensed consolidated balance sheet as of September 30, 2014 decreased as compared to December 31, 2013 in connection with the one-time recognition of the accumulation of deferred revenue related to in-app subscriptions in the three months ended March 31, 2014. In addition, deferred revenue also decreased due to the elimination of the annual pricing option, as we collected less cash upfront under the one-month subscription period as opposed to the twelve-month subscription period under the annual subscription option.

Costs and Expenses

Cost of revenue consists of cost of revenue — content acquisition costs and cost of revenue — other. Our operating expenses consist of product development, sales and marketing and general and administrative costs. Cost of revenue - content acquisition costs are the most significant component of our costs and expenses, followed by employee-related costs, which include stock-based compensation expenses. We expect to continue to hire additional employees in order to support our anticipated growth and our product development initiatives. In any particular period, the timing of additional hires could materially affect our cost of revenue and operating expenses, both in absolute dollars and as a percentage of revenue. We anticipate that our costs and expenses will increase in the future.

Cost of revenue - content acquisition costs

	Three months ended September 30,			Nine months ended September 30,		
	2013	2014	$ Change	2013	2014	$ Change
	(in thousands)			(in thousands)		
Cost of revenue - content acquisition costs	$ 83,535	$ 111,315	$ 27,780	$ 249,186	$ 331,051	$ 81,865

Content acquisition costs as a percentage of advertising revenue by platform

	Three months ended September 30,		Nine months ended September 30,	
	2013	2014	2013	2014
Traditional computer	34%	33%	36%	35%
Mobile and other connected devices	53%	50%	64%	56%

Cost of revenue—content acquisition costs principally consist of royalties paid for streaming music or other content to our listeners. Royalties are currently calculated using negotiated rates documented in agreements. The majority of our royalties are payable based on a fee per public performance of a sound recording, while in other cases our royalties are payable based on a percentage of our revenue or a formula that involves a combination of per performance and revenue metrics. For royalty arrangements under negotiation, we accrue for estimated royalties based on the available facts and circumstances and adjust these estimates as more information becomes available. The results of any finalized negotiation may be materially different from our estimates.

We estimate our advertising-based content acquisition costs attributable to specific platforms by allocating costs from royalties payable based on a fee per track to the platform for which the track is served and by allocating costs from royalties based on a percentage of our revenue in accordance with the overall percentage of our revenue estimated to be attributable to such platforms. While we believe that comparing disaggregated content acquisition costs and revenues across our delivery platforms may provide directional insight for evaluating our efforts to monetize the rapid adoption of our service on mobile and other connected devices, we do not validate such disaggregated metrics to the level of financial statement reporting. We continue to refine our systems and methodologies used to categorize such metrics across our delivery platforms and the period-to-period comparisons of results are not necessarily indicative of results for future periods.

For the three months ended September 30, 2014 compared to 2013, content acquisition costs increased $27.8 million or 33%, primarily due to an approximate 25% increase in listener hours and scheduled royalty rate increases of 8%. Content

acquisition costs as a percentage of total revenue decreased from49% to 46%, primarily due to an increase in advertising revenue. Estimated content acquisition costs as a percentage of the advertising revenue attributable to our traditional computer platform decreased from 34% to 33%, primarily due to an increase in advertising revenue on the traditional computer platform as a result of an increase in the average price per ad sold, offset by scheduled rate increases. Estimated content acquisition costs as a percentage of the advertising revenue attributable to our mobile and other connected devices platform decreased from 53% to 50%, primarily due an increase in advertising revenue on the mobile and other connected devices platform as a result of an increase in the average price per ad sold and an increase in the number of ads sold, offset by scheduled rate increases.

For the nine months ended September 30, 2014 compared to 2013, content acquisition costs increased $81.9 million or 33%, primarily due to an approximate 20% increase in listener hours and scheduled royalty rate increases of 8%. Content acquisition costs as a percentage of total revenue decreased from 57% to 51%, primarily due to an increase in advertising revenue and a $14.2 million increase in subscription revenue in connection with the one-time recognition of the accumulation of deferred revenue related to in-app subscriptions. Refer to “Deferred Revenue” above for further details regarding these in-app subscriptions. Estimated content acquisition costs as a percentage of the advertising revenue attributable to our traditional computer platform decreased from 36% to 35%, primarily due to an increase in advertising revenue on the traditional computer platform as a result of an increase in the average price per ad sold, offset by scheduled rate increases. Estimated content acquisition costs as a percentage of the advertising revenue attributable to our mobile and other connected devices platform decreased from 64% to 56%, primarily due to an increase in advertising revenue on the mobile and other connected devices platform as a result of an increase in the average price per ad sold and an increase in the number of ads sold. The decrease in estimated content acquisition costs as a percentage of the advertising revenue attributable to our mobile and other connected devices platform was also due to the effect of measures we have adopted to manage the growth of mobile content acquisition costs while minimizing adverse effects on the listener experience, such as adjusting the number of times users can skip songs during a given listening session, as well as optimizing time-based thresholds whereby music will stop playing after a certain length of user inactivity with the service, partially offset by scheduled rate increases.

Cost of revenue—other

	Three months ended September 30,			Nine months ended September 30,		
	2013	2014	$ Change	2013	2014	$ Change
	(in thousands)			(in thousands)		
Cost of revenue — other	$ 12,126	$ 15,453	$ 3,327	$ 32,749	$ 44,421	$ 11,672

Cost of revenue—other consists primarily of hosting and infrastructure costs and other costs of ad sales. Hosting and infrastructure costs consist of content streaming, maintaining our internet radio service, creating and serving advertisements through third-party ad servers and the employee-related costs associated with supporting those functions. Other costs of ad sales include support costs related to music events that are sold as part of advertising arrangements. We make payments to third-party ad servers for the period the advertising impressions or click-through actions are delivered or occur, and accordingly, we record this as a cost of revenue in the related period.

For the three months ended September 30, 2014 compared to 2013, cost of revenue increased $3.3 million or 27%, primarily due to a $1.6 million increase in hosting and infrastructure costs driven by an increase in listener hours and a $1.5 million increase in employee-related costs driven by an approximate 40% increase in headcount.

For the nine months ended September 30, 2014 compared to 2013, cost of revenue increased $11.7 million or 36%, primarily due to a $4.3 million increase in employee-related costs and a $1.6 million increase in facilities and equipment expenses, both of which were driven by an approximate 40% increase in headcount, a $3.7 million increase in hosting and infrastructure costs driven by an increase in listener hours and a $2.1 million increase in other costs of ad sales related to events sold as part of advertising arrangements.

Gross profit

	Three months ended September 30,			Nine months ended September 30,		
	2013	2014	$ Change	2013	2014	$ Change
	(in thousands)			(in thousands)		
Total revenue	$ 169,303	$ 239,593	$ 70,290	$ 437,531	$ 652,802	$ 215,271
Total cost of revenue	95,661	126,768	31,107	281,935	375,472	93,537
Gross profit	$ 73,642	$ 112,825	$ 39,183	$ 155,596	$ 277,330	$ 121,734
Gross margin	43%	47%		36%	42%	

For the three months ended September 30, 2014 compared to 2013, gross profit increased by $39.2 million or 53%, primarily due to an increase in advertising revenue as a result of an increase in the average price per ad sold and an increase in the number of ads sold. Gross margin increased from 43% to 47% as the growth in revenue outpaced the growth in content acquisition costs primarily due to an increase in advertising revenue and the effect of measures we have adopted to manage the growth of mobile content acquisition costs while minimizing adverse effects on the listener experience, such as adjusting the number of times users can skip songs during a given listening session, as well as optimizing time-based thresholds whereby music will stop playing after a certain length of user inactivity with the service.

For the nine months ended September 30, 2014 compared to 2013, gross profit increased by $121.7 million or 78%, primarily due to an increase in advertising revenue as a result of an increase in the average price per ad sold and an increase in the number of ads sold. Gross margin increased from 36% to 42% as the growth in revenue outpaced the growth in content acquisition costs primarily due to an increase in advertising revenue and the effect of measures we have adopted to manage the growth of mobile content acquisition costs while minimizing adverse effects on the listener experience, such as adjusting the number of times users can skip songs during a given listening session, as well as optimizing time-based thresholds whereby music will stop playing after a certain length of user inactivity with the service. The increase in gross margin was also due to an increase in subscription and other revenue driven by a $14.2 million increase in connection with the one-time recognition of the accumulation of deferred revenue related to in-app subscriptions. Refer to “Deferred Revenue” above for further details regarding these in-app subscriptions.

Product development

	Three months ended September 30,			Nine months ended September 30,		
	2013	2014	$ Change	2013	2014	$ Change
	(in thousands)			(in thousands)		
Product development	$ 9,099	$ 13,381	$ 4,282	$ 23,661	$ 38,288	$ 14,627

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-related expenses, information technology and costs associated with supporting consumer connected-device manufacturers in implementing our service in their products. We incur product development expenses primarily for improvements to our website and the Pandora app, development of new advertising products and development and enhancement of our personalized station generating system. We have generally expensed product development as incurred. 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. We intend to continue making significant investments in developing new products and enhancing the functionality of our existing products.

For the three months ended September 30, 2014 compared to 2013, product development expenses increased $4.3 million or 47%, primarily due to a $4.0 million increase in employee-related costs driven by an approximate 40% increase in headcount.

For the nine months ended September 30, 2014 compared to 2013, product development expenses increased $14.6 million or 62%, primarily due to a $13.4 million increase in employee-related costs and a $1.1 million increase in facilities and equipment expenses, both of which were driven by an approximate 40% increase in headcount.

Sales and marketing

	Three months ended September 30,			Nine months ended September 30,		
	2013	2014	$ Change	2013	2014	$ Change
	(in thousands)			(in thousands)		
Sales and marketing	$ 47,049	$ 72,320	$ 25,271	$ 129,465	$ 200,416	$ 70,951

Sales and marketing consists primarily of employee-related costs, including salaries, commissions and benefits related to employees in sales, sales support and marketing departments. In addition, sales and marketing expenses include transaction processing commissions on subscription purchases on mobile platforms, external sales and marketing expenses such as third-party marketing, branding, advertising and public relations expenses, facilities-related expenses, infrastructure costs and credit card fees. We expect sales and marketing expenses to increase as we hire additional personnel to build out our sales and sales support teams, particularly as we continue to build out our local market sales team.

For the three months ended September 30, 2014 compared to 2013, sales and marketing expenses increased $25.3 million or 54%, primarily due to a $16.9 million increase in employee-related costs driven by an approximate 30% increase in headcount, a $4.2 million increase in marketing expenses, a $1.9 million increase in transaction processing commissions on subscription purchases on mobile platforms and a $1.0 million increase in music events.

For the nine months ended September 30, 2014 compared to 2013, sales and marketing expenses increased $71.0 million or 55%, primarily due to a $49.0 million increase in employee-related costs and a $3.5 million increase in facilities and equipment expenses, both of which were driven by an approximate 30% increase in headcount, a $8.1 million increase in transaction processing commissions on subscription purchases on mobile platforms, a $7.1 million increase in marketing expenses and a $1.9 million increase in music events.

General and administrative

	Three months ended September 30,			Nine months ended September 30,		
	2013	2014	$ Change	2013	2014	$ Change
	(in thousands)			(in thousands)		
General and administrative	$ 21,397	$ 29,143	$ 7,746	$ 51,683	$ 81,369	$ 29,686

General and administrative consists primarily of employee-related costs, including salaries and benefits for finance, accounting, legal, internal information technology and other administrative personnel. In addition, general and administrative expenses include professional services costs for outside legal and accounting services, facilities-related expenses and infrastructure costs. We expect general and administrative expenses to increase in future periods as we continue to invest in corporate infrastructure, including adding personnel and systems to our administrative functions.

For the three months ended September 30, 2014 compared to 2013, general and administrative expenses increased $7.7 million or 36%, primarily due to a $6.0 million increase in employee-related costs driven by an approximate 40% increase in headcount.

For the nine months ended September 30, 2014 compared to 2013 general and administrative expenses increased $29.7 million or 57%, primarily due to a $19.0 million increase in employee-related costs and a $2.8 million increase in facilities and equipment expenses, both of which were driven by an approximate 40% increase in headcount, and a $5.4 million increase in professional services costs primarily due to royalty-related legal matters.

Income tax benefit (expense)

We have historically been subject to income taxes only in the United States. As we expand our operations outside the United States, we become subject to taxation based on the foreign statutory rates and our effective tax rate could fluctuate accordingly.

Income taxes are 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, 2014 we had no such arrangements. There has been no material change in our contractual obligations other than in the ordinary course of business since the eleven months ended December 31, 2013.

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.

Our results reflect the effects of seasonal trends in listener behavior. During the last three months of each calendar year, we experience higher advertising revenue as a result of greater advertiser demand during the holiday season. We also experience lower advertising revenue in the first three months of the calendar year due to reduced advertiser demand. In addition, we expect to experience increased usage during the last three months of each calendar year during the holiday season, and in the first three months of each calendar year 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 as increases in content acquisition costs from increased usage are not offset by increases in advertising revenue in the first calendar quarter. We believe that our business may become more seasonal in the future and that such seasonal variations in listener behavior may result in fluctuations in our financial results.

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.

Liquidity and Capital Resources

As of September 30, 2014, we had cash, cash equivalents and investments totaling $437.3 million, which consisted of cash and money market funds held at major financial institutions, commercial paper and investment-grade corporate debt securities.

Our principal uses of cash during the nine months ended September 30, 2014 were funding our operations, as described below, and capital expenditures.

Sources of Funds

We believe, based on our current operating plan, that our existing cash and cash equivalents and available borrowings under our credit facility 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

We are party to a $60.0 million credit facility with a syndicate of financial institutions, which expires on September 12, 2018. Refer to Note 8 “Debt Instruments” in the Notes to Condensed Consolidated Financial Statements for further details regarding our credit facility.

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, 2013 and 2014.

	Nine months ended September 30,	
	2013	2014
	(in thousands) (unaudited)	
Net cash used in operating activities	$ (11,713)	$ (4,315)
Net cash used in investing activities	(4,135)	(109,954)
Net cash provided by financing activities	393,019	17,570

Operating activities

In the nine months ended September 30, 2014, net cash used in operating activities was $4.3 million and primarily consisted of our net loss of $42.7 million, which was more than offset by non-cash charges of $73.6 million, primarily related to $60.1 million in stock-based compensation charges. Net cash used in operating activities also included a $24.4 million decrease in deferred revenue from December 31, 2013, primarily due to the one-time recognition of the accumulation of deferred revenue related to in-app subscriptions of $14.2 million and due to a decrease in deferred revenue as a result of the elimination of the annual subscription option, as we collected less cash upfront under the one-month subscription period as opposed to the twelve-month subscription period under the annual subscription option. Cash used in operating activities decreased $7.4 million from the nine months ended September 30, 2013 primarily due to a $7.0 million decrease in our net loss.

Investing activities

In the nine months ended September 30, 2014, net cash used in investing activities was $110.0 million, primarily due to $273.4 million of purchases of investments and $23.2 million of capital expenditures for leasehold improvements and server equipment, partially offset by $186.7 million in maturities of investments.

Financing activities

In the nine months ended September 30, 2014, net cash provided by financing activities was $17.6 million, primarily consisting of $15.2 million in proceeds from the exercise of stock options.

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 those discussed below, there have been no material changes to our critical accounting policies and estimates as compared to those described in our Transition Report on Form 10-K for the eleven months ended December 31, 2013 under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates.”

Deferred Revenue

We were required to defer revenue for certain in-app mobile subscriptions that contained refund rights until the refund rights lapsed or until we developed sufficient operating history to estimate a return reserve. As of December 31, 2013, we had deferred all revenue related to these in-app mobile subscriptions subject to refund rights totaling approximately $14.2 million, as we did not have sufficient history to estimate a return reserve. Beginning in January 2014, we had sufficient historic transactional information which enabled us to estimate future returns. Accordingly, in January 2014, we began recording revenue related to these in-app mobile subscriptions net of estimated returns. This change resulted in a one-time increase in subscription revenue in the three months ended March 31, 2014 of approximately $14.2 million, as the previously deferred revenue was recognized. As of September 30, 2014, the deferred revenue related to the return reserve was not significant.

Stock-Based Compensation

Stock-based compensation expenses are classified in the statement of operations based on the department to which the related employee reports. Our stock-based awards are comprised principally of restricted stock units ("RSUs") and stock options. We measure stock-based compensation expense for employees 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, net of estimated forfeitures. We estimate the grant date fair value of RSUs at our stock price. 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 net of estimated forfeitures in the statement of operations for only those stock-based awards that we expect to vest. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We will revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

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 Transition Report on Form 10-K for the eleven months ended December 31, 2013. For further discussion of quantitative and qualitative disclosures about market risk, reference is made to our Transition 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 their 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, 2014.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting 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 I - Item 1A. Risk Factors" in our Transition Report on Form 10-K for the eleven months ended December 31, 2013 and all information set forth in this Quarterly Report on Form 10-Q. 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 I - Item 1A. Risk Factors" in our Transition Report on Form 10-K for the eleven months ended December 31, 2013, other than as set forth below. The risk factors below, all of which originally appear in our Transition Report on Form 10-K, have been updated to reflect additional information regarding third party measurement, royalties and litigation, among other things.

