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: 001-33023

Riverbed Technology, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**03-0448754**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

680 Folsom Street
San Francisco, California 94107
(Address of Principal Executive Offices including Zip Code)

(415) 247-8800
(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 on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ 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 the registrant's common stock, par value $0.0001, outstanding as of October 23, 2014 was: 155,110,068.

RIVERBED TECHNOLOGY, INC.

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Item 1. Financial Statements (unaudited)

RIVERBED TECHNOLOGY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2014 and December 31, 2013
(in thousands, except par value)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 207,782	$ 208,022
Short-term investments	189,938	251,339
Trade receivables, net of allowances of $1,598 and $1,996 as of September 30, 2014 and December 31, 2013, respectively	114,411	93,836
Inventory	17,517	25,025
Deferred tax assets	17,807	7,222
Prepaid expenses and other current assets	58,793	49,016
Total current assets	606,248	634,460
Long-term investments	78,948	72,675
Fixed assets, net	74,133	57,810
Goodwill	704,305	704,305
Intangibles, net	340,007	404,467
Other assets	20,928	23,881
Total assets	$ 1,824,569	$ 1,897,598
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 41,611	$ 45,518
Accrued compensation and benefits	47,813	51,988
Other accrued liabilities	56,214	36,520
Current maturities of long-term borrowings	15,000	15,000
Deferred revenue	228,038	217,131
Total current liabilities	388,676	366,157
Deferred revenue, non-current	84,041	95,344
Borrowings, non-current, net of current maturities	498,750	510,000
Deferred tax liabilities, non-current	38,939	48,548
Other long-term liabilities	47,896	48,910
Total long-term liabilities	669,626	702,802
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value – 30,000 shares authorized, no shares outstanding	—	—
Common stock and additional paid-in capital; $0.0001 par value – 600,000 shares authorized; 155,090 and 159,845 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	622,920	702,928
Retained earnings	146,832	125,295
Accumulated other comprehensive income (loss)	(3,485)	416
Total stockholders' equity	766,267	828,639
Total liabilities and stockholders' equity	$ 1,824,569	$ 1,897,598

See Notes to Condensed Consolidated Financial Statements.

RIVERBED TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Revenue:				
Product	$ 153,383	$ 153,167	$ 448,458	$ 444,690
Support and services	122,991	108,556	357,358	313,082
Total revenue	276,374	261,723	805,816	757,772
Cost of revenue:				
Cost of product	36,945	41,772	111,614	123,135
Cost of support and services	33,393	29,085	97,657	87,020
Total cost of revenue	70,338	70,857	209,271	210,155
Gross profit	206,036	190,866	596,545	547,617
Operating expenses:				
Sales and marketing	113,100	116,257	338,535	345,351
Research and development	53,354	49,461	155,299	149,440
General and administrative	18,698	17,729	58,102	55,164
Acquisition-related costs	1,866	4,882	4,806	16,085
Total operating expenses	187,018	188,329	556,742	566,040
Operating income (loss)	19,018	2,537	39,803	(18,423)
Interest expense and other, net	(2,773)	(5,063)	(8,199)	(17,336)
Income (loss) before provision for (benefit from) income taxes	16,245	(2,526)	31,604	(35,759)
Provision for (benefit from) income taxes	4,761	(6,344)	10,067	(14,946)
Net income (loss)	$ 11,484	$ 3,818	$ 21,537	$ (20,813)
Net income (loss) per common share:				
Basic	$ 0.07	$ 0.02	$ 0.14	$ (0.13)
Diluted	$ 0.07	$ 0.02	$ 0.13	$ (0.13)
Shares used in computing net income (loss) per common share:				
Basic	157,575	162,929	159,448	163,430
Diluted	162,323	167,692	164,096	163,430

See Notes to Condensed Consolidated Financial Statements.

RIVERBED TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
Net income (loss)	$ 11,484	$ 3,818	$ 21,537	$ (20,813)
Unrealized gain (loss) on investments, net of tax	(32)	233	18	1
Foreign currency translation adjustment	(1,185)	1,726	(1,169)	1,010
Derivative instruments gain (loss), net of tax	(2,566)	1,045	(2,750)	556
Other comprehensive income (loss)	(3,783)	3,004	(3,901)	1,567
Comprehensive income (loss)	$ 7,701	$ 6,822	$ 17,636	$ (19,246)

See Notes to Condensed Consolidated Financial Statements.