Unavailability of, or fluctuations in, third-party measurements of our audience may adversely affect our ability to grow advertising revenue.

Selling ads, locally and nationally, requires that we demonstrate to advertisers that our service has substantial reach and usage. Third-party measurements may not reflect our true listening audience and their underlying methodologies are subject to change at any time. In addition, the methodologies we apply to measure the key metrics that we use to monitor and manage our business may differ from the methodologies used by third-party measurement service providers. For example, 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. By contrast, certain third-party measurement service providers may calculate and report the number of listener hours using a client-based approach, which measures time elapsed during listening sessions. Measurement technologies for mobile and consumer electronic devices may be even less reliable in quantifying the reach, usage and location of our service, and it is not clear whether such technologies will integrate with our systems or uniformly and comprehensively reflect the reach, usage and location of our service. While we have been working with third-party measurement service providers and certain of their measurements have now earned Media Ratings Council accreditation, some providers have not yet developed uniform measurement systems that comprehensively measure the reach, usage and location of our service. In order to demonstrate to potential advertisers the benefits of our service, we supplement third-party measurement data with our internal research, which may be perceived as less valuable than third-party numbers. If third-party measurement providers report lower metrics than we do, or if there is wide variance among reported metrics, our ability to convince advertisers of the benefits of our service could be adversely affected.

The lack of accurate cross-platform measurements for internet radio and broadcast radio may adversely affect our ability to grow advertising revenue.

We have invested substantial resources to create accurate cross-platform measurements for internet radio and broadcast radio in the major automated media-buying platforms, creating a one-stop shop that enables media buyers to compare internet radio audience reach with terrestrial radio audience reach using traditional broadcast radio metrics. To achieve this result, we currently rely on third parties such as Triton to quantify the reach and usage of our service and on media buying agencies to provide Internet radio metrics side-by-side with terrestrial radio metrics in media-buying platforms.

We have also partnered with media buying agencies that show internet radio measurements alongside terrestrial metrics in the media buying systems that media buyers use to purchase advertising. Media buying agencies receive measurement metrics from third parties, such as Triton for internet radio and Nielsen for more traditional media like terrestrial radio and television. Media buying agencies may choose not to show, or may be prohibited by third-party measurement services that measure terrestrial radio and other traditional media from showing, internet radio metrics alongside traditional terrestrial metrics. Our ability to realize our long-term potential will be significantly affected by our success in these advertising initiatives, and there is no assurance we will achieve substantial penetration of these advertising markets.

We operate under and pay royalties pursuant to statutory and third-party licenses for the reproduction and public performance of sound recordings that could change or cease to exist, which would adversely affect our business.

We currently operate under statutory and third-party licenses that may change or cease to exist. We must pay performance rights royalties for the digital audio transmission of sound recordings. Subject to our ongoing compliance with numerous statutory conditions and regulatory requirements for a non-interactive service, we are permitted to operate our radio service under federal statutory licenses that allow the streaming in the U.S. of any sound recording lawfully released to the public. Pandora offers a small number of ancillary services (e.g., “Pandora Premieres”) that allows users to more directly engage with a limited amount of content for which we secure rights directly from copyright owners. We are also permitted to make reproductions of sound recordings on computer servers pursuant to these statutory licenses designed to facilitate the making of transmissions. For the eleven months ended December 31, 2013 we incurred SoundExchange related content acquisition costs representing 48% of our total revenue for that period.

There is no guarantee that Congress will not amend the Copyright Act to eliminate the availability of these licenses or that we will continue to be eligible to operate under these statutory licenses. For example, if copyright owners objected, and a court agreed, that we operate an "interactive" streaming service, that we make reproductions of sound recordings not covered by the statutory license, or that the functionality or transmission methods of our service extend beyond what is allowed under the statutory license, we could be subject to significant liability for copyright infringement and, absent making technological changes, lose our eligibility to operate under the statutory license. In that event, we would have to negotiate license agreements with sound recording copyright owners individually, a time-consuming and expensive undertaking that could jeopardize our ability to stream a significant percentage of the music currently in our library and result in royalty costs that are prohibitively expensive.

As described in "Business-Content, Copyrights and Royalties-Sound Recordings" in our Transition Report on Form 10-K, we currently elect to avail ourselves of the Pureplay Settlement, which provides the rates and terms of statutory licenses for the reproduction and public performance of sound recordings for commercial webcasters through 2015, and we intend to continue to avail ourselves of this settlement through 2015. We presently do not know what rates will be available to us commencing January 1, 2016. There can be no assurance that we will be able to reach a new agreement with SoundExchange for rates for commercially reasonable rates. The CRB, which has rate-making authority over us upon expiration of the Pureplay Settlement, has consistently established royalty rates, including those established for the years 2011 through 2015 that would, if paid by us, consume a significantly greater portion of our revenue and negatively impact our ability to achieve and sustain profitability. There can be no assurance that the per performance rates established by the CRB for periods following 2015 will not exceed the rates currently paid by us under the Pureplay Settlement. If we are unable to reach a new agreement for commercially reasonable rates with SoundExchange and the CRB sets performance rates for post-2015 periods that exceed the Pureplay Settlement, our content acquisition costs may significantly increase, which could materially harm our financial condition and inhibit the implementation of our business plans.

Outside the statutory framework, we have entered into a partnership with Music and Entertainment Rights Licensing Independent Network (“Merlin”), the global rights agency for the independent label sector, pursuant to which we directly negotiated performance royalties for sound recordings with Merlin and its members. There is no guarantee that any licenses we directly negotiate would continue to be available to us in the future or that such licenses would be available at the royalty rates initially established.

We depend upon third-party licenses for the right to publicly perform musical works and a change to these licenses could materially increase our content acquisition costs.

Our content costs, in part, are comprised of the royalties we pay for the public performance of musical works embodied in the sound recordings that we stream. As described in “Business—Content, Copyrights and Royalties—Musical Works” in our Transition Report on Form 10-K to secure the rights to publicly perform musical works embodied in sound recordings over the internet, we obtain licenses from or for the benefit of copyright owners and pay royalties to copyright owners or their agents. Copyright owners of musical works are vigilant in protecting their rights and currently are seeking substantial increases in the rates applicable to the public performance of such works. There is no guarantee that the licenses available to us now will continue to be available in the future or that such licenses will be available at the royalty rates associated with the current licenses. If we are unable to secure and maintain rights to publicly perform musical works or if we cannot do so on terms that are acceptable to us, our ability to perform music content to our listeners, and consequently our ability to attract and retain both listeners and advertisers, will be adversely impacted. For the eleven months ended December 31, 2013, we incurred content acquisition costs for the public performance of musical works representing approximately 4% of our total revenue for that period.

Copyright owners of musical works, typically, songwriters and music publishers, have traditionally relied on intermediaries known as performing rights organizations to negotiate so-called "blanket" licenses with copyright users, collect royalties under such licenses, and distribute them to copyright owners. We have obtained public performance licenses from, and pay license fees to, the three major performing rights organizations in the United States: the American Society of Composers, Authors and Publishers ("ASCAP"), Broadcast Music, Inc. ("BMI") and SESAC, Inc. ("SESAC").

We currently operate under interim licenses with each of ASCAP and BMI. ASCAP and BMI each are governed by a consent decree with the United States Department of Justice. The rates we pay ASCAP and BMI can be established by either negotiation or through a rate court proceeding conducted by the United States District Court for the Southern District of New York. We elected to terminate our prior agreements with ASCAP as of December 31, 2010 and with BMI as of December 31, 2012 because, among other things, we believed that the royalty rates sought by ASCAP and BMI were in excess of rates paid by our largest radio competitors, broadcast radio stations and satellite radio. Notwithstanding our termination of these agreements, the musical works administered by each of ASCAP and BMI continued to be licensed to us pursuant to the provisions of their respective consent decrees. In November 2012, we filed a petition requesting that the ASCAP rate court determine reasonable license fees and terms for the ASCAP consent decree license applicable to the period January 1, 2011 through December 31, 2015. In June 2013, BMI filed a petition requesting that the BMI rate court determine reasonable license fees and terms for the BMI consent decree license applicable to the period January 1, 2013 through December 31, 2017. A trial to determine the royalty rates we will pay ASCAP concluded in February 2014 and the court issued its opinion in March 2014, but ASCAP has appealed the decision and such appeal is pending. A trial date has not been set for the BMI rate court proceeding. Each of these proceedings has been, and is expected to continue to be, protracted, expensive and uncertain in outcome. It is likely that trial level outcomes will be appealed and the final resolution may not be known for years. In the event that these matters are resolved adversely to us, our content acquisition costs could increase significantly, which would adversely affect our operating results. Notwithstanding the ASCAP court decision, there is no guarantee that final rates established by mutual agreement or by a rate court determination would establish royalty rates more favorable to us than those we previously paid pursuant our terminated agreements with ASCAP and/or BMI or those that we pay pursuant to our interim arrangements with ASCAP and/or BMI.

We currently operate under an agreement with SESAC, which automatically renews yearly, but is subject to termination by either party in accordance with its terms at the end of each yearly term. The SESAC rate is subject to small annual increases. There is no guarantee that either the license or the associated royalty rate available to us now with respect to SESAC will be available to us in the future.

In certain cases, we have also directly negotiated royalty agreements with publishers. There is no guarantee that any directly negotiated licenses with publishers available to us now will continue to be available in the future or that such licenses will be available at the royalty rates associated with such licenses.

We do not currently pay so-called "mechanical royalties" to music publishers for the reproduction and distribution of musical works embodied in server copies or transitory copies used to make streams audible to our listeners. Although not currently a matter of dispute, if music publishers were to retreat from the publicly stated position of their trade association that non-interactive streaming does not require the payment of a mechanical royalties, and a final judgment were entered by a court requiring that payment, our royalty obligations could increase significantly, which would increase our operating expenses and harm our business and financial conditions. While we would vigorously challenge such mechanical royalties as not required by law, our challenge may be unsuccessful and would in any case involve commitment of substantial time and resources. In addition, we stream spoken word comedy content, for which the underlying literary works are not currently entitled to eligibility for licensing by any performing rights organization in the United States. Rather, pursuant to industry-wide custom and practice, this content is performed absent a specific license from any such performing rights organization or individual rights owners, although royalties are paid to SoundExchange for the public performance of the sound recordings in which such literary works are embodied. There can be no assurance that this industry custom will not change or that we will not otherwise become subject to additional licensing costs for spoken word comedy content imposed by performing rights organizations or individual copyright owners in the future or be subject to damages for copyright infringement.

Assertions by third parties of violations under state law with respect to the public performance and reproduction of pre-1972 sound recordings could result in significant costs and substantially harm our business and operating results.

As described in "Business—Content, Copyrights and Royalties—Sound Recordings" in our Transition Report on Form 10-K, sound recordings made on or after February 15, 1972 fall within the scope of federal copyright protection. Subject to our ongoing compliance with numerous federal statutory conditions and regulatory requirements for a noninteractive service, we are permitted to operate our radio service under a statutory license that allows the streaming in the U.S. of any such sound

recording lawfully released to the public and permits us to make reproductions of such sound recordings on computer servers pursuant to a separate statutory license designed to facilitate the making of such transmissions.

By contrast, protection of sound recordings created prior to February 15, 1972 ("pre-1972 sound recordings") remains governed by a patchwork of state statutory and common laws. Copyright owners of pre-1972 sound recordings have commenced litigation against us, alleging violations of New York and California state statutory and common laws with respect to the unauthorized reproduction and public performance of pre-1972 sound recordings, seeking, among other things, restitution, disgorgement of profits, and punitive damages as well as injunctive relief prohibiting further violation of those copyright owners' alleged exclusive rights. Litigation has been brought previously against Sirius XM Radio Inc. ("Sirius") for similar claims, and a federal district court and a state court in California recently ruled against Sirius for violating exclusive public performance rights in California. That same plaintiff has initiated litigation against us, alleging similar violations of exclusive rights under California law. If we are found liable for the violation of the exclusive rights of any pre-1972 sound recording copyright owners, then we could be subject to liability, the amount of which could be significant. If we are required to obtain licenses from individual sound recording copyright owners for the reproduction and public performance of pre-1972 sound recordings, then the time, effort and cost of securing such licenses directly from all owners of sound recording used on our service could be significant and could harm our business and operating results. If we are required to obtain licenses for pre-1972 sound recordings to avoid liability and are unable to secure such licenses, then we may have to remove pre-1972 sound recordings from our service, which could harm our ability to attract and retain users.

Our royalty payments are subject to audits and our royalty calculation methods involve significant estimates.

The royalties that we pay to SoundExchange for the streaming of sound recordings are calculated using a per performance rate. While we believe that the mechanisms we use to track performances are sufficient to ensure that we are accurately reporting and paying royalties, our ability to do so depends in part on our ability to maintain these mechanisms as new devices are introduced and technologies evolve. Any understatement or overstatement of performances could result in our paying lower or higher royalties to SoundExchange than we actually owed, which could in turn affect our financial condition and results of operations. SoundExchange informed us in December 2013 that it intends to audit our payments for the years 2010, 2011, and 2012. In addition, performing rights organizations and musical work copyright owners with whom we have entered into direct licenses have or may have the right to audit our royalty payments, and any such audit could result in disputes over whether we have paid the proper royalties. If such a dispute were to occur, we could be required to pay additional royalties and audit fees. The amounts involved could be material.

Rate court proceedings, the attempted and/or purported withdrawal of certain music publishers or the rights to certain of their works for certain purposes from ASCAP and BMI, and our recent entry into a local marketing agreement to program KXMZ-FM have highlighted uncertainties for the royalty rates that we pay for the public performance of musical works. For example, we could be liable for both increased royalty rates going forward and a potential true-up of royalty payments in excess of any interim royalties paid for the period following December 31, 2010 with respect to ASCAP if ASCAP successfully appeals the rate court's March 2014 ruling and/or for the period following December 31, 2012 with respect to BMI. We record a liability for public performance royalties based on our best estimate of the amount owed to each organization based on historical rates, third-party evidence and legal developments. For each quarterly period, we evaluate our estimates to assess the adequacy of recorded liabilities. If actual royalty rates differ from estimates, revisions to the estimated royalty liabilities may be required, which could materially affect our results of operations. Any royalty audit could result in disputes over whether we have paid the proper royalties.

Federal, state and industry regulations as well as self-regulation related to privacy and data security concerns pose the threat of lawsuits and other liability, require us to expend significant resources, and may hinder our ability and our advertisers' ability to deliver relevant advertising.

We collect and utilize demographic and other information, including personally identifiable information, from and about our listeners as they interact with our service. For example, to register for a Pandora account, our listeners must provide the following information: age, gender, zip code and e-mail address. Listeners must also provide their credit card or debit card numbers and other billing information in connection with additional service offerings. We also may collect information from our listeners when they enter information on their profile page, post comments on other listeners' pages, use other community or social networking features that are part of our service, participate in polls or contests or sign up to receive e-mail newsletters. Further, we and third parties use tracking technologies, including "cookies" and related technologies, to help us manage and track our listeners' interactions with our service and deliver relevant advertising. Third parties may, without our knowledge or consent, illegally obtain, transmit or utilize our listeners' personally identifiable information, or data associated with particular users or devices.

Various federal and state laws and regulations, as well as the laws of foreign jurisdictions in which we may choose to operate, govern the collection, use, retention, sharing and security of the data we receive from and about our listeners. Privacy groups and government bodies have increasingly scrutinized the ways in which companies link personal identities and data associated with particular users or devices with data collected through the internet, and we expect such scrutiny to continue to increase. Alleged violations of laws and regulations relating to privacy and data security, and any relevant claims, may expose us to potential liability and may require us to expend significant resources in responding to and defending such allegations and claims. Claims or allegations that we have violated laws and regulations relating to privacy and data security have resulted and could in the future result in negative publicity and a loss of confidence in us by our listeners and our advertisers, and may subject us to fines by credit card companies and loss of our ability to accept credit and debit card payments.

Existing privacy-related laws and regulations are evolving and subject to potentially differing interpretations, and various federal and state legislative and regulatory bodies, as well as foreign legislative and regulatory bodies, may expand current or enact new laws regarding privacy and data security-related matters. We may find it necessary or desirable to join self-regulatory bodies or other privacy-related organizations that require compliance with their rules pertaining to privacy and data security. We also may be bound by contractual obligations that limit our ability to collect, use, disclose and leverage listener data and to derive economic value from it. New laws, amendments to or re-interpretations of existing laws, rules of self-regulatory bodies, industry standards and contractual obligations, as well as changes in our listeners' expectations and demands regarding privacy and data security, may limit our ability to collect, use and disclose, and to leverage and derive economic value from listener data. We may also be required to expend significant resources to adapt to these changes and to develop new ways to deliver relevant advertising or otherwise provide value to our advertisers. In particular, government regulators have proposed "do not track" mechanisms, and requirements that users affirmatively "opt-in" to certain types of data collection that, if enacted into law or adopted by self-regulatory bodies or as part of industry standards, could significantly hinder our ability to collect and use data relating to listeners. Restrictions on our ability to collect, access and harness listener data, or to use or disclose listener data or any profiles that we develop using such data, would in turn limit our ability to stream personalized music content to our listeners and offer targeted advertising opportunities to our advertising customers, each of which are critical to the success of our business. Such restrictions would also hinder our ability to provide labels and artists with analytics, which is an important tool through which we believe we can foster closer relationships with labels and artists.

We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols imposed by law, regulation, self-regulatory bodies, industry standards and contractual obligations. Increased regulation of data utilization and distribution practices, including self-regulation and industry standards, could increase our cost of operation, limit our ability to grow our operations or otherwise adversely affect our business.

We are subject to a number of risks related to credit card and debit card payments we accept.

We accept payments exclusively through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our products, which could cause us to lose subscribers and subscription revenue, or absorb an increase in our operating expenses, either of which could harm our operating results.

If we or any of our processing vendors have problems with our billing software, or the billing software malfunctions, it could have an adverse effect on our subscriber satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our subscribers' credit cards on a timely basis or at all, or there are issues with financial insolvency of our third-party vendors or other unanticipated problems or events, we could lose subscription revenue, which would harm our operating results.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it more difficult for us to comply. We are currently in compliance with the Payment Card Industry, or PCI, Data Security Standard, or PCI DSS, a security standard with which companies that collect, store or transmit certain data regarding credit and debit cards, credit and debit card holders and credit and debit card transactions are required to comply. However, there is no guarantee that we will maintain PCI DSS compliance. Our failure to comply fully with PCI DSS in the future could violate payment card association operating rules, federal and state laws and regulations and the terms of our contracts with payment processors and merchant banks. Such failure to comply fully also could subject us to fines, penalties, damages and civil liability, and could result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that PCI DSS compliance will prevent illegal or improper use of our payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, credit and debit card holders and credit and debit card transactions.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher credit card-related costs, each of which could adversely affect our business, financial condition and results of operations. If we are unable to maintain our chargeback rate or refund rates at acceptable levels, credit card and debit card companies may increase our transaction fees or terminate their relationships with us. Any increases in our credit card and debit card fees could adversely affect our results of operations, particularly if we elect not to raise our rates for our service to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference					Filed Herewith
		Form	File No.	Exhibit	Filing Date	Filed By	
10.12I	Ninth Amendment to Lease between CIM/Oakland Center 21, LP and Pandora Media, Inc., dated August 15, 2013						X
10.12J	Tenth Amendment to Lease between CIM/Oakland Center 21, LP and Pandora Media, Inc., dated October 1, 2014						X
31.01	Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act						X
31.02	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act						X
32.01	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act						X
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Condensed Balance Sheets as of September 30, 2014 and December 31, 2013, (ii) Condensed Statements of Operations for the Three and Nine months ended September 30, 2014 and 2013, (iii) Condensed Statements of Comprehensive Loss for the Three and Nine months Ended September 30, 2014 and 2013, (iv) Condensed Statements of Cash Flows for the Nine months ended September 30, 2014 and 2013 and (v) Notes to Condensed Financial Statements						X

† Indicates management contract or compensatory plan.

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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: October 28, 2014

By: /s/ Michael S. Herring

Michael S. Herring
Executive Vice President and Chief
Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

NINTH AMENDMENT TO LEASE

THIS NINTH AMENDMENT TO LEASE (this "Amendment") is entered into as of June 28, 2013, by and between **CIM/OAKLAND CENTER 21, LP**, a Delaware limited partnership ("Landlord"), and **PANDORA MEDIA, INC.**, a Delaware corporation ("Tenant"), with reference to the following facts:

R E C I T A L S

A. Landlord and Tenant entered into that certain Office Lease dated as of July 23, 2009, as amended by that certain First Amendment to Lease dated as of April 13, 2010 (the "First Amendment"), that certain Second Amendment to Lease dated June 16, 2010 (the "Second Amendment"), that certain Third Amendment to Lease dated as of December 15, 2010 (the "Third Amendment"), that certain Fourth Amendment to Lease dated March 10, 2011 (the "Fourth Amendment"), that certain Fifth Amendment to Lease dated July 1, 2011 (the "Fifth Amendment"), that certain Sixth Amendment to Lease dated September 27, 2011, that certain Seventh Amendment to Lease dated as of July 12, 2012 (the "Seventh Amendment"), and that certain Eighth Amendment to Lease dated as of February 1, 2013 (the "Eighth Amendment"); collectively, the "Lease"), pursuant to which Tenant leases certain premises (the "Premises") consisting of 74,089 rentable square feet on the sixth (6th), fifteenth (15th) floor and sixteenth (16th) floors of the Building located 2101 Webster Street, Oakland, California (the "2101 Webster Building"), which is part of the office project known as "Center 21" comprised of (i) the 2101 Webster Building, (ii) the building located at 2100 Franklin Street, Oakland, California (the "2100 Franklin Building"; and together with the 2101 Webster Building the "Buildings"), (iii) a subterranean parking garage underneath the Buildings, and (iv) a multi-story parking structure located at 2353 Webster Street (collectively, the "Project").

B. Tenant intends to expand the Premises to include certain portions of the seventh (7th) floor of the 2100 Franklin Building, comprised of Suite 700 (consisting of 25,198 rentable square feet) (the "7th Floor Expansion Space"). The Premises have been measured in accordance with the Building Owners and Management Association Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-1996, as modified by Landlord for purposes of the Buildings.

C. Landlord has agreed to the foregoing expansion of the 7th Floor Expansion Space, subject to the terms and conditions of this Amendment.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows (capitalized terms used but not defined herein shall have the meaning given them in the Lease):

A G R E E M E N T

1. Incorporation of Recitals. Recitals A through C above are incorporated herein by reference.

2. The Expanded Premises. Upon full execution and delivery of this Amendment (the "Expansion Commencement Date"), Landlord shall deliver to Tenant and Tenant shall lease the 7th Floor Expansion Space in addition to the Premises. Accordingly, commencing on the Expansion Commencement Date, and continuing through the New Termination Date of the Extended Term, as defined in the Third Amendment (the "Expansion Space Term"), Tenant shall lease a total of 99,287 rentable square feet, which space shall herein be known and referred to as the "Expanded Premises." Hereinafter, all references in the Lease to the Premises shall refer to the Expanded Premises.

3. Monthly Base Rent for the 7th Floor Expansion Space. The parties agree that the Base Rent for the first twelve (12) months of the Expansion Space Term pertaining to the 7th Floor

Expansion Space commencing on August 1, 2013 (the "7th Floor Expansion Space Rent Commencement Date") shall be $75,594.00 (based on $3.00 per rentable square foot). Thereafter, Base Rent shall be increased annually by 3% per annum throughout the Expansion Space Term.

4. Base Year; Tenant's Proportionate Share. Commencing on the 7th Floor Expansion Space Term, and during the Expansion Space Term, as to the 7th Floor Expansion Space, Tenant shall pay Tenant's Proportionate Share of increases of Operating Costs over the calendar year 2013 (provided that Tenant shall not be required to pay any portion of Tenant's Proportionate Share of increases for the first twelve months of the 7th Floor Expansion Space Term), which is 11.63% (as to the 7th Floor Expansion Space only), based on 25,198/216,668 (as to the 2100 Franklin Building), and 3.66% (as to the Buildings). Tenant shall continue to pay Tenant's Proportionate Share as to the remaining Premises pursuant to the terms of the Lease.

5. Condition of the Expansion Space. Tenant hereby agrees to accept the 7th Floor Expansion Space in their "as-is, where is" condition. Notwithstanding the foregoing, Landlord or its manager shall provide Tenant with a tenant improvement allowance in the amount of $40.000 per square foot totaling $1,007.920.00 for costs relating to the design and construction of interior improvements that will be permanently affixed to the 7th Floor Expansion Space (the "Improvements") in accordance with the terms of Exhibit "B" attached hereto. Notwithstanding anything to the contrary contained in Exhibit B or the Lease, Tenant agrees that as a condition of the terms of Exhibit "B", Tenant will restore the 7th Floor Expansion Space prior to termination or earlier expiration of the Extended Term per Exhibit "B" to a "warm lit shell" condition defined as consistent with the layout and standard of the lighting, ceiling, HVAC distribution, sprinklers, fire/life safety devices as the 6th Floor Expansion Space. Said restoration shall also apply to the space on the 6th Floor Expansion Space per Exhibit "A-1" as shown in the areas circled "Restored Said Space" more specifically the area constructed RADIO in the kitchen area as well as the Collaboration area/space. At the time it approves the Preliminary Plans, Landlord must advise Tenant in writing which, if any, of the Improvements must be removed upon the expiration or earlier termination of the Expansion Space Term.

6. Option to Extend. Provided Tenant is not in Default of any term or condition of the Lease as of the New Termination Date, Tenant shall have the option to renew the term of the Lease as to the entire Premises (as herein expanded) for one (1) additional five (5) year term ("Renewal Term"), on the same terms and conditions of the Lease, except that the Base Rent shall be adjusted to an amount equal to the then prevailing market rental rate for comparable leases for similar projects in Oakland's Lake Merritt sub-market (but not less than the Base Rent in effect immediately prior to the commencement of the Renewal Term). Such option shall be exercised (if at all) by Tenant giving irrevocable written notice to Landlord at least fifteen (15) months prior to the expiration of the Extended Term. The option shall be personal to the currently named Tenant.

The prevailing market rental rate shall be determined in the following manner:

Prevailing market rental rate shall be determined taking into account all relevant factors, including (to the extent relevant) number of months of free rent, if any (which shall be part of the determination of the rental rate), tenant improvement obligations, moving allowances, and leasing commissions and costs. The term "comparable leases" shall not include leases entered into under special circumstances affecting the economics of the tenancies, including following the exercise of options to lease space at other than then current prevailing market rate, the lease of awkward or unusually shaped space or space without windows or other usual amenities, leases entered into under conditions where the landlord was forced to

lease the space by external legal, economic, or other pressures not generally applicable to the market, or the sublease of space by a sublandlord not primarily in the business of leasing space similar to the Premises. Prior to the date which is twelve (12) months before the expiration of the Extended Term, and assuming that Tenant has properly exercised its option to renew, Landlord shall give Tenant notice of Landlord's proposed prevailing market rental value for the Premises. Tenant shall give Landlord written notice within thirty (30) days thereafter as to whether or not Tenant agrees with Landlord's proposed prevailing market rental value. If Tenant disagrees with Landlord's proposed prevailing market rental value, the parties shall negotiate in good faith to resolve their differences for a period of thirty (30) days. Upon the expiration of such thirty day period, if the parties are not in agreement as to such fair market rental value, then either party may initiate appraisal to determine the fair market rental value by giving written notice to the other party, such notice containing the name of an independent real estate broker or a person with an MAI designation with at least ten (10) years of experience in leasing commercial office space in the Oakland Lake Merritt submarket area (a "Qualified Appraiser") appointed by such initiating party. Within fifteen (15) days thereafter, the party receiving such notice shall appoint its own Qualified Appraiser and give written notice thereof to the initiating party. If the second Qualified Appraiser is not appointed within such fifteen day period, then the Qualified Appraiser selected by the initiating party shall determine the fair market rental value of the Premises, and such appraisal shall be binding upon the parties. If the second Qualified Appraiser is timely appointed, then the two Qualified Appraisers shall confer and attempt to agree on the prevailing market rental value. If the two Qualified Appraisers are unable to agree, but the higher appraisal is no more than five percent (5%) higher than the lower appraisal, then the prevailing market rental value shall be the average of the two appraisals. If the higher appraisal is more than five percent (5%) greater than the lower appraisal, the two Qualified Appraisers shall together, within ten (10) business days, select a third Qualified Appraiser who shall select one of the Qualified Appraisers determined prevailing market rental value, and that determination shall be the prevailing market rental value.

All appraisers shall be members of the MAI and shall have at least ten (10) years' experience appraising similar property in the Oakland Lake Merritt sub-market area. Each party shall bear the cost of the appraiser appointed by such party, and the parties shall share equally in the cost of the third appraiser, if appointed. If the two appraisers initially appointed are unable to agree on a third appraiser, then either party shall have the right to apply to the presiding judge of the Superior Court having jurisdiction over the Premises for the appointment of a third appraiser.

7. Security Deposit. Concurrently with Tenant's execution of this Amendment, Tenant shall deposit an additional $300,000.00 towards the Security Deposit. Tenant may elect to deposit an irrevocable letter of credit, subject to the terms of the Lease and substantially in the form of Exhibit F thereto, in lieu of depositing a cash Security Deposit. Landlord shall continue to hold the Security Deposit, as increased herein, pursuant to the terms of the Lease.

8. Parking. Effective as of the 7th Floor Expansion Rent Commencement Date and continuing throughout the Expansion Term, Tenant shall have the right to rent the additional following parking spaces: Up to twenty-five (25) unreserved parking passes in the Parking Structure at 2353 Webster, and up to two (2) unreserved parking passes in the Underground Parking Garage. Tenant's rental and use of such additional parking passes shall be in accordance with, and subject to, all provisions of the Lease including, without limitation, any increases in payment of the monthly parking rates as specified therein. Bicycle parking is available on the first deck of the 2353 Webster Parking Structure at no cost to Tenant. The parties acknowledge that Landlord currently operates a courtesy shuttle on non-holiday business days between the Parking Structure and the Building, and between the Building and the 19th Street BART Station between 3:30 p.m. and 8:30 p.m. Tenant should direct any questions regarding such shuttle to the Buildings manager.

9. Signage. At no cost to Tenant, Landlord shall provide Buildings standard signage, including 2100 Franklin Building directory, elevator lobby and suite identification signage for the 7th Floor Expansion Space. In addition, subject to governmental approval and all applicable laws and Landlord's Rules and Regulations, and so long as Tenant is not in breach of the Lease after receipt of written notice and past any express cure period and remains in occupancy of at least 50,000 rentable square feet in the Building, Tenant shall have the right to erect and maintain exterior Building signage (the "Signage") identifying the name of the Tenant named in this Lease or any transferee permitted under the terms of the Lease at the location shown on Exhibit "D". Such right (the "Signage Right") shall be subject to each of the following provisions:

9.1 The Signage size, color and font, weight and location shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed.

9.2 The installation, design and maintenance of the Signage shall comply with all applicable governmental laws and regulations.

9.3 Tenant shall promptly pay all costs relating to the Signage, including costs of design, permits and licenses, installation, electrical and other utility costs and maintenance and repair costs.

9.4 Tenant shall pay the cost of removing the Signage at the expiration or earlier termination of the Term (as it may be extended), including, without limitation, the cost of repairing the Building exterior and bringing such Building exterior to substantially the same condition as prior to the installation of the Signage; subject, however, to reasonable wear and tear.

9.5 Landlord may elect to erect and/or maintain the Signage, provided that the cost of installation or maintenance of the Signage do not exceed those charged by signage contractors for installations and maintenance at Class A buildings in the Oakland Lake Merritt area. \Tenant shall pay for the actual third party costs incurred by Landlord within thirty (30) days after presentation of detailed invoice.

9.6 Without limiting the generality of such obligations, Tenant's indemnity and insurance obligations set forth elsewhere in the Lease shall apply to the Signage.

9.7 If at any time Tenant or a permitted transferee is occupying less than 50,000 rentable square feet, then at Landlord's option the Signage Right shall be terminated, and Tenant shall pay the cost of removal and repair as described above.

10. REIT Representations. Anything contained in the Lease to the contrary notwithstanding, Tenant shall not sublet the Premises on any basis such that the rent or other amounts to be paid by the sublessee thereunder would be based, in whole or in part, on either (i) the net income or profits derived by the business activities of the proposed sublessee, or (b) any other formula such that any portion of the Rent would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provision hereto. Furthermore, the average of the fair market values of the items of personal property that are leased to Tenant under the Lease at the beginning and at the end of any Lease Year shall not exceed fifteen percent (15%) of the average of the aggregate fair market values of the leased property at the beginning and at the end of such Lease Year (the "Personal Property Limitation"). If Landlord reasonably anticipates that the Personal Property Limitation will be exceeded with respect to the leased property for any Lease Year, Landlord shall notify Tenant, and Tenant either (i) shall purchase at fair market value any personal property anticipated to be in excess of the Personal Property Limitation ("Excess Personal Property") either from Landlord or a third party or (ii) shall lease the Excess Personal Property from third party. In either case, Tenant's Rent obligation shall be equitably adjusted. Notwithstanding anything to the contrary set forth above, Tenant shall not be

responsible in any way for determining whether Tenant has exceeded or will exceed the Personal Property Limitation and shall not be liable to Landlord or any of its shareholders in the event that the Personal Property Limitation is exceeded, as long as Tenant meets its obligation to acquire or lease any Excess Personal Property as provided above. This section is intended to ensure that the Rent qualifies as "rents from real property," within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provisions thereto, and shall be interpreted in a manner consistent with such intent. Tenant agrees, and agrees to use its best effort to cause its Affiliates, to cooperate in good faith with Landlord to ensure that the terms of this Section are satisfied. Tenant agrees, and agrees to use reasonable efforts to cause its Affiliates, upon request by Landlord to take reasonable action necessary to ensure compliance with all REIT Requirements. If Tenant becomes aware that the REIT Requirements are not, or will not be, satisfied, Tenant shall notify, or use reasonable efforts to cause its Affiliates to notify Landlord of such noncompliance.