RIVERBED TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating Activities:		
Net income (loss)	$ 21,537	$ (20,813)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	85,564	94,617
Stock-based compensation	67,929	75,159
Deferred taxes	(19,962)	(43,985)
Excess tax benefit from employee stock plans	(5,893)	(5,507)
Amortization of deferred debt issuance costs	683	1,736
Changes in operating assets and liabilities:		
Trade receivables	(20,575)	12,396
Inventory	7,508	(7,512)
Prepaid expenses and other assets	(5,457)	(5,690)
Accounts payable	1,980	(10,038)
Accrued and other liabilities	14,505	1,561
Income taxes payable	2,362	(1,714)
Deferred revenue	(396)	38,179
Net cash provided by operating activities	149,785	128,389
Investing Activities:		
Capital expenditures	(43,314)	(18,284)
Purchase of available for sale securities	(241,263)	(317,399)
Proceeds from maturities of available for sale securities	237,706	236,562
Proceeds from sales of available for sale securities	57,245	15,045
Acquisitions, net of cash and cash equivalents acquired, and other	(679)	(1,000)
Net cash provided by (used in) investing activities	9,695	(85,076)
Financing Activities:		
Proceeds from issuance of common stock under employee stock plans	53,413	56,293
Taxes paid related to net shares settlement of equity awards	(8,141)	(4,289)
Payments for repurchases of common stock	(195,571)	(125,081)
Payment of borrowings	(11,250)	(50,015)
Excess tax benefit from employee stock plans	5,893	5,507
Net cash used in financing activities	(155,656)	(117,585)
Effect of exchange rate changes on cash and cash equivalents	(4,064)	1,574
Net decrease in cash and cash equivalents	(240)	(72,698)
Cash and cash equivalents at beginning of period	208,022	280,509
Cash and cash equivalents at end of period	$ 207,782	$ 207,811

See Notes to Condensed Consolidated Financial Statements.

RIVERBED TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

Basis of Presentation

The condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated. The accompanying condensed consolidated balance sheet as of September 30, 2014, the condensed consolidated statements of operations for the three and nine months ended September 30, 2014 and 2013, the condensed consolidated statements of comprehensive income (loss) for the three and nine months ended September 30, 2014 and 2013, and the condensed consolidated statements of cash flows for the nine months ended September 30, 2014 and 2013 are unaudited. The accompanying statements should be read in conjunction with the audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

The accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). They do not include all of the financial information and footnotes required by GAAP for complete financial statements. We believe the unaudited condensed consolidated financial statements have been prepared on the same basis as our audited financial statements and include all adjustments necessary for the fair presentation of our balance sheet as of September 30, 2014, and our results of operations, comprehensive income (loss) and our cash flows for the nine months ended September 30, 2014 and 2013. All adjustments are of a normal, recurring nature. The results for the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for any subsequent quarter or for the year ending December 31, 2014.

During the three and nine months ended September 30, 2014, there have been no significant changes in our significant accounting policies from that were described in our Annual Report on Form 10-K for the year ended December 31, 2013.

Use of Estimates

These accounting principles require us to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Significant estimates and assumptions made by management include the determination of the fair value of stock awards issued, inventory valuation, the accounting for income taxes, including the determination of the valuation allowance related to our deferred tax asset balances, goodwill and other intangible assets, reserves for uncertain tax positions, and the accounting for business combinations. We believe that the estimates and judgments upon which we rely are reasonable based upon information available to us at the time that these estimates and judgments were made. To the extent there are material differences between these estimates and actual results, our condensed consolidated financial statements will be affected.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The guidance in ASU No. 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition* and permits the use of either the retrospective or cumulative effect transition method. We are required to adopt this standard starting in the first quarter of fiscal 2017. We have not yet selected a transition method and we are currently in the process of determining the impact of ASU No. 2014-09 on our condensed consolidated financial statements.

In July 2013, the FASB released ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU No. 2013-11 requires that an unrecognized tax benefit should be presented as a reduction of a deferred tax asset for a net operating loss carryforward or other tax credit carryforward when settlement in this manner is available under the tax law. We are required to adopt this standard starting fiscal year 2015 and are currently in the process of determining the impact, if any, on our condensed consolidated financial statements.

3. NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed by giving effect to all potential dilutive common shares, including stock awards. The following table sets forth the computation of net income (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except per share data)	**2014**	**2013**	**2014**	**2013**
Net income (loss)	$ 11,484	$ 3,818	$ 21,537	$ (20,813)
Weighted average common shares outstanding - basic	157,575	162,929	159,448	163,430
Dilutive effect of employee stock plans	4,748	4,763	4,648	—
Weighted average common shares outstanding - diluted	162,323	167,692	164,096	163,430
Basic net income (loss) per share	$ 0.07	$ 0.02	$ 0.14	$ (0.13)
Diluted net income (loss) per share	$ 0.07	$ 0.02	$ 0.13	$ (0.13)

Stock options outstanding with an exercise price higher than our average stock price for the periods presented represent out-of-the-money awards and are excluded from the calculations of the diluted net income (loss) per common share since the effect would have been anti-dilutive under the treasury stock method.

In addition, stock options outstanding with an exercise price lower than our average stock price for the periods presented, representing in-the-money awards that would otherwise have a dilutive effect under the treasury stock method, are excluded from the calculations of the diluted loss per common share in periods with a loss since the effect in such periods would have been anti-dilutive.

The following weighted average outstanding options were excluded from the computation of diluted net income (loss) per common share for the periods presented because including them would have had an anti-dilutive effect:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Total potential anti-dilutive shares of common stock	6,747	9,923	11,164	19,319

4. FAIR VALUE MEASUREMENTS

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value. The level of an asset or liability in the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities with sufficient volume and frequency of transactions.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or model-derived valuations techniques for which all significant inputs are observable in the market or can be corroborated by observable market data, for substantially the full term of the assets or liabilities.

Level 3: Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities and based on non-binding, broker-provided price quotes and may not have been corroborated by observable market data. As of September 30, 2014 and December 31, 2013, we had no financial assets or liabilities categorized as Level 3.

The following table sets forth our financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2014:

(in thousands)	Total	Level 1	Level 2
Assets:			
Corporate bonds and notes	$ 26,095	$ —	$ 26,095
U.S. government-sponsored enterprise obligations	8,300	—	8,300
Money market funds	24,603	24,603	—
Cash	148,784	—	—
Total cash and cash equivalents	207,782	24,603	34,395
Corporate bonds and notes	51,557	—	51,557
U.S. government backed securities	29,913	29,913	—
U.S. government-sponsored enterprise obligations	170,190	—	170,190
FDIC-backed certificates of deposit	17,226	—	17,226
Total investments	268,886	29,913	238,973
Derivative assets	1	—	1
Total assets	$ 476,669	$ 54,516	$ 273,369
Liabilities:			
Derivative liabilities	$ 1,808	$ —	$ 1,808
Borrowings	513,750	—	513,750
Total liabilities	$ 515,558	$ —	$ 515,558

The following table sets forth our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

(in thousands)	Total	Level 1	Level 2
Assets:			
Corporate bonds and notes	$ 28,545	$ —	$ 28,545
U.S. government backed securities	—		
U.S. government-sponsored enterprise obligations	18,775	—	18,775
Money market funds	30,009	30,009	—
Cash	130,693	—	—
Total cash and cash equivalents	208,022	30,009	47,320
Corporate bonds and notes	74,648	—	74,648
U.S. government backed securities	23,210	23,210	—
U.S. government-sponsored enterprise obligations	211,094	—	211,094
FDIC-backed certificates of deposit	15,062	—	15,062
Total investments	324,014	23,210	300,804
Derivative assets	331	—	331
Total assets	$ 532,367	$ 53,219	$ 348,455
Liabilities:			
Derivative liabilities	$ 103	$ —	$ 103
Borrowings	525,000	—	525,000
Total liabilities	$ 525,103	$ —	$ 525,103