11. Early Entry. Tenant shall have the right to enter the Premises fourteen (14) days prior to the Commencement Date for the purpose of installing Tenant's furniture, fixtures and data and telephone cabling. Such early entry for such purposes shall not constitute occupancy for operation of Tenant's business and shall not trigger the Commencement Date. Tenant agrees (i) any such early entry by Tenant shall be at Tenant's sole risk, (ii) Tenant shall comply with and be bound by all provisions of this Lease during the period of any such early entry except for the payment of Rent or other charges and (iii) Tenant and its agents and contractors agree to comply with all applicable laws, regulations, permits and other approvals required to perform its work during the early entry on the Premises.

12. Brokers. Landlord and Tenant each warrant and represent to the other that other than Jones Lang LaSalle and Colliers International ("Brokers"), it has not employed or dealt with any real estate broker or finder in connection with this Amendment, and that it knows of no real estate broker, agent or finder who is or might be entitled to a commission or fee in connection with this Amendment. Landlord and Tenant each agree to indemnify, defend and hold the other harmless from and against any and all claims demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent other than Brokers occurring by, through, or under the indemnifying party in connection with this Amendment.

13. Status of Lease. Except as amended by this Amendment, the Lease remains unchanged, and, as amended by this Amendment, the Lease is in full force and effect.

14. Counterparts. This Amendment may be executed in several counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same Amendment. In addition, properly executed, authorized signatures may be transmitted via facsimile and upon receipt shall constitute an original signature.

15. Entire Agreement. There are no oral or written agreements or representations between the parties hereto affecting the Lease not contained in the Lease or this Amendment. The Lease, as amended, supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements, and understandings, if any, made by, to, or between Landlord and Tenant and their respective agents and employees with respect to the subject matter thereof, and none shall be used to interpret, construe, supplement or contradict the Lease, including any and all amendments thereto. The Lease, and all amendments thereto, shall be considered to be the only agreement between the parties hereto and their representatives and agents. To be effective and binding on Landlord and Tenant, any amendment, revision, change or modification to the provisions of the Lease must be in writing and executed by both parties.

--Signatures Next Page--

IN WITNESS WHEREOF, Landlord and Tenant have entered into this Amendment as of the date first set forth above.

"**Tenant**":

PANDORA MEDIA, INC.,
a Delaware corporation

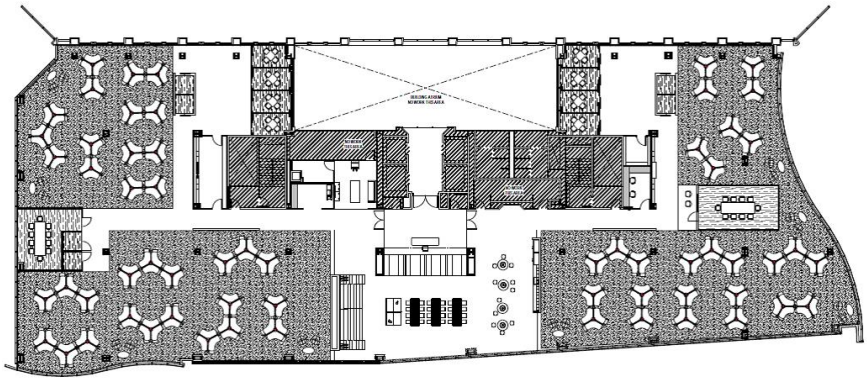
By: /s/ Michael S. Herring
Name: Michael S. Herring
Its: CFO

"**Landlord**":

CIM/OAKLAND CENTER 21, LP,
a Delaware limited partnership

By: CIM/Oakland Office Properties GP, LLC, a Delaware Limited Liability Company
Its: General Partner
By: /s/ Terry Wachsner, Vice President

EXHIBIT A
7TH FLOOR EXPANSION SPACE



OPTION E - FINISHES
PANDORA PHASE 2
06/07/13 Scale: 1/8" = 1'-0"

STUDIOS architectura

EXHIBIT A-1
6th FLOOR EXPANSION SPACE

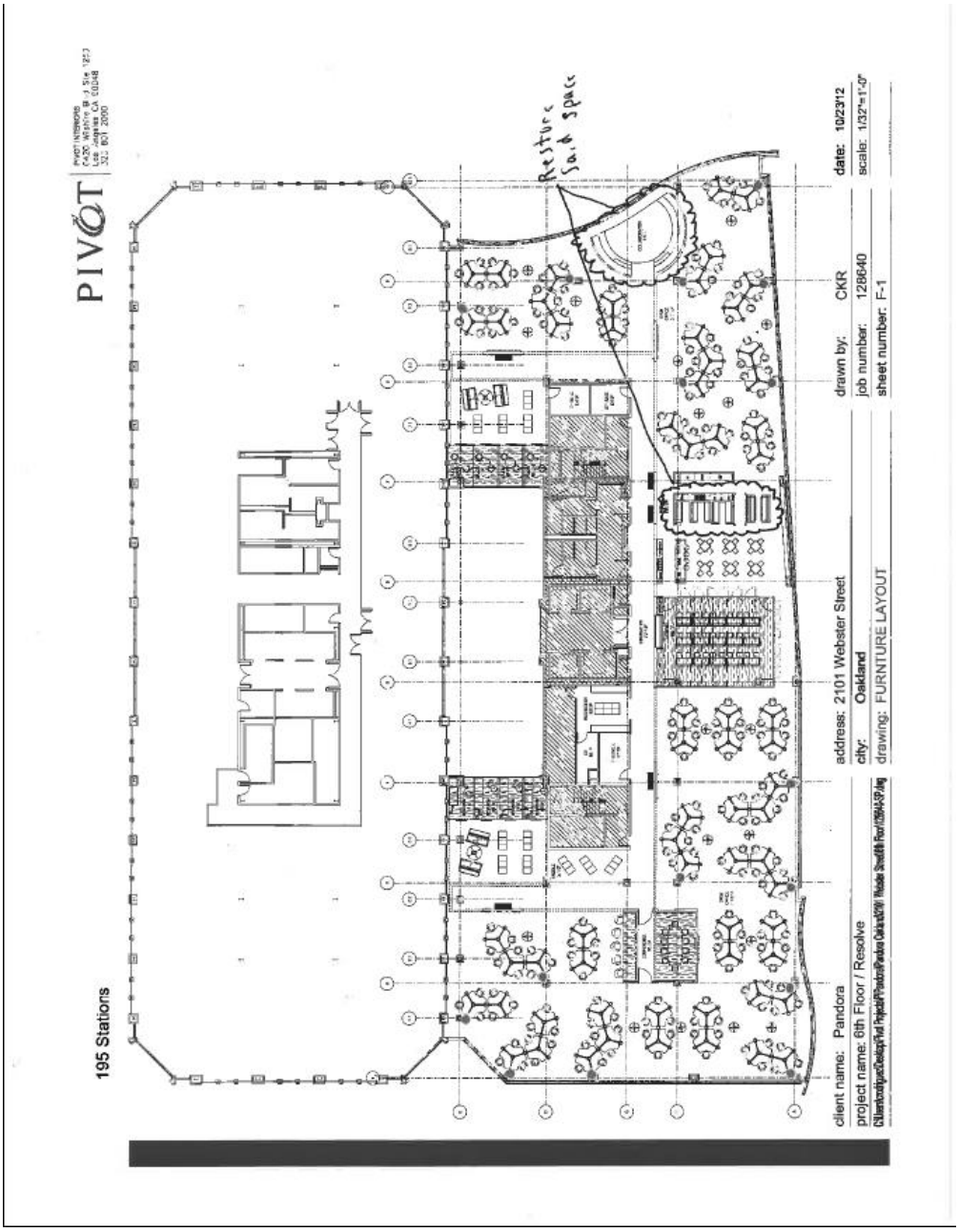


EXHIBIT B
WORK LETTER

Tenant's improvement of the 7th Floor Expansion Space shall be governed by the terms of this Work Letter.

1. Approval Process for Plans.

1.1 Approval of Preliminary Plans. Prior to construction, Tenant shall submit to Landlord preliminary plans and specifications for its improvement of the Premises (the "***Preliminary Plans***"). The Preliminary Plans shall be prepared by a licensed, qualified architect selected and paid by Tenant who is licensed by the State of California. Said architect shall be approved by Landlord in writing, provided that Landlord's approval shall not be unreasonably withheld, conditioned or delayed. For the purposes of this Work Letter, Studios Architects is approved as the architect

1.1.1 Landlord's Response. Within five (5) business days after Landlord's receipt of the Preliminary Plans, Landlord shall notify Tenant in writing of its approval or of any objections thereto. Within five (5) business days after the receipt by Tenant of a timely objection of Landlord, Tenant shall cause the Preliminary Plans to be modified and shall thereafter deliver the modified plans to Landlord for its approval. Landlord shall have five (5) business days from its receipt thereof to approve such modified Preliminary Plans in the same manner as set forth above. This procedure shall be followed until all reasonable objections have been resolved and the Preliminary Plans have been approved.

1.1.2 Evidence of Approval. Landlord's and Tenant's approval of the Preliminary Plans shall be evidenced by their initialing and dating each page thereof.

1.2 Approval of Permit Drawings. Within ten (10) calendar days following the initialing of the Preliminary Plans by Landlord and Tenant, Tenant shall prepare and deliver to Landlord permit drawings for Tenant's remodeling (the "***Permit Drawings***") for Landlord's approval.

1.2.1 Landlord's Response. Landlord shall approve or disapprove the Permit Drawings within five (5) business days after Landlord's receipt thereof. Landlord's disapproval shall be effected by Landlord's delivery to Tenant, within such five (5) business day period, of a writing setting forth with specificity the reasons for such disapproval. Within five (5) business days of the receipt by Tenant of Landlord's objections, Tenant shall cause the Permit Drawings to be modified and shall deliver the modified Permit Drawings to Landlord for its approval. Landlord shall have five (5) business days from its receipt thereof to approve such modified Permit Drawings in the same manner as set forth above. This procedure shall be followed until all reasonable objections have been resolved and the Permit Drawings have been approved.

1.2.2 Evidence of Approval. Tenant's and Landlord's approval of the Permit Drawings shall be evidenced by their initialing and dating each page thereof.

1.2.3 Changes to Preliminary Plans. If Tenant makes any subsequent changes or modifications to the approved Preliminary Plans, then Tenant shall submit such changes to Landlord for its approval. Within five (5) business days after receipt of said changes, Landlord shall notify Tenant in writing of its approval or of any reasonable objections thereto.

1.3 Limitation on Tenant's Improvements. In no event shall the improvements to be made by Tenant to the Premises exceed the Building's systems limits or capacities, including the limits applicable to plumbing, electrical, HVAC, and load bearing systems.

1.4 Plan Check. Upon Landlord's and Tenant's approval of the Permit Drawings, Tenant shall submit a final version thereof to the City for necessary plan checks and approvals. Any and all plan check corrections shall be made by Tenant.

1.5 Change Orders. In the event Tenant desires to change any item of the Permit Drawings or the Preliminary Plans following approval by Landlord, Tenant, and City, then Tenant shall submit a change order detailing the desired change (the "***Change Order Request***") to Landlord for Landlord's approval. Within three (3) business days after receipt of the Change Order Request from Tenant, Landlord shall notify Tenant in writing if Landlord approves or disapproves the Change Order Request, which approval shall not be unreasonably withheld. The latest Permit Drawings and preliminary Plans (including changes thereto pursuant to an approved Change Order Request) as approved by Landlord are herein referred to as the "***Approved Plans***".

1.6 Approval of Tenant's Contractors and Subcontractors. Prior to hiring any contractors or subcontractors, or entering into agreements with any of them, Tenant shall deliver to Landlord for Landlord's reasonable approval a list of the contractors and subcontractors Tenant proposes to hire to perform the work in the Premises.. Landlord's approval shall not be unreasonably withheld, conditioned or delayed. It shall be reasonable for Landlord to withhold approval based on the proposed contractor's or subcontractor's inadequate financial status, reputation for poor quality work, inability or unwillingness to obtain insurance, union/non-union status, or lack of experience with projects like the Project in Oakland , California, taking into account the desirability of maintaining harmonious labor relations in the Building. As a condition to its approval, Landlord may require insurance coverage, regular written progress reports and consultations, and the employment of only union or non-union personnel and subcontractors. In any event, Landlord shall have the right to designate the subcontractors to perform work in the Premises which could reasonably affect the systems (or warranties concerning such systems) of the Building, including but not limited to the elevator (if any), roof, HVAC, fire/life safety, plumbing, exterior, foundation, and load bearing elements provided that the cost of such subcontractor's services are within the range typically charged by similar subcontractors in the East Bay Region. For the purposes of this Work Letter, Skyline Construction is approved as the general contractor. Tenant is strongly encouraged to utilize responsible contractors as defined from time to time by the California Public Employees' Retirement System ("***CalPERS***") in its Responsible Contractor Program Policy, a copy of which is attached hereto as ***Exhibit B-1***.

1.7 Timely Performance. Tenant agrees to cause any plans, specifications, drawings, schedules and documents to be provided by it hereunder to be prepared promptly and in coordination with the activities of Landlord and its agents. Landlord agrees to timely perform its obligations hereunder at no cost to Tenant. In addition, Landlord will not charge Tenant any supervisory fee. Time is of the essence.

1.8 Exculpation. Landlord's space planner and engineer are independent contractors. Landlord may introduce Tenant to Landlord's space planner as an accommodation to Tenant. Even if the Preliminary Plans, Permit Drawings, and any changes thereto are performed by Landlord's space planner and engineers, and notwithstanding any advice or assistance which may be rendered to Tenant and/or Landlord's space planner and/or engineers by Landlord or employees or affiliates of Landlord or affiliates of Landlord's general partners, Landlord shall not be responsible for any omissions or errors contained therein.

1.9 Quality of Design and Construction. The construction of Tenant's improvements to the Premises shall be of the highest quality workmanship and standards.

1.10 Payment for Tenant Improvement Work. Tenant shall pay for all hard and soft costs incurred by Tenant in connection with the design and construction by Tenant of the Tenant improvements, including the design and preparation of the Approved Plans, Preliminary Plans and Permit Drawings, including but not limited to (i) revisions thereof as reasonably required for approval by Landlord, Tenant, and/or the City; (ii) all necessary printing and distribution costs required to implement the purposes of

this ***Exhibit "B"***, and (iii) the cost of all permits and certificates. Notwithstanding the foregoing, and provided Tenant is not in Default under this Work Letter or the terms of the Lease, Landlord shall provide Tenant with an allowance in an amount not to exceed $1,007,920.00 (based on $40.00 per rentable square foot of the 7th Floor Expansion Space) (the "***Allowance***") to be used solely for the hard and soft costs approved by Landlord and incurred by Tenant in connection with improving the 7th Floor Expansion Space. In no event shall the Allowance be used for furniture, fixtures and equipment, or other Personal Property of Tenant. The Allowance shall be paid within thirty (30) days after Landlord's receipt of the items required by Section 3.1.14 of this Exhibit "B".

The Allowance will be disbursed by Landlord either to Tenant directly or to Tenant's general contractor, at Tenant's option and direction, as follows:

(a) $503,960.00 within thirty (30) days after the date Landlord receives (a) proof reasonably satisfactory to Landlord that 50.00% of the Tenant Improvements have been completed, such percentage based on dollars spent and time of construction required, and

(b) conditional lien waivers complying with the California Civil Code from Tenant's Contractor and all subcontractors; and(b) $503,960.00 shall be paid to Tenant within thirty (30) days of Substantial Completion of the Tenant Improvements, and Landlord's receipt of all items set forth in Section 3.1.13 of this Work Letter.

After the Allowance has been fully disbursed and if the Tenant Improvements are not complete, Tenant will be responsible for any remaining cost of the Tenant Improvements. Any unused or unfunded portion of the Allowance will not be available to Tenant as a credit against the Base Rent or Operating Costs.

2. Construction.

2.1 Construction by Tenant. The work ("***Work***") set forth in the Approved Plans shall be performed in accordance with the following:

2.1.4 Tenant shall diligently prosecute such Work to completion. Tenant shall have the Work performed in such a manner so as not to (a) obstruct the access of any other tenant or occupant in the Project, (b) damage any portion of the Project, including Common Areas, or (c) create dust or dirt in any Common Areas. Tenant shall cause the work areas to be cleaned on a daily basis.

2.1.5 All Work in the Premises shall be performed by Tenant's contractors and subcontractors strictly in accordance with the Approved Plans, the provisions of Title 24 of the California Administrative Code, the Americans with Disabilities Act, and all other applicable Laws, and shall satisfy the requirements of all carriers of insurance on the Premises and the Project, and the Board of Underwriters Fire Rating Bureau or similar organization.

2.1.6 All Work in the Premises shall be performed in accordance with the reasonable rules and regulations of Landlord.

2.1.7 Prior to the commencement of the Work in the Premises, Tenant shall notify Landlord in writing of the anticipated date of the commencement of construction to enable Landlord to post a notice of non-responsibility.