Our primary financial instruments include cash, cash equivalents, short-term and long-term investments, restricted cash, accounts receivable, accounts payable, short-term and long-term borrowings, and foreign currency related derivatives. Cash and cash equivalents consist primarily of highly liquid investments in money market mutual funds, government-sponsored enterprise obligations, treasury bills, commercial paper and corporate bonds and notes with remaining maturities at date of purchase of 90 days or less. The estimated fair value of cash, accounts receivable and accounts payable approximates their carrying value due to the short period of time to their maturities. The estimated fair value of our investments is determined as the exit price in the principal market in which we would transact. The estimated fair value of the borrowings has been calculated using an estimate of the interest rate that we would be required to pay on the issuance of debt with similar terms and discounting the cash flows at that rate. Refer to Note 9 for the carrying value and additional disclosures on our borrowings.

The following tables present the gross unrealized gains and gross unrealized losses of available-for-sale securities as of September 30, 2014 and December 31, 2013:

(in thousands)	Fair Value	Unrealized Gains	Unrealized Losses
Corporate bonds and notes	$ 77,652	$ 1	$ (16)
U.S. government backed securities	29,913	16	(7)
U.S. government-sponsored enterprise obligations	178,490	39	(59)
FDIC-backed certificates of deposit	17,226	—	—
Total available-for-sale securities at September 30, 2014	$ 303,281	$ 56	$ (82)
Corporate bonds and notes	$ 103,193	$ 1	$ (24)
U.S. government backed securities	23,210	7	(2)
U.S. government-sponsored enterprise obligations	229,869	55	(30)
FDIC-backed certificates of deposit	15,062	1	—
Total available-for-sale securities at December 31, 2013	$ 371,334	$ 64	$ (56)

The available-for-sale securities by classification in the condensed consolidated balance sheet is as follows:

(in thousands)	September 30, 2014	December 31, 2013
Cash and cash equivalents	$ 34,395	$ 47,320
Short-term investments	189,938	251,339
Long-term investments	78,948	72,675
Total available-for-sale securities	$ 303,281	$ 371,334

Cash and cash equivalents in the table above excludes cash of $173.4 million and $160.7 million at September 30, 2014 and December 31, 2013, respectively.

We regularly review our investment portfolio to determine if any security is other-than-temporarily impaired, which would require us to record an impairment charge in the period any such determination is made. In making this judgment, we evaluate, among other things, the duration and extent to which the fair value of a security is less than its cost; the financial condition of the issuer and any changes thereto; and our intent and ability to sell, or whether we will more likely than not be required to sell, the security before recovery of its amortized cost basis. We have evaluated our investments as of September 30, 2014 and have determined that no investments with unrealized losses are other-than-temporarily impaired. No investments have been in a continuous loss position for greater than one year.

5. INVENTORY

Inventory consists primarily of hardware and related component parts and evaluation units located at customer locations, and are stated at the lower of cost (on a first-in, first-out basis) or market. Inventory is comprised of the following:

(in thousands)	September 30, 2014	December 31, 2013
Raw materials	$ 3,136	$ 5,069
Finished goods	12,699	15,430
Evaluation units	1,682	4,526
Total inventory	$ 17,517	$ 25,025

6. GUARANTEES

Our agreements with customers, as well as our reseller agreements, generally include certain provisions for indemnifying customers and resellers and their affiliated parties against liabilities if our products infringe a third-party’s intellectual property rights. To date, we have not incurred any material costs as a result of such indemnifications and have not accrued any liabilities related to such obligations in our condensed consolidated financial statements.

As permitted or required under Delaware law and to the maximum extent allowable under that law, we have certain obligations to indemnify our officers, directors and certain key employees for certain events or occurrences while the officer, director or employee is or was serving at our request in such capacity. These indemnification obligations are valid as long as the director, officer or employee acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The maximum potential amount of future payments we could be required to make under these indemnification obligations is unlimited; however, we have a director and officer insurance policy that mitigates our exposure and enables us to recover a portion of any future amounts paid.

7. LEASE COMMITMENTS

We lease our facilities under non-cancelable operating lease agreements. Future minimum commitments for these operating leases in place as of September 30, 2014 with a remaining non-cancelable lease term in excess of one year are as follows:

Fiscal year		(in thousands)
2014 (remaining 3 months)	$	5,515
2015		28,953
2016		27,464
2017		25,560
2018		23,813
Thereafter		93,788
Total	$	205,093

The terms of certain lease agreements provide for rental payments on a graduated basis. We recognize rent expense on a straight-line basis over the lease period and have accrued for rent expense incurred but not paid. Rent expense under operating leases was $6.8 million and $5.7 million for the three months ended September 30, 2014 and 2013, respectively, and $21.6 million and $16.0 million for the nine months ended September 30, 2014 and 2013, respectively.

8. DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative instruments to partially offset our market exposures to fluctuations in certain foreign currency exchange rates, which exist as part of ongoing business operations. Our general practice is to hedge a majority of transaction exposures denominated in British pounds, Euros, Australian dollars and Singapore dollars. These instruments have maturities up to twelve months in the future. We do not enter into derivative instrument transactions for trading or speculative purposes.

Foreign currency contracts designated as cash flow hedges

We utilize foreign currency forward contracts to hedge certain forecasted foreign currency transactions relating to cost of service and operating expense. These contracts are designated and documented as cash flow hedges at their inception. All changes in time value are excluded from the cash flow hedge and recorded to Interest expense and other, net in the period incurred. The effective portion of derivative's gains or losses on these hedges is initially included in Accumulated other comprehensive income (loss) and is subsequently reclassified into the cost of service or operating expense, to which the hedged transaction relates, upon the occurrence of the forecasted transaction. We record any ineffectiveness of the hedging instruments in Interest expense and other, net in our condensed consolidated financial statements in the period incurred. No ineffectiveness was recorded during the three and nine months ended September 30, 2014 and 2013.

The notional amount of these contracts was $76.0 million at September 30, 2014 and $49.0 million at December 31, 2013. Outstanding contracts are recognized as either assets or liabilities on the balance sheet at fair value. The amount remaining in Accumulated other comprehensive income (loss) is expected to be recognized into earnings within the next twelve months. As of September 30, 2014 the amount remaining in Accumulated other comprehensive income (loss) was a loss of $(2.2) million. The amount remaining in Accumulated other comprehensive income (loss) as of December 31, 2013 was $0.5 million.

Derivatives not designated as hedging instruments

We use foreign currency forward contracts to reduce the variability in gains and losses generated from the re-measurement of certain monetary assets and liabilities denominated in foreign currencies. These hedges do not qualify for hedge accounting treatment. These derivatives are carried at fair value with gains and losses recognized as Interest expense and other, net. Changes in the fair value of the derivatives are largely offset within the condensed consolidated statement of operations by re-measurement of the underlying assets and liabilities. We had a notional value of $11.8 million and $11.7 million in derivative instruments that were non-designated hedges at September 30, 2014 and December 31, 2013, respectively.

Fair Value of Derivative Instruments

The derivative assets and liabilities are recorded on a gross basis and included in Other current assets and Other accrued liabilities, respectively, in our condensed consolidated balance sheet.

The fair value of derivative instruments in our condensed consolidated balance sheets was as follows as of September 30, 2014 and December 31, 2013:

(in thousands)	September 30, 2014	December 31, 2013
Derivative assets:		
Foreign currency contracts designated as cash flow hedges	$ 1	$ 162
Derivatives not designated as hedging instruments	—	169
Total derivative assets	$ 1	$ 331
Derivative liabilities:		
Foreign currency contracts designated as cash flow hedges	$ 1,371	$ 57
Derivatives not designated as hedging instruments	437	46
Total derivative liabilities	$ 1,808	$ 103

The effects of derivatives designated as hedging instruments on our condensed consolidated statements of operations were as follows for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2014	2013	2014	2013
Amount of gain (loss) recognized in Accumulated other comprehensive income (loss) on derivatives (effective portion)	$ (3,025)	$ 869	$ (2,572)	$ (235)
Amount and location of (gain) loss reclassified from Accumulated other comprehensive income (loss) into earnings (effective portion)				
Cost of support and services	$ 25	$ (33)	$ (76)	$ (148)
Sales and marketing	281	(121)	(151)	(501)
Research and development	10	(32)	(83)	(99)
General and administrative	8	(44)	(13)	(72)
Total	$ 324	$ (230)	$ (323)	$ (820)
Amount and location of gain recognized in earnings on derivatives				
Interest expense and other, net	$ 75	$ 25	$ 166	$ 65