2.1.8 Prior to the commencement of the Work the Premises, Tenant shall furnish a copy of the building permit to Landlord.

2.1.9 Prior to and continuing during the period of Tenant's access, entry and construction, Tenant's contractors and subcontractors shall procure and maintain property damage and commercial general liability insurance during the period of their performance of labor or the

furnishing of materials to the Premises from an insurance company satisfactory to Landlord. Said insurance shall be as shown on Exhibit B-1and shall name Landlord and, at Landlord's request, any lenders of Landlord or any ground lessor, as additional insureds, as their respective interests may appear. Tenant shall also require each contractor and subcontractor employed to perform labor or furnish materials to the Premise to procure and maintain, during the performance of the labor or the furnishing of the materials, a policy of workers' compensation or employer's liability insurance issued by an insurance company reasonably acceptable to Landlord for the protection of the employees of the contractors and subcontractors, including executive, managerial, and supervisorial employees engaged in any Tenant Improvements to be performed in the Premises. Copies of the policies or certificates evidencing the existence and amounts of such insurance, and renewals or binders, shall be delivered to Landlord by Tenant at least ten (10) days prior to (a) the commencement of Tenant Improvements, or (b) the expiration of any such policy, as the case may be.

2.1.10 Landlord shall have no responsibility for the quality or adequacy of any Work performed by Tenant's contractors or subcontractors, whether with respect to labor, material, or otherwise.

2.1.11 Tenant shall be solely responsible for security in the Premises during the period of construction. None of Landlord, Landlord's contractor, or their agents or employees shall have any responsibility whatsoever for the safety of any equipment, tools, materials, fixtures, merchandise, or other personal property located in the Premises during the period of construction except to the extent damage is caused by the gross negligence or willful misconduct of Landlord, Landlord's contractor, or their agents or employees.

2.1.12 The Project and the Premises shall be kept free and clear of any and all mechanics' or similar liens on account of work performed by Tenant, its contractors or subcontractors. If any such liens are filed, Tenant shall post a release bond pursuant to the provisions of the California Civil Code within twenty (20) days following the filing of such lien.

2.1.13 Landlord and Landlord's Lender shall have access to the Premises for purposes of inspection at all times during the period of construction.

2.1.14 Tenant shall reimburse Landlord for any and all expenses incurred by Landlord by reason of faulty Work performed by Tenant or its contractors or subcontractors, damage to the Building or Project caused by Tenant's contractors or subcontractors, or or as a result of their inadequate clean-up, including but not limited to reasonable legal fees and costs incurred in connection with Landlord's enforcement of the provisions of this Subparagraph.

2.1.15 Landlord shall be deemed to be the owner of all of improvements constructed by Tenant pursuant to this ***Exhibit "B"*** with the exception of Tenant's trade fixtures, which shall include, without limitation, furnishing and equipment, any portable free standing partitions and folding partitions.

2.1.16 Within thirty (30) days after Substantial Completion of the Work, Tenant shall deliver to Landlord:

(a) Reproducible "as-built" plans and specifications for all tenant improvement Work performed by Tenant in the Premises.

(b) Tenant's contractor's completion certificate in form and substance satisfactory to Landlord, and evidence that Tenant's Work has been performed in accordance with the Approved Plans.

(c) A copy of a recorded, valid notice of completion.

(d) Copies of signed-off permits, certificates of occupancy for the Premises, and a stamped set of final approved plans evidencing governmental approval of the completion of Tenant's Work.

(e) Properly executed unconditional final lien waivers in form complying with California Civil Code Sections 8132-8138 from all contractors and subcontractors performing any part of Tenant's Work.

"**Tenant**":

PANDORA MEDIA, INC.,
a Delaware corporation

By: /s/ Michael S. Herring
Name: Michael S. Herring
Its: CFO

"**Landlord**":

CIM/OAKLAND CENTER 21, LP,
a Delaware limited partnership
By: CIM/Oakland Office Properties GP, LLC,
its general partner

CIM/Oakland Office Properties GP, LLC, a Delaware Limited Liability Company
By:
Its: General Partner
By: /s/ Terry Wachsner, Vice President

A. Commercial General Liability insurance (including contractual liability coverage and products/completed operations) on an occurrence basis for bodily injury, death, "broad form" property damage, and personal injury, with coverage limits of not less than Five Million Dollars ($5,000,000) per occurrence and Ten Million dollars ($10,000,000) general aggregate for bodily injury and property damage;

B. Auto liability insurance covering all owned, non-owned and hired vehicles, with coverage limits of not less than One Million Dollars ($1,000,000) per occurrence for bodily injury and property damage;

C. Umbrella liability insurance on an occurrence form, for limits of not less than Twenty-Five Million Dollars ($25,000,000) per occurrence and in the aggregate; and Insurance carriers to be rated A-VII or better by A.M. Best Company.

EXHIBIT B-2

RESPONSIBLE CONTRACTOR PROGRAM POLICY

By executing the Agreement this Responsible Contractor Program Policy is attached to, Contractor hereby certifies that it will comply with the Responsible Contractor Program (the "RCP") promulgated by the California Public Employees'' Retirement System ("CalPERS") and that it is a Responsible Contractor as defined in the RCP, and agrees to provide the Owner and CalPERS with documentation using the forms approved by CalPERS to certify responsible contractor status and to establish compliance with the RCP. Compliance will be reviewed by CalPERS annually.

Fair Wage & Fair Benefits -- Contractor hereby certifies that all subcontractors and employees retained to perform Work or Services under this Agreement will receive a "fair wage" and "fair benefits" pursuant to the RCP. Fair benefits are evidenced by some of the following: employer-paid family health care coverage, pension benefits, apprenticeship programs and benefits paid for comparable work on comparable projects. Fair wage does not require the payment of "prevailing wages," as defined by government surveys and laws. Instead, fair wage is evidenced by some of the following: local practices with regard to type of trade and type of project, local wage practices and labor market conditions.

Competitive Bidding/Disadvantaged Businesses -- Contractor hereby certifies that all subcontractors retained to perform construction, maintenance or services contracted under this Agreement shall be selected through a competitive bidding and selection process designed to seek bids from a broad spectrum of qualified Service-Disabled Veteran Business Enterprises ("SDV/BE"), Minority/Women Owned Business Enterprises ("MBE/WBE") and Small Business Enterprises ("SBE"). The competitive bidding process shall include notification and invitations to bid that target responsible contractors, MBE/WBE, SDV/BE and SBE contractors with experience, honesty, integrity, and dependability. A complete copy of the RCP shall be attached to all requests for proposal and invitations to bid. In addition, each bidder shall be asked to complete the Certification of Responsible Contractor Status promulgated by CalPERS (see Appendix 1 to the RCP).

Definitions -- A SBE is defined as a business with 100 or fewer employees and less than $10 million annual average gross receipts over the previous three tax years. A MBE/WBE must be at least 51% owned by a minority or minorities, or a woman or women, who exercise the power to make policy decisions and who are actively involved in the day-to-day management of the business. A SDV/BE must be at least 51% owned by a disabled veteran and a disabled veteran must be involved in the day-to-day management of the business. Contractor shall meet or exceed a goal of 3% SDV/BE participation or make a good-faith effort to achieve such participation.

Local, State and National Laws and Requirements -- Contractor and its subcontractors shall observe all local, state, and national laws (including by way of illustration those pertaining to insurance, withholding taxes, minimum wage, health and occupational safety), and the RCP. Notwithstanding any provisions herein, Contractor shall perform its duties under the Agreement for the benefit of the Owner and CalPERS.

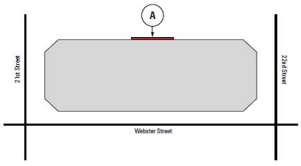
Complete Copy -- A complete copy of the RCP is available upon request from the Owner and at http://www.calpers.ca.gov/eip-docs/investments/policies/inv-asset-classes/real-estate/responsible-contractor.pdf. Related information regarding SBE compliance is available at www.pd.dgs.ca.gov/smbus/default.htm. Related information regarding MBE/WBE compliance is available at www.pd.dgs.ca.gov/smbus/mwbepp.htm. Related information regarding SDV/BE compliance is available at www.calpers.ca.gov/index.jsp?bc=/business/how-to/contact-policies/disabledvet.xml and at www.pd.dgs.ca.gov/dvbe/default.htm. This summary of the RCP shall not, in any way, constitute a substitution for the RCP. The Contractor shall comply with all of the terms contained in the complete copy of the RCP and as it may be updated from time to time by CalPERS.

EXHIBIT D
APPROVED SIGNAGE

A SIGN ELEVATION SCALE: 1/8" = 1'-0"

One (1) set of internally illuminated channel letters.

ITEM	DESCRIPTION	VENDOR	SPECIFICATION
Face	Polycarbonate	GE	White Lexan
Face decoration	1st surface vinyl	3M	White #3630-20
Return	5" deep aluminum	Matthews	Blue PMS #_____
Retainer	1" aluminum	Matthews	Blue PMS #_____
Illumination	LED	GE	White Tetra Max HO, Two rows



A SIGN LOCATION NOT TO SCALE

ARROW SIGN COMPANY

1051 46th Avenue
Oakland, Ca 94601
T. 510.533.7093
F. 510.533.0815
www.arrowsigncompany.com

Project:
Pandora
2101 Webster Street
Oakland, Ca

Date:
11-29-2012

Sales:
☐ Jack Abelo

Design:
☐ Andre C.

File Name/Location:
2012/P/Pandora

Rev.	Date	Description
A	12-30-12	Add vinyl face dis cretion
B	6-14-13	Update logo
C	7-17-13	Update logo

Customer Approval

121142 Sheet 1

TENTH AMENDMENT TO LEASE

THIS TENTH AMENDMENT TO LEASE (this "Amendment") is entered into as of October 3, 2014 by and between **CIM/OAKLAND CENTER 21, LP**, a Delaware limited partnership ("Landlord"), and **PANDORA MEDIA, INC.**, a Delaware corporation ("Tenant"), with reference to the following facts:

R E C I T A L S

A. Landlord and Tenant entered into that certain Office Lease dated as of July 23, 2009 (the "Original Lease"), as amended by that certain First Amendment to Lease dated as of April 13, 2010 (the "First Amendment"), that certain Second Amendment to Lease dated June 16, 2010 (the "Second Amendment"), that certain Third Amendment to Lease dated as of December 15, 2010 (the "Third Amendment"), that certain Fourth Amendment to Lease dated March 10, 2011 (the "Fourth Amendment"), that certain Fifth Amendment to Lease dated July 1, 2011 (the "Fifth Amendment"), that certain Sixth Amendment to Lease dated September 27, 2011 (the "Sixth Amendment"), that certain Seventh Amendment to Lease dated as of July 12, 2012 (the "Seventh Amendment"), that certain Eighth Amendment to Lease dated as of February 1, 2013 (the "Eighth Amendment") and that certain Ninth Amendment to Lease dated as of June 28, 2013 (the "Ninth Amendment", and together with the Original Lease, First Amendment, Second Amendment, Third Amendment, Fourth Amendment, Fifth Amendment, Sixth Amendment, Seventh Amendment, Eighth Amendment and Ninth Amendment, collectively, the "Lease"), pursuant to which Tenant leases certain premises (the "Existing Premises") consisting of 48,476 rentable square feet on the fifteenth (15th) and sixteenth (16th) floors of the building located 2101 Webster Street, Oakland, California (the "2101 Webster Building"), and 50,396 rentable square feet on the sixth (6th) and seventh (7th) floors of the building located at 2100 Franklin Street, Oakland, California (the "2100 Franklin Building", and together with the 2101 Webster Building the "Buildings), which are both part of the office project known as "Center 21" comprised of (i) the Buildings, (ii) a subterranean parking garage underneath the Buildings, and (iii) a multi-story parking structure located at 2353 Webster Street (collectively, the "Project").

B. Tenant intends to expand the Premises to include (i) the eighth (8th) floor of the 2101 Webster Building, consisting of 24,214 rentable square feet (the "8th Floor Expansion Space"), as shown on Exhibit A-1 attached hereto, and (ii) a portion of the seventh (7th) floor of the 2101 Webster Building known as Suite 750 consisting of 11,222 rentable square feet (the "7th Floor Expansion Space"), as shown on Exhibit A-2 attached hereto. The 7th Floor Expansion Space and the 8th Floor Expansion Space are collectively referred to herein as the "10th Amendment Expansion Space".

C. Landlord has agreed to the foregoing expansion, subject to the terms and conditions of this Amendment.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows (capitalized terms used but not defined herein shall have the meaning given them in the Lease):

A G R E E M E N T

1. Incorporation of Recitals. Recitals A through C above are incorporated herein by reference.

2. Extension of Term. The Expiration Date of the Lease shall be extended such that the Lease shall terminate on September 30, 2020 (the "Second Extended Termination Date"). The period from October 1, 2017 through September 30, 2020 shall be known as the "Second Extended Term". Except as modified by this Amendment, during the Second Extended Term Tenant shall lease the Premises on the terms and condition set forth in the Lease. For the first twelve (12) months of the Second Extended Term, Base Rent for the Existing Premises shall be $306,503.20 per month (based on $3.10 per rentable square foot of the Existing Premises per month). From October 1, 2018 through September 30, 2019, Tenant shall pay $315,401.68 per month (based on $3.19 per rentable square foot of the Existing Premises per month) and from October 1, 2019 through September 30, 2020, Tenant shall pay $325,288.88 (based on $3.29 per rentable square foot of the Existing Premises per month).

3. The Expanded Premises. Commencing upon delivery of the 10th Amendment Expansion Space to Tenant (the "Expansion Commencement Date"), and continuing until the Second Extended Termination Date (the "Expansion Space Term"), Landlord shall lease to Tenant, and Tenant shall lease from Landlord, the 10th Amendment Expansion Space in addition to the Existing Premises. The 10th Amendment Expansion Space has been measured in accordance with the Building Owners and Management Association Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-1996, as modified by Landlord for purposes of the Buildings. Following the Expansion Commencement Date, all references in the Lease to the Premises shall refer to the Existing Premises and the 10th Amendment Expansion Space, and the Premises shall consist of a total of approximately 134,308 rentable square feet. The projected Expansion Commencement Date is October 1, 2014, provided that Landlord shall not be liable for any delay in delivery of the 10th Amendment Expansion Space.

4. Monthly Base Rent for the Expansion Space. Commencing upon the earlier of: (a) the date that is one hundred twenty (120) days after the expiration of the Buildout Period (as defined in Section 8), and (b) March 1, 2015 (the "Expansion Space Rent Commencement Date"), Tenant shall pay Base Rent for the 10th Amendment Expansion Space in the amount of $97,449 per month (based on $2.75 per rentable square foot per month). Thereafter, on each anniversary of the Expansion Commencement Date, Base Rent for the 10th Amendment Expansion Space shall be increased annually by 3% per annum throughout the Expansion Space Term.

5. Base Year; Tenant's Proportionate Share for Expansion Space. Commencing on the Expansion Space Rent Commencement Date, as to the 10th Amendment Expansion Space, Tenant shall pay Tenant's Proportionate Share of increases of Operating Costs over the calendar year 2015, which is 7.68% (as to the 10th Amendment Expansion Space only), based on 35,436/461,591 (as to the 2101 Webster Building), and 5.24% (as to the Buildings). Until October 1, 2018, Tenant shall continue to pay Tenant's Proportionate Share of increases in Operating Costs as to the Existing Premises pursuant to the terms of the Lease. From and after October 1, 2018, the Base Year for the Existing Premises shall be the calendar year 2018.

6. Proposition 13 Protection**.** Notwithstanding any provision to the contrary contained in the Lease, in the event that, at any time, or from time to time, during the period commencing upon the Expansion Space Rent Commencement Date and ending upon the second (2nd)

anniversary of the Expansion Space Rent Commencement Date (the "Prop 13 Protection Period"), any sale or change in ownership of the Project is consummated (a "Triggering Event"), and as a result thereof, and to the extent that in connection therewith, the Taxes are increased (e.g., the Project is reassessed, such result being herein referred to as a "Reassessment") by the appropriate Governmental Authority pursuant to the terms of Proposition 13 (which was adopted by the voters of the State of California in the June 1978 election) or any comparable successor statute, law, constitutional amendment or other governmental proclamation, then Tenant shall not be obligated to pay any portion of any Tax Increase attributable to any such Reassessment. For purposes of this Section 6, the term "Tax Increase" shall mean that portion of the Taxes, which is attributable solely to the Reassessment. Accordingly, the term Tax Increase shall not include any portion of the Taxes, which (i) is attributable to the assessed valuation (or in the absence of a Reassessment, the full market valuation) of the Project, including the assessed value (or full market value) of any work performed by Landlord or Tenant in or about the Project, (ii) is attributable to assessments which were pending immediately prior to the Reassessment and which are unrelated to the Triggering Event, which assessments were conducted during, and included in, such Reassessment, (iii) is attributable to the statutory annual inflationary increase of real estate taxes, (currently, two percent (2.0%) per annum), or (iv) is attributable to any Taxes incurred during the Base Year or assessed prior to the Reassessment without including any Proposition 8 reduction.

7. Proposition 8 Protection**.** Notwithstanding any provision to the contrary contained in the Lease, in the event that, at any time, or from time to time commencing upon the Expansion Space Rent Commencement Date and ending upon the third (3rd) anniversary of the Expansion Space Rent Commencement Date (the "Prop 8 Protection Period"), Landlord secures a reduction in Taxes pursuant to Section 51 of the California Revenue and Taxation Code (a "Prop 8 Reduction"), said Prop 8 Reduction shall be reflected in the Operating Expenses for the year in which the Prop 8 Reduction is realized by Landlord. At the end of the Prop 8 Protection Period, Taxes shall be calculated in accordance with Section 46.39 of the Lease (i.e., Tenant's Proportionate Share of Taxes shall be calculated without regard to this Section 7).

8. Condition of the 10th Amendment Expansion Space. Except for Landlord's Work (as hereinafter defined), Tenant hereby agrees to accept the 10th Amendment Expansion Space in their "as-is, where is" condition and Tenant acknowledges that Landlord has no obligation to improve the 10th Amendment Expansion Space nor has Landlord made any representation or warranty regarding the condition of the 10th Amendment Expansion Space. Notwithstanding the foregoing, upon the earlier of (i) December 31, 2014; and (ii) the date that Landlord approves the Permit Drawings for the interior improvements that will be permanently affixed to the 10th Amendment Expansion Space (the "Expansion Space Improvements"), Landlord shall provide Tenant with a tenant improvement allowance (the "Expansion Allowance") in the amount of $1,771,800.00 (based on $50.00 per rentable square foot of the 10th Amendment Expansion Space), which shall be funded directly into an escrow account ("Expansion Escrow") in Tenant's name held by Commerce Escrow (Raul Zuniga) (the "Escrow Holder"). Funds in the Expansion Escrow shall be disbursed by Escrow Holder in accordance with the Escrow Agreement attached hereto as Exhibit C solely for costs directly relating to the design and construction of the Expansion Space Improvements. All costs associated with the Expansion Escrow shall be paid by Landlord in accordance with the terms of the Escrow Agreement. Tenant shall submit preliminary plans and specifications (the "Preliminary Plans") for the Expansion Space Improvements to Landlord by October 15, 2014 and shall thereafter diligently prosecute the

design and construction of the Expansion Space Improvements in accordance with the Work Letter attached hereto as Exhibit B. The period commencing with the Expansion Space Commencement Date and ending upon Substantial Completion (as defined in Exhibit B) of the Expansion Space Improvements is hereinafter referred to as the "Buildout Period." For supervising the Expansion Space Improvements, Tenant shall pay to Landlord or a designated affiliate of Landlord a construction supervision fee in the amount of $12,500, which fee may be deducted by Landlord from the Expansion Allowance. Any funds remaining in the Expansion Escrow as of the termination or expiration of the Lease shall be returned to Landlord. As part of the Expansion Space Improvements, Tenant may install a connecting stairwell between the 7th and 8th floors of the 2101 Webster Building. On or before November 15, 2014, Landlord, at Landlord's sole cost and expense and without deduction from the Expansion Allowance, shall be responsible for removing the existing stairwell connecting the 6th and 7th floors of the 2101 Webster Building and capping the opening using Project standard materials and finishes (collectively, "Landlord's Work"). Subject to any latent defects identified by Tenant within six (6) months following the Expansion Commencement Date, the commencement of any construction within the 10th Amendment Expansion Space by anyone claiming by, through or under Tenant shall be conclusive evidence that (a) Tenant accepts possession thereof; and (b) the 10th Amendment Expansion Space was in good and satisfactory condition. Notwithstanding anything to the contrary contained in the Lease or Exhibit B. Landlord shall not be liable for any delay in completion of Landlord's Work, provided, however, in the event that Landlord's failure to timely complete Landlord's Work causes a delay in construction of the Expansion Space Improvements Tenant may give notice to Landlord. If Landlord does not complete Landlord's Work within thirty (30) days of Tenant's notice, it shall constitute a Landlord Delay and the Expansion Space Rent Commencement Date shall be delayed one (1) day for each day of Landlord Delay until Landlord completes Landlord's Work.

9. Condition of the Existing Premises. Subject to Landlord's obligations under the Lease, Tenant shall continue to lease the Existing Premises in their "as-is, where is" condition and Tenant acknowledges that Landlord has no obligation to improve the Existing Premises nor has Landlord made any representation or warranty regarding the condition of the Existing Premises. Notwithstanding the foregoing, upon the earlier of (i) December 31, 2014; and (ii) the date that Landlord approves the Permit Drawings for the interior improvements that will be permanently affixed to the Premises (the "Additional Improvements"), Landlord shall provide Tenant with a tenant improvement allowance (the "Additional Allowance") in the amount of $2,471,800.00 (based on $25.00 per rentable square foot of the Existing Premises), which shall be funded directly into an escrow account ("Additional Allowance Escrow") in Tenant's name held by Escrow Holder. Funds in the Additional Allowance Escrow shall be disbursed by Escrow Holder in accordance with the Escrow Agreement attached hereto as Exhibit C solely for costs directly relating to the design and construction of the Additional Improvements. All costs associated with the Additional Allowance Escrow shall be paid by Landlord in accordance with the terms of the Escrow Agreement. Tenant may use the Additional Allowance to construct Additional Improvements in all or any portion of the Premises (including the 10th Amendment Expansion Space) and need not apply the Additional Allowance to the Premises in any particular percentages. Tenant shall prosecute the design and construction of the Additional Improvements in accordance with the Work Letter attached hereto as Exhibit B. For supervising the Additional Improvements, Tenant shall pay to Landlord or a designated affiliate of Landlord a construction supervision fee in the amount of $12,500, which fee may be deducted by Landlord from the

Additional Allowance. Any funds remaining in the Additional Allowance Escrow as of the expiration or termination of the Lease shall be returned to Landlord.

10. Parking. Effective as of the Expansion Space Commencement Date and continuing throughout the Term, Tenant shall have the right to rent the additional following parking spaces: Up to thirty-five (35) unreserved parking passes in the Parking Structure at 2353 Webster, and up to four (4) unreserved parking passes in the Underground Parking Garage. Tenant's rental and use of such additional parking passes shall be in accordance with, and subject to, all provisions of the Lease including, without limitation, any increases in payment of the monthly parking rates as specified therein. Bicycle parking is available on the first deck of the 2353 Webster Parking Structure at no cost to Tenant. The parties acknowledge that Landlord currently operates a courtesy shuttle on non-holiday business days between the Parking Structure and the Building, and between the Building and the 19th Street BART Station between 3:30 p.m. and 8:30 p.m. Tenant should direct any questions regarding such shuttle to the Buildings manager.

11. Option to Extend. Section 6 of the Ninth Amendment is hereby deleted in its entirety. Provided Tenant is not in Default of any term or condition of the Lease as of the date of exercise or the commencement of the applicable Renewal Term, Tenant shall have the option to renew the term of the Lease as to the entire Premises (as herein expanded) for two (2) additional five (5) year periods (each, a "Renewal Term"), on the same terms and conditions of the Lease, except that the Base Rent shall be adjusted to an amount equal to the then prevailing market rental rate for comparable leases for similar projects in Oakland's Lake Merritt sub-market (but not less than the Base Rent in effect immediately prior to the commencement of the applicable Renewal Term). Such options shall be exercised (if at all) by Tenant giving irrevocable written notice to Landlord at least nine (9) months prior to the expiration of the Second Extended Term, or first Renewal Term, as the case may be. The option shall be personal to the currently named Tenant and any affiliate assignee.

The prevailing market rental rate shall be determined in the following manner:

Prevailing market rental rate shall be determined taking into account all relevant factors, including (to the extent relevant) number of months of free rent, if any (which shall be part of the determination of the rental rate), tenant improvement obligations, moving allowances, and leasing commissions and costs. The term "comparable leases" shall not include leases entered into under special circumstances affecting the economics of the tenancies, including following the exercise of options to lease space at other than then current prevailing market rate, the lease of awkward or unusually shaped space or space without windows or other usual amenities, leases entered into under conditions where the landlord was forced to lease the space by external legal, economic, or other pressures not generally applicable to the market, or the sublease of space by a sublandlord not primarily in the business of leasing space similar to the Premises. Prior to the date which is six (6) months before the expiration of the Second Extended Term or first Renewal Term, as the case may be, and assuming that Tenant has properly exercised its option to renew, Landlord shall give Tenant notice of Landlord's proposed prevailing market rental value for the Premises. Tenant shall give Landlord written notice within thirty (30) days thereafter as to whether or not Tenant agrees with Landlord's proposed prevailing market rental value. If Tenant disagrees with Landlord's proposed prevailing market rental value, the parties shall negotiate in good faith to resolve their differences for a period of thirty (30) days. Upon the expiration of such thirty day period, if the parties are not in agreement as to such fair market rental value, then

either party may initiate appraisal to determine the fair market rental value by giving written notice to the other party, such notice containing the name of an independent real estate broker or a person with an MAI designation with at least ten (10) years of experience in leasing commercial office space in the Oakland Lake Merritt submarket area (a "Qualified Appraiser") appointed by such initiating party. Within fifteen (15) days thereafter, the party receiving such notice shall appoint its own Qualified Appraiser and give written notice thereof to the initiating party. If the second Qualified Appraiser is not appointed within such fifteen day period, then the Qualified Appraiser selected by the initiating party shall determine the fair market rental value of the Premises, and such appraisal shall be binding upon the parties. If the second Qualified Appraiser is timely appointed, then the two Qualified Appraisers shall confer and attempt to agree on the prevailing market rental value. If the two Qualified Appraisers are unable to agree, but the higher appraisal is no more than five percent (5%) higher than the lower appraisal, then the prevailing market rental value shall be the average of the two appraisals. If the higher appraisal is more than five percent (5%) greater than the lower appraisal, the two Qualified Appraisers shall together, within ten (10) business days, select a third Qualified Appraiser who shall select one of the Qualified Appraisers determined prevailing market rental value, and that determination shall be the prevailing market rental value.

All appraisers shall be members of the MAI and shall have at least ten (10) years' experience appraising similar property in the Oakland Lake Merritt sub-market area. Each party shall bear the cost of the appraiser appointed by such party, and the parties shall share equally in the cost of the third appraiser, if appointed. If the two appraisers initially appointed are unable to agree on a third appraiser, then either party shall have the right to apply to the presiding judge of the Superior Court having jurisdiction over the Premises for the appointment of a third appraiser.

12. Contraction Right. Effective as of the fourth (4th) anniversary of the Expansion Space Rent Commencement Date (the "Contraction Space Termination Date"), Tenant shall have the one time right (the "Contraction Option"), to terminate the Lease with respect to one (1) floor or two (2) contiguous floors of the Premises designated by Tenant (such terminated portion of the Premises shall hereinafter be referred to as "Contraction Space"), specified by Tenant in a notice (the "Contraction Notice") given to Landlord on or prior to the third (3rd) anniversary of the Expansion Space Rent Commencement Date. On or before the Contraction Space Termination Date, Tenant shall pay Landlord an amount (the "Contraction Payment") equal to (y) the proportionate share, attributable to the Contraction Space, of the then unamortized Expansion Allowance and/or Additional Allowance, as applicable, and any brokerage commissions paid by Landlord for such Contraction Space (which amounts shall be amortized on a straight line basis from the Expansion Space Rent Commencement Date through the Second Extended Termination Date), at an annual interest rate of 9% plus (z) the sum of three (3) months of Base Rent and recurrent Additional Rent payable for such Contraction Space, computed at the rates payable for Contraction Space as of the three (3) months following the fourth (4th) anniversary of the Expansion Space Rent Commencement Date. Upon the Contraction Space Termination Date, this Lease shall expire as if such date were the Expiration Date with respect to the Contraction Space. Effective on the later of (A) the Contraction Space Termination Date, or (B) the date Tenant surrenders possession of the Contraction Space to Landlord in the condition required by the Lease, (i) the Base Rent shall be decreased by the product of (w) the Base Rent per rentable square foot applicable to the Contraction Space and (x) the rentable square footage of the Contraction Space, and (ii) Tenant's Proportionate Share shall be reduced proportionately, measured on the basis provided in this Lease. At the request of either party, Landlord and Tenant

shall promptly execute an amendment to this Lease confirming the decreased rentable square footage of the Premises, the Base Rent, and Tenant's Proportionate Share.

13. Signage. At no cost to Tenant, Landlord shall provide Buildings standard signage for the 10th Amendment Expansion Space, including 2101 Webster Building directory, elevator lobby and suite identification signage.

14. Landlord's Recapture Right. Notwithstanding anything to the contrary set forth in the Lease, in the event of a proposed Transfer, Landlord shall have no right to recapture the portion of the Premises subject to the proposed Transfer. Section 7.8 of the Original Lease and all references in the Lease to said Section 7.8 are hereby deleted.

15. Landlord's Right to Relocate the Premises. Notwithstanding anything to the contrary set forth in the Lease, Landlord shall have no right to relocate Tenant to other premises in the Project pursuant to Section 2.10 of the Original Lease. Section 2.10 of the Original Lease and all references in the Lease to said Section 2.10 are hereby deleted.

16. Holding Over. Section 16.3 of the Original Lease is hereby deleted in its entirety and the following inserted in its place and stead:

"On the last day of the Term or any extension, or upon any earlier termination of this Lease, Tenant shall quit and surrender the Premises to Landlord in the condition and repair required hereunder to be maintained by Tenant, except for: (i) ordinary wear and tear; (ii) obsolescence; (iii) such conditions, damage or destruction as Landlord is required to repair or restore under this Lease, (iv) damage resulting from a casualty or condemnation at the Premises; (v) damage to the Premises for which Landlord has received compensation from an insurer or another third party; and (vi) any condition that existed prior to the Commencement Date. Tenant shall remove all of Tenant's property therefrom, except as otherwise expressly provided in this Lease. Tenant shall surrender to Landlord any and all keys, access cards, computer codes or any other items used to access the Premises. Provided that (A) Tenant is not in Default under the Lease beyond applicable cure periods, and (B) Tenant provides Landlord with written notice not less than thirty (30) days prior to the scheduled expiration of the Lease Term, Tenant shall be permitted to remain in possession of the Premises for an additional period of forty-five (45) days beyond the scheduled expiration of the Lease Term, so long as for such forty-five (45) days Tenant continues to pay the Base Rent and Additional Rent then being paid by Tenant for the last month of the Term. If Tenant remains in possession on the forty-sixth (46th) day after the end of the Term hereof: (i) Tenant shall be deemed a tenant-at-sufferance; (ii) unless Landlord expressly agrees in writing otherwise, Tenant shall pay daily rent equal to 125% of the daily Base Rent last prevailing hereunder for the first thirty (30) days of the holdover and 150% of the daily Base Rent last prevailing hereunder for the remainder of the holdover; and (iii) there shall be no renewal or extension of this Lease by operation of law. The provisions of this Section 16.3 shall not constitute a waiver by Landlord of any re-entry rights of Landlord provided hereunder or by law. Notwithstanding the foregoing, in the event that the Lease is terminated due to a Default by Tenant, the foregoing forty-five (45) day period shall not apply and holdover rent will begin immediately. In no event shall Tenant be liable for lost rents or other consequential damages incurred by Landlord on account of any holdover by Tenant

unless Tenant holds over for more than sixty (60) days after the expiration or termination of the Lease Term."

17. Security. Landlord shall provide Project security, equipment, personnel, procedures and systems twenty-four hours per day, seven days per week, consistent with comparable buildings in the Lake Merritt district in Oakland. Notwithstanding the provision of such services, Tenant acknowledges that Landlord does not guarantee absolute security to Tenant or its employees. Landlord's security currently includes security officers in the Project 24 hours per day, seven days per week, and a card-key system for access to the Premises during non-Business Hours.

18. Authority.

(a) Landlord hereby covenants, represents and warrants to Tenant that: (i) no third party consents or approvals are required, or Landlord has obtained all required consents or approvals (and such consents or approvals have been attached to this Amendment), in order for Landlord to enter into this Amendment; (ii) the execution, delivery and full performance of this Amendment by Landlord does not and shall not constitute a violation of any contract, agreement, mortgage, undertaking, judgment, law, decree, governmental or court or other restriction of any kind to which Landlord is a party or by which Landlord may be bound; (iii) Landlord is duly organized, validly existing and in good standing under the laws of the state of its organization and has full power and authority to enter into this Amendment, to perform its obligations under this Amendment in accordance with its terms, and to transact business in the state in which the Premises are located; (iv) this Amendment does not violate the provisions of any instrument heretofore executed by and/or binding on Landlord, or affecting or encumbering the Premises.

(b) Tenant hereby covenants, represents and warrants to Landlord that: (i) no third party consents or approvals are required, or Tenant has obtained all required consents or approvals (and such consents or approvals have been attached to this Amendment), in order for Tenant to enter into this Amendment; (ii) the execution, delivery and full performance of this Amendment by Tenant does not and shall not constitute a violation of any contract, agreement, mortgage, undertaking, judgment, law, decree, governmental or court or other restriction of any kind to which Tenant is a party or by which Tenant may be bound; (iii) Tenant is duly organized, validly existing and in good standing under the laws of the state of its organization and has full power and authority to enter into this Amendment, to perform its obligations under this Amendment in accordance with its terms, and to transact business in the state in which the Premises are located; (iv) this Amendment does not violate the provisions of any instrument heretofore executed by and/or binding on Tenant.

19. Brokers. Landlord and Tenant each warrant and represent to the other that other than CBRE and Colliers International ("Brokers"), it has not employed or dealt with any real estate broker or finder in connection with this Amendment, and that it knows of no real estate broker, agent or finder who is or might be entitled to a commission or fee in connection with this Amendment. Landlord and Tenant each agree to indemnify, defend and hold the other harmless from and against any and all claims demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of any dealings with any real estate broker or agent other than Brokers occurring by, through, or under the indemnifying party in connection with this Amendment.

20. Status of Lease. Except as amended by this Amendment, the Lease remains unchanged, and, as amended by this Amendment, the Lease is in full force and effect.

21. Counterparts. This Amendment may be executed in several counterparts, each of which may be deemed an original, but all of which together shall constitute one and the same Amendment. In addition, properly executed, authorized signatures may be transmitted via facsimile and upon receipt shall constitute an original signature.

22. Entire Agreement. There are no oral or written agreements or representations between the parties hereto affecting the Lease not contained in the Lease or this Amendment. The Lease, as amended, supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements, and understandings, if any, made by, to, or between Landlord and Tenant and their respective agents and employees with respect to the subject matter thereof, and none shall be used to interpret, construe, supplement or contradict the Lease, including any and all amendments thereto. The Lease, and all amendments thereto, shall be considered to be the only agreement between the parties hereto and their representatives and agents. To be effective and binding on Landlord and Tenant, any amendment, revision, change or modification to the provisions of the Lease must be in writing and executed by both parties.

--Signatures Next Page--

IN WITNESS WHEREOF, Landlord and Tenant have entered into this Amendment as of the date first set forth above.

"**Tenant**":

PANDORA MEDIA, INC.,
a Delaware corporation

By:	/s/ Michael S. Herring
Name:	Michael S. Herring
Its:	CFO

"**Landlord**":

CIM/OAKLAND CENTER 21, LP,
a Delaware limited partnership

By:	CIM Management, Inc., a California corporation
Its:	Property Manager
By:	/s/ Terry Wachsner, Vice President

EXHIBIT A-1

8TH FLOOR EXPANSION SPACE

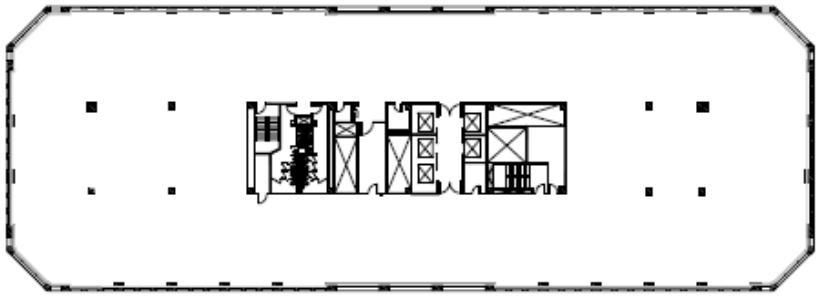


Exhibit A-1-1

EXHIBIT A-2

7TH FLOOR EXPANSION SPACE

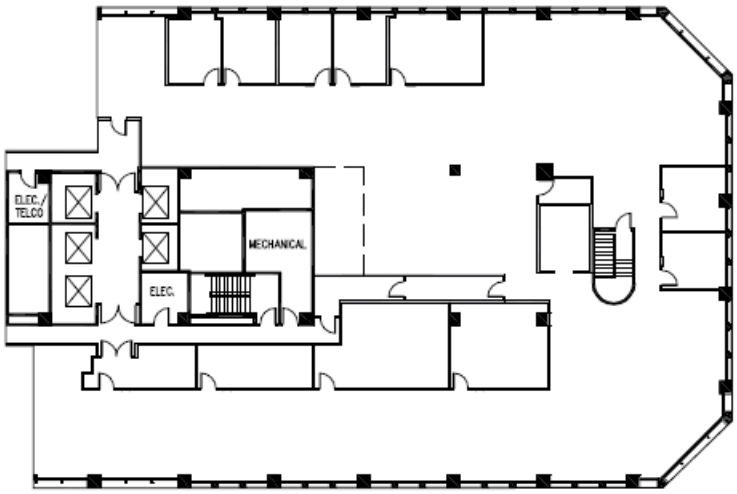


Exhibit A-2-1

EXHIBIT B

WORK LETTER

The terms of this Work Letter shall govern the design and construction of the Expansion Space Improvements and/or Additional Improvements (the "Improvements") and the disbursement of the Expansion Space Allowance or Additional Allowance (the "Allowance") from the Expansion Escrow or Additional Improvements Escrow ("Escrow Account").

1. Approval Process for Plans.

1.1 Approval of Preliminary Plans. Tenant shall deliver Preliminary Plans for the Improvements to Landlord within the timeframe, if any, specified in the Amendment to which this Work Letter is attached. The Preliminary Plans shall be prepared by an architect selected and paid by Tenant who is licensed by the State of California. Said architect shall be approved by Landlord in writing, provided that Landlord's approval shall not be unreasonably withheld, conditioned or delayed. For the purposes of this Amendment, STUDIOS Architecture, is hereby approved.

1.1.2 Landlord's Response. Within ten (10) business days after Landlord's receipt of the Preliminary Plans, Landlord shall notify Tenant in writing of its approval or of any objections thereto; provided that Landlord's consent shall only be withheld if a "Design Problem" exists. A "Design Problem" shall mean a condition which will (i) have an adverse effect on the structural integrity of the Project; (ii) not be in compliance with Laws; (iii) have an adverse effect on the Systems and Equipment; (iv) have an adverse effect on the exterior appearance of the Project; or (v) are not consistent with the Permitted Use. Within ten (10) business days after the receipt by Tenant of a timely objection of Landlord, Tenant shall cause the Preliminary Plans to be modified and shall thereafter deliver the modified plans to Landlord for its approval. Landlord shall have five (5) business days from its receipt thereof to approve such modified Preliminary Plans in the same manner as set forth above. This procedure shall be followed until all reasonable objections have been resolved and the Preliminary Plans have been approved.

1.1.3 Evidence of Approval. Landlord's and Tenant's approval of the Preliminary Plans shall be evidenced by their initialing and dating each page thereof.

1.1.4 Changes to Preliminary Plans. If Tenant makes any subsequent changes or modifications to the approved Preliminary Plans, then Tenant shall submit such changes to Landlord for its approval, which shall not be withheld unless a Design Problem exists. Within three (3) business days after receipt of said changes (provided Landlord shall have five (5) business days if such changes are substantial), Landlord shall notify Tenant in writing of its approval or of any objections thereto.

1.2 Approval of Permit Drawings. Within thirty (30) calendar days following the initialing of the Preliminary Plans by Landlord and Tenant, Tenant shall prepare and deliver to Landlord engineering working drawings for all mechanical, electrical, plumbing and fire sprinkler systems (the "Permit Drawings") for Landlord's approval.

1.2.1 Landlord's Response. Landlord shall approve or disapprove the Permit Drawings within ten (10) business days after Landlord's receipt thereof, provided that Landlord's approval shall not be withheld unless a Design Problem exists. Landlord's disapproval shall be effected by Landlord's delivery to Tenant, within such ten (10) business day period, of a writing setting forth with specificity the reasons for such disapproval. Within ten (10) business days of the receipt by Tenant of Landlord's objections, Tenant shall cause the Permit Drawings to be modified and shall deliver the modified Permit Drawings to Landlord for its approval. Landlord shall have five (5) business days from its receipt thereof to approve such modified Permit Drawings in the same manner as set forth above. This procedure shall be followed until all reasonable objections have been resolved and the Permit Drawings have been approved.

1.2.2 Evidence of Approval. Tenant's and Landlord's approval of the Permit Drawings shall be evidenced by their initialing and dating each page thereof.

1.2.3 Changes to Permit Drawings. If Tenant makes any subsequent changes or modifications to the approved Permit Drawings, then Tenant shall submit such changes to Landlord for its approval. Within three (3) business days after receipt of said changes (provided Landlord shall have (5) business days if such changes are substantial), Landlord shall notify Tenant in writing of its approval or of any reasonable objections thereto.

1.3 Limitation on Tenant's Improvements. In no event shall the Improvements to be made by Tenant exceed the Project's systems limits or capacities, including the limits applicable to plumbing, electrical, HVAC, and load bearing systems.

1.4 Plan Check. Upon Landlord's and Tenant's approval of the Permit Drawings, Tenant shall submit a final version thereof to the Building Services Division of the City of Oakland ("BSD") for necessary plan checks and approvals. Any and all plan check corrections shall be promptly made by Tenant.

1.5 Change Orders. In the event Tenant desires to change any item of the Permit Drawings or the Preliminary Plans following approval by Landlord, Tenant, and BSD, then Tenant shall submit a change order detailing the desired change (the "Change Order Request") to Landlord for Landlord's approval. Within three (3) business days after receipt of the Change Order Request from Tenant, Landlord shall notify Tenant in writing if Landlord approves or disapproves the Change Order Request, which approval shall not be withheld unless a Design Problem exists. The latest Permit Drawings and Preliminary Plans (including changes thereto pursuant to an approved Change Order Request) as approved by Landlord are herein referred to as the "Approved Plans".

1.6 Approval of Tenant's Contractors and Subcontractors. Prior to hiring any contractors or subcontractors, or entering into agreements with any of them, Tenant shall deliver to Landlord for Landlord's reasonable approval a list of the contractors and subcontractors Tenant proposes to hire to perform the Improvements. Landlord's approval shall not be unreasonably withheld or delayed. It shall be reasonable for Landlord to withhold approval based on the proposed contractor's or subcontractor's inadequate financial status, reputation for poor quality work, inability or unwillingness to obtain performance or completion bonds or insurance, union/non-union status, or lack of experience with projects like the Project in Oakland, California, taking into account the desirability of maintaining harmonious labor relations in the Project. In

any event, Landlord shall have the right to designate the subcontractors to perform work which could reasonably affect the systems (or warranties concerning such systems) of the Project, including but not limited to the elevator (if any), roof, HVAC, fire/life safety, plumbing, exterior, foundation, and load bearing elements. Tenant is strongly encouraged to utilize responsible contractors as defined from time to time by the California Public Employees' Retirement System ("CalPERS") in its Responsible Contractor Program Policy, a copy of which is attached hereto as Exhibit B-1.

1.8 Timely Performance. Tenant agrees to cause any plans, specifications, drawings, schedules and documents to be provided by it hereunder to be prepared promptly and in coordination with the activities of Landlord and its agents. Landlord agrees to timely perform its obligations hereunder. Time is of the essence.

1.9 Exculpation. Landlord's space planner and engineer are independent contractors. Landlord may introduce Tenant to Landlord's space planner as an accommodation to Tenant. Even if the Preliminary Plans, Permit Drawings, and any changes thereto are performed by Landlord's space planner and engineers, and notwithstanding any advice or assistance which may be rendered to Tenant and/or Landlord's space planner and/or engineers by Landlord or employees or affiliates of Landlord or affiliates of Landlord's general partners, Landlord shall not be responsible for any omissions or errors contained therein.

1.10 Quality of Design and Construction. The Improvements shall be consistent with or better than Project standard improvements.

2. Payment for Tenant Improvement Work.

2.1 Cost of Plans and Tenant Improvement Work. Tenant shall pay for all costs incurred in the construction of Improvements and the design and preparation of the Approved Plans, Preliminary Plans and Permit Drawings, including but not limited to (i) revisions thereof as reasonably required for approval by Landlord, Tenant, and/or the BSD; and (ii) all necessary printing and distribution costs required to implement the purposes of this Exhibit A, and the cost of all permits and certificates. Notwithstanding the foregoing, and provided Tenant is not in Default under this Work Letter or the terms of the Lease, Landlord shall provide Tenant with the Allowance to be applied towards the cost of designing and constructing the Improvements. Tenant shall be responsible for all costs and expenses related to the Improvements that are in excess of the Allowance.

2.2 Disbursement of Allowance. The Allowance shall be disbursed by Escrow Holder from the Escrow Account pursuant to the Escrow Agreement attached to this Amendment as Exhibit C. Provided that there shall not then be existing a Default under the provisions of the Lease, Landlord shall authorize Escrow Holder to disburse the Allowance to pay for the Improvements by paying the contractors, suppliers, architects or consultants designated by Tenant or by reimbursing Tenant (at Tenant's option) from time to time (but not more than monthly) during the progress of such Improvements following within ten (10) business days after receipt from Tenant of the following documentation therefor:

(a) Tenant's application for disbursement of the Allowance to Landlord and Escrow Holder setting forth the amount of each requested disbursement, which shall be

accompanied by delivery to Landlord reasonably detailed supporting documentation demonstrating the actual hard and/or softs costs of designing, performing and installing the applicable Improvements;

(b) With respect to any disbursement for hard costs of construction, delivery to Landlord of a certification of any architect supervising the Improvements, stating that the Improvement work for which Tenant is applying for payment has been completed in accordance with the Approved Plans;

(c) With respect to any disbursement for softs costs of preparing the Preliminary Plans or Permit Drawings, delivery to Landlord of properly executed conditional lien waivers in form complying with California Civil Code Section 8132 from the architect, engineer or other professional performing any part of such work covered by the current application for disbursement;

(d) With respect to any disbursement for hard costs of construction, delivery to Landlord of properly executed conditional lien waivers in form complying with California Civil Code Section 8132 from the general contractor, the mechanical, electrical and plumbing contractors, and all other contractors and subcontractors performing any part of such Improvement work covered by the current application for disbursement;

(e) With respect to any disbursement for softs costs of preparing the Preliminary Plans or Permit Drawings, delivery to Landlord of properly executed unconditional lien waivers in form complying with California Civil Code Section 8134 from the architect, engineer or other professional performing any part of such work covered by the previous application for payment; and

(f) With respect to any disbursement for hard costs of construction, delivery to Landlord of properly executed unconditional lien waivers in form complying with California Civil Code Section 8134 from the general contractor, the mechanical, electrical and plumbing contractors, and all other contractors and subcontractors for Improvement work covered by the previous application for payment.

Each disbursement of the Allowance for hard costs shall be subject to retainage of ten percent (10%) of the amount of such requested disbursement. Any retainage remaining in the Escrow Account shall be released to Tenant within ten (10) business days after Landlord's receipt of the items described in Section 3.1.13.

2.3 Definition of Improvements. The term "Improvements" shall mean all improvements shown in the Approved Plans as integrated by Tenant's architect, provided that in no event may the Allowance be used for freestanding workstations, telecommunication equipment and related wiring, furniture, fixtures and equipment, trade fixtures or any other Personal Property of Tenant.

2.4 Over Allowance Amount. After the Permit Drawings are approved by Landlord, Tenant shall prepare for Landlord's approval a budget, which budget shall include all costs which are to be paid from the Allowance in connection with the design and construction of the Improvements (the "Budget"). If the amount of the Budget approved by Landlord exceeds the Allowance, then the difference between the amount of the Budget and the amount of the

Allowance shall hereinafter be referred to as the "Over-Allowance Amount". The Over-Allowance Amount shall be paid pro rata by Tenant with each disbursement of the Allowance.

3. Construction.

3.1 Construction by Tenant. The work set forth in the Approved Plans shall be performed in accordance with the following:

3.1.1 Tenant shall have the work performed in such a manner so as not to (a) obstruct the access of any other tenant or occupant in the Project, (b) damage any portion of the Project, including Common Areas, or (c) create dust or dirt in any Common Areas. Tenant shall cause the work areas to be cleaned on a daily basis.

3.1.2 All work in the Premises shall be performed by Tenant's contractors and subcontractors strictly in accordance with the Approved Plans, the provisions of Title 24 of the California Administrative Code, the Americans with Disabilities Act, and all other applicable Laws, and shall satisfy the requirements of all carriers of insurance on the Premises and the Project, and the Board of Underwriters Fire Rating Bureau or similar organization.

3.1.3 All Improvements in the Premises shall be performed in accordance with the reasonable rules and regulations of Landlord.

3.1.4 Prior to the commencement of the Improvements, Tenant shall notify Landlord in writing of the anticipated date of the commencement of construction to enable Landlord to post a notice of non-responsibility.

3.1.5 Prior to the commencement of the Improvements, Tenant shall furnish a copy of the building permit to Landlord.

3.1.6 Prior to and continuing during the period of Tenant's access, entry and construction, Tenant's contractors and subcontractors shall procure and maintain during the period of their performance of labor or the furnishing of materials to the Premises from insurance carriers to be rated A-VII or better by A.M. Best Company: (a) Commercial General Liability insurance (including contractual liability coverage and products/completed operations) on an occurrence basis for bodily injury, death, "broad form" property damage, and personal injury, with coverage limits of not less than One Million Dollars ($1,000,000) per occurrence and Two Million dollars ($2,000,000) general aggregate for bodily injury and property damage; (b) Auto liability insurance covering all owned, non-owned and hired vehicles, with coverage limits of not less than One Million Dollars ($1,000,000) per occurrence for bodily injury and property damage; an (c) Umbrella liability insurance on an occurrence form, for limits of not less than Two Million Dollars ($2,000,000) per occurrence and in the aggregate. Said insurance shall name Landlord and, at Landlord's request, any Lenders of Landlord or any ground lessor, as additional insureds, as their respective interests may appear. Tenant shall also require each contractor and subcontractor employed to perform labor or furnish materials to the Premise to procure and maintain, during the performance of the labor or the furnishing of the materials, a policy of workers' compensation or employer's liability insurance issued by an insurance company acceptable to Landlord for the protection of the employees of the contractors and subcontractors, including executive, managerial, and supervisorial employees engaged in any Improvements to be performed in the Premises. Copies of the policies or certificates evidencing

the existence and amounts of such insurance, and renewals or binders, shall be delivered to Landlord by Tenant at least ten (10) days prior to (a) the commencement of the Improvements, or (b) the expiration of any such policy, as the case may be.

3.1.7 Landlord shall have no responsibility for the quality or adequacy of any work performed by Tenant's contractors or subcontractors, whether with respect to labor, material, or otherwise.

3.1.8 Tenant shall be solely responsible for security in the Premises during the period of construction. None of Landlord, Landlord's contractor, or their agents or employees shall have any responsibility whatsoever for the safety of any equipment, tools, materials, fixtures, merchandise, or other personal property located in the Premises during the period of construction except to the extent damage is caused by the gross negligence or willful misconduct of Landlord, Landlord's contractor, or their agents or employees.

3.1.9 The Project shall be kept free and clear of any and all mechanics' or similar liens on account of work performed by Tenant, its contractors or subcontractors. If any such liens are filed, Tenant shall post a release bond pursuant to the provisions of California Civil Code Section 8424 within ten (10) days following the filing of such lien, and shall further indemnify and hold Landlord, its partners, agents, and employees harmless from and against any claims, liability, costs, lawsuits, damages, or expenses (including attorneys' fees and court costs) arising out of work performed or to be performed in the Premises.

3.1.10 Landlord and Landlord's Lender shall have access to the Premises for purposes of inspection at all times during the period of construction.

3.1.11 Tenant shall reimburse Landlord for any and all expenses incurred by Landlord by reason of faulty work performed by Tenant or its contractors or subcontractors, damage to the Project caused by Tenant's contractors or subcontractors, unreasonable delays in work performed in, on, or about the Project caused by Tenant's contractors or subcontractors or as a result of their inadequate clean-up, including but not limited to legal fees and costs incurred in connection with Landlord's enforcement of the provisions of this subparagraph.

3.1.12 Landlord shall be deemed to be the owner of all of the Improvements constructed by Tenant pursuant to this Exhibit C.

3.1.13 Within thirty (30) days after the Substantial Completion of the Improvements, Tenant shall deliver to Landlord:

(a) Reproducible “as-built” plans and specifications for all Improvements.

(b) Tenant’s contractor’s completion certificate in form and substance satisfactory to Landlord, and evidence that the Improvements have been performed in accordance with the Permit Plans (as amended with the approval of Landlord).

(c) A copy of a recorded, valid notice of completion.

(d) Copies of signed-off permits, certificates of occupancy for the Premises, if any, and a stamped set of final approved plans evidencing governmental approval of the completion of the Improvements.

(e) Properly executed unconditional final lien waivers in form complying with California Civil Code Section 8138 from all contractors and subcontractors performing any part of the Improvements.

3.2 Substantial Completion. For purposes of this Work Letter, "Substantial Completion" of the Improvements shall occur, and the Improvements shall be deemed to have been "Substantially Completed" upon substantial completion of construction of the Improvements set forth in the Approved Plans, with the exception of any "punch list items". As used herein, the term "punch list items" shall mean any minor defects or incomplete details of construction, decoration, or mechanical adjustment which do not, either individually or in the aggregate, materially interfere with or affect, Tenant's occupancy of the Premises.

Exhibit B-1

RESPONSIBLE CONTRACTOR PROGRAM POLICY

By executing the Agreement this Responsible Contractor Program Policy is attached to, Contractor hereby certifies that it will comply with the Responsible Contractor Program (the "RCP") promulgated by the California Public Employees'' Retirement System ("CalPERS") and that it is a Responsible Contractor as defined in the RCP, and agrees to provide the Owner and CalPERS with documentation using the forms approved by CalPERS to certify responsible contractor status and to establish compliance with the RCP. Compliance will be reviewed by CalPERS annually.

Fair Wage & Fair Benefits -- Contractor hereby certifies that all subcontractors and employees retained to perform Work or Services under this Agreement will receive a "fair wage" and "fair benefits" pursuant to the RCP. Fair benefits are evidenced by some of the following: employer-paid family health care coverage, pension benefits, apprenticeship programs and benefits paid for comparable work on comparable projects. Fair wage does not require the payment of "prevailing wages," as defined by government surveys and laws. Instead, fair wage is evidenced by some of the following: local practices with regard to type of trade and type of project, local wage practices and labor market conditions.

Competitive Bidding/Disadvantaged Businesses -- Contractor hereby certifies that all subcontractors retained to perform construction, maintenance or services contracted under this Agreement shall be selected through a competitive bidding and selection process designed to seek bids from a broad spectrum of qualified Service-Disabled Veteran Business Enterprises ("SDV/BE"), Minority/Women Owned Business Enterprises ("MBE/WBE") and Small Business Enterprises ("SBE"). The competitive bidding process shall include notification and invitations to bid that target responsible contractors, MBE/WBE, SDV/BE and SBE contractors with experience, honesty, integrity, and dependability. A complete copy of the RCP shall be attached to all requests for proposal and invitations to bid. In addition, each bidder shall be asked to complete the Certification of Responsible Contractor Status promulgated by CalPERS (see Appendix 1 to the RCP).

Definitions -- A SBE is defined as a business with 100 or fewer employees and less than $10 million annual average gross receipts over the previous three tax years. A MBE/WBE must be at least 51% owned by a minority or minorities, or a woman or women, who exercise the power to make policy decisions and who are actively involved in the day-to-day management of the business. A SDV/BE must be at least 51% owned by a disabled veteran and a disabled veteran must be involved in the day-to-day management of the business. Contractor shall meet or exceed a goal of 3% SDV/BE participation or make a good-faith effort to achieve such participation.

Local, State and National Laws and Requirements -- Contractor and its subcontractors shall observe all local, state, and national laws (including by way of illustration those pertaining to insurance, withholding taxes, minimum wage, health and occupational safety), and the RCP. Notwithstanding any provisions herein, Contractor shall perform its duties under the Agreement for the benefit of the Owner and CalPERS.

Complete Copy -- A complete copy of the RCP is available upon request from the Owner and at http://www.calpers.ca.gov/eip-docs/investments/policies/inv-asset-classes/real-estate/responsible-contractor.pdf. Related information regarding SBE compliance is available at www.pd.dgs.ca.gov/smbus/default.htm. Related information regarding MBE/WBE compliance is available at www.pd.dgs.ca.gov/smbus/mwbepp.htm. Related information regarding SDV/BE compliance is available at www.calpers.ca.gov/index.jsp?bc=/business/how-to/contact-policies/disabledvet.xml and at www.pd.dgs.ca.gov/dvbe/default.htm. This summary of the RCP shall not, in any way, constitute a substitution for the RCP. The Contractor shall comply with all of the terms contained in the complete copy of the RCP and as it may be updated from time to time by CalPERS.

EXHIBIT C

ESCROW AGREEMENT

TENANT CONSTRUCTION ALLOWANCE ESCROW AGREEMENT
([Expansion Allowance/Additional Allowance])

THIS TENANT CONSTRUCTION ALLOWANCE ESCROW AGREEMENT (this "Escrow Agreement") is made and entered into as of the ____ day of _____, 2014, by and among CIM/OAKLAND CENTER 21, LP, a Delaware limited partnership ("Landlord"), and PANDORA MEDIA, INC., a Delaware corporation ("Tenant"), and COMMERCE ESCROW COMPANY ("Escrow Holder"), relating to certain sums to be deposited with Escrow Holder pursuant to that certain Tenth Amendment to Lease between Landlord and Tenant dated _____, 2014 (the "10th Amendment"), a copy of which has been delivered to Escrow Holder. Terms used and not defined in this Escrow Agreement shall have the meanings given them in the 10th Amendment, unless the context otherwise requires.

1. Funds. Pursuant to Section [8/9] of the Amendment, Landlord has delivered to Escrow Holder funds in the amount of [$1,771,800.00/$2,471,800.00] (the "Funds"), representing Landlord's obligation under the 10th Amendment with respect to payment of the [Expansion Allowance/Additional Allowance]. Escrow Holder shall place the Funds into an account (the "Escrow Account") under the name of Tenant. Any interest on the Escrow Account shall accrue to the benefit of Tenant.

2. Disbursement of Funds. In accordance with the 10th Amendment, Funds are to be disbursed to Tenant from time to time for costs relating to the design and construction of the [Expansion Improvements/Additional Improvements] upon satisfaction of certain conditions as set forth in Exhibit C to the 10th Amendment. Upon satisfaction, Tenant shall send an application for payment to Escrow Holder (a "Payment Application") setting forth the amount of the Funds to be disbursed and stating that Tenant has satisfied the conditions for such disbursement. Escrow Holder shall be obligated, without duty of inquiry or other condition, to pay the amount set forth in Tenant's Payment Application to Tenant by way of wire transfer, which transfer instructions are set forth in Exhibit A attached hereto; provided, however, that Escrow Holder shall not honor such demand if Escrow Holder shall have received written notice of objection from Landlord in accordance with the provisions of Section 3 of this Escrow Agreement.

3. Demand Objection. Upon receipt of a Payment Application from Tenant, Escrow Holder shall promptly send a copy of the Payment Application to Landlord. Landlord shall have a period of ten (10) business days from its receipt of the Payment Application to object to delivery of funds by sending written notice of objection to the Escrow Holder. If Escrow Holder does not receive a demand objection from Landlord within such ten (10) business day period, Escrow Holder shall immediately disburse the amount reflected in Tenant's Payment Application. If Escrow Holder receives a demand objection from Landlord, Escrow Holder shall promptly send a copy thereof to Tenant. Such notice shall set forth the basis for objecting to the delivery of the Funds.

4. Duties after Objection. In the event Escrow Holder shall have received a notice of objection from Landlord as provided in Section 3 of this Escrow Agreement and within the time therein prescribed, it shall continue to hold the Funds (a) until it receives joint instructions from Landlord and Tenant directing the disbursement of the Funds, in which event Escrow Holder shall then disburse the Funds in accordance with said direction, or (b) in the event of litigation between Landlord and Tenant, until it shall deposit the Funds with the clerk of the court in which said litigation is pending, or (c) until it takes such affirmative steps as it may, at its option, elect in order to terminate its duties as Escrow Holder, including, but not limited to, to deposit the Funds in court and initiate an action for interpleader. If Escrow Holder elects to deposit the Funds in court, whether in an interpleader action or otherwise, Escrow Holder shall have the right to deduct the reasonable costs of doing so from the Funds before paying the balance into court. In that event, the party to whom the Funds are awarded shall have the right to collect such costs from the other party to the action. Landlord and Tenant hereby agree to execute such joint instructions as may be necessary to provide for the payment of the Funds or portions thereof from time to time in accordance with the terms of the 10th Amendment.

5. Rights of Escrow Holder. Escrow Holder may act upon any instrument or other writing believed by it in good faith to be genuine and to be signed and presented by the proper person, and shall not be liable in connection with the performance of any duties imposed upon it by the provisions of this Escrow Agreement except for its own willful default and gross negligence. Escrow Holder shall have no duties or responsibilities except those set forth herein. Escrow Holder shall not be bound by any modification of this Escrow Agreement unless the same is in writing and signed by Tenant and Landlord and, if its duties hereunder are affected, unless Escrow Holder shall have given prior written consent thereto. In the event that Escrow Holder shall be uncertain as to its duties or rights hereunder, or shall receive instructions from Tenant or Landlord which, in its opinion, are in conflict with any of the provisions hereof, it shall be entitled to hold and apply the Funds pursuant to Section 4 of this Escrow Agreement and may decline to take any other action.

6. Return of Funds to Landlord. Notwithstanding anything to the contrary contained herein, if any Funds remain in the Escrow Account on December 31, 2016, Escrow Holder shall immediately and without the need for further instructions from Landlord or Tenant, return all Funds in the Escrow Account as of such date to Landlord by wire transfer as Landlord may direct.

7. Term of Agreement. The term of this Agreement shall commence upon the date hereof and shall expire once all Funds have been disbursed from the Escrow Account. Following the disbursement of the last Funds from the Escrow Account, Escrow Holder shall promptly close the Escrow Account and Landlord and Tenant agree to execute and documentation reasonably required for Escrow Holder to close the Escrow Account.

8. Notices. All notices, demands, objections and instructions required or permitted under this Escrow Agreement shall be in writing, signed by the party giving the same, and shall be deemed properly given, sent and received on the earlier of (a) when actually delivered and received, personally, by mail, by messenger service, by fax or telecopy delivery or otherwise; or (b) on the next business day after deposit for delivery by an overnight courier service, with delivery or postage charges prepaid and addressed as follows:

to Landlord: Before January 1, 2015:

6922 Hollywood Blvd, Suite 900
Hollywood, California 90028
Attention: _____
Facsimile: (323) 860-____

With a copy of all notices sent to:

c/o CIM Group, LP
6922 Hollywood Boulevard, Suite 900
Hollywood, California 90028
Attention: General Counsel
Facsimile: (323) 297-2586

January 1, 2015 or after:

4700 Wilshire Boulevard
Los Angeles, California 90010
Attention: _____
Facsimile: (323) 860-____
With a copy of all notices sent to:

c/o CIM Group, LP
4700 Wilshire Boulevard
Los Angeles, California 90010
Attention: General Counsel
Facsimile: (323) 297-2586

to Tenant: _____
_____
_____
Attention: _____
Facsimile:_____

to Escrow Holder: Commerce Escrow Company
1545 Wilshire Blvd Ste 600
Los Angeles, California 90017
Attention: Raul Zuniga, Escrow Officer
Telephone number: (213) 484-0855 x4016
Facsimile Transmission number: (213) 201-5191

9. Escrow Fee. Landlord hereby agrees to pay to Escrow Holder the escrow fee charged by Escrow Holder for acting as escrow agent pursuant to this Escrow Agreement, which fee shall be in the total amount of $_____, which shall be payable within 10 days after receipt of written demand from Escrow Holder therefor.

10. Miscellaneous. This Escrow Agreement, the Lease (as defined in the 10th Amendment) and the other documents executed in connection with the Lease contain the entire agreement among the parties with respect to the subject matter hereof. This Escrow Agreement shall be the whole and only agreement between the parties regarding the obligations of Escrow Holder to complete this escrow. Escrow Holder shall disregard and assume no responsibility for complying with any other agreements among the parties, whether or not such agreements have been made a part of this escrow. This Escrow Agreement may not be amended, supplemented or discharged, and no provision of this Escrow Agreement may be modified or waived, except by an instrument in writing signed by all of the parties hereto. No waiver of any provision hereof by any party shall be deemed a continuing waiver of any matter by such party. This Escrow Agreement may be executed in counterparts, each of which shall constitute but one Agreement.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

--Signatures Next Page--

"**Tenant**":

PANDORA MEDIA, INC.,
a Delaware corporation

By:_____
Name:_____
Its:_____

"**Landlord**":

CIM/OAKLAND CENTER 21, LP,
a Delaware limited partnership

By: CIM Management, Inc., a California corporation

Its property manager

By: _____
Terry Wachsner, Vice President

"**Escrow Holder**":

COMMERCE ESCROW COMPANY

By:_____
Name:_____
Its:_____

EXHIBIT A TO ESCROW AGREEMENT

WIRE INSTRUCTIONS

Name and Address of bank
JPMorgan Chase Bank N.A.
4 New York Plaza
New York, NY 10004
Beneficiary Name: Pandora Media Inc.
Account number 958169641
ABA number 021000021
SWIFT (for int'l payments)
Ref:

Exhibit 31.02

Certification of Principal Financial Officer
Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Michael S. Herring, 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.

October 28, 2014

/s/ Michael S. Herring

Name: Michael S. Herring

Title: *Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

Exhibit 31.01

Certification of Principal Executive Officer
Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Brian McAndrews, 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.

October 28, 2014

/s/ Brian McAndrews

Name: Brian McAndrews

Title: *Chief Executive Officer, President and Chairman of the Board (Principal Executive 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, 2014 (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.

October 28, 2014

/s/ Brian McAndrews

Name:	Brian McAndrews
Title:	*Chief Executive Officer, President and Chairman of the Board (Principal Executive Officer)*

/s/ Michael S. Herring

Name:	Michael S. Herring
Title:	*Executive Vice President and 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.