The effects of derivatives not designated as hedging instruments on our condensed consolidated statements of operations were as follows for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2014	2013	2014	2013
Interest expense and other, net	$ (492)	$ 304	$ (355)	$ 27

We enter into master netting arrangements with certain counterparties, which reduce credit risk by permitting net settlement of transactions with the same counterparty. A master netting arrangement may allow counterparties to net settle amounts owed to each other as a result of multiple, separate derivative transactions. These agreements also provide a right to offset corresponding amounts at the option of the non-defaulting party or non-affected party upon the early termination of these agreements by default, upon certain other termination events and a credit event upon merger. For presentation on the condensed consolidated balance sheets, it is our policy to not offset fair value amounts recognized for derivative instruments under master netting arrangements. As of September 30, 2014, we have posted no collateral for derivative instruments, therefore no amounts exist to offset the fair value amounts recognized for derivative instruments under master netting arrangements.

9. BORROWINGS

In December 2013, we entered into a credit agreement, related security and other agreements for a $600.0 million credit facility (the 2013 Credit Facility) providing for a $300.0 million senior secured term credit facility and a $300.0 million senior secured revolving credit facility. The 2013 Credit Facility has a five year term. On December 20, 2013, we drew down $300.0 million in term loans and $225.0 million under the revolving credit facility. Pursuant to the issuance of the 2013 Credit Facility, we incurred debt issuance costs of approximately $4.2 million, which is recorded as a deferred asset and will be amortized to interest expense using the effective interest rate method.

Borrowings under the 2013 Credit Facility bear interest based on the daily balance outstanding at LIBOR (with no rate floor) plus an applicable margin (varying from 1.25% to 2.00%) or, in certain cases a base rate (based on a certain lending institution's Prime Rate or as otherwise specified in the credit agreement, with no rate floor) plus an applicable margin (varying from 0.25% to 1.00%). The revolving credit facility also carries a commitment fee equal to the unused borrowings multiplied by an applicable margin (varying from 0.25% to 0.30%). The applicable margins are calculated quarterly and vary based on our leverage ratio as set forth in the credit agreement. The interest rate on both the term and revolving loans is LIBOR plus 175 basis points, or 2.0%, as of September 30, 2014 and December 31, 2013. Beginning in 2014, 5% of the initial term loan value is to be paid annually in quarterly installments.

The term loan contains various customary representations and warranties by us, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2013 Credit Facility also contains customary affirmative and negative covenants including, among other requirements, negative covenants that restrict our ability to dispose of assets, create liens, incur indebtedness, repurchase stock, pay dividends, make acquisitions and make investments. Further, the 2013 Credit Facility contains financial covenants that require the maintenance of minimum consolidated interest coverage and maximum consolidated leverage ratios. Specifically, we must maintain, as of the end of each fiscal quarter, an interest coverage ratio of (a) EBITDA (as defined in the 2013 Credit Facility) to (b) interest expense for the most recently ended period of four fiscal quarters of not less than 3.50 to 1.00. We must also maintain, at the end of each fiscal quarter, a consolidated leverage ratio of (x) consolidated funded debt to (y) consolidated EBITDA (as defined in the 2013 Credit Facility) as of the last day of any fiscal quarter of the Borrower.

We were in compliance with all covenants of the 2013 Credit Facility as of September 30, 2014.

As of September 30, 2014, the outstanding borrowings were $513.8 million. For the three and nine months ended September 30, 2014, interest incurred pursuant to the 2013 Credit Facility was $2.8 million and $8.4 million, respectively. For the three and nine months ended September 30, 2013, interest incurred pursuant to a credit facility entered into in 2012 (and paid off in connection with entering into the 2013 Credit Facility) was $5.9 million and $18.0 million, respectively.

The following table summarizes the future minimum principal payments on the portion of the 2013 Credit Facility outstanding as of September 30, 2014:

Fiscal year		(in thousands)
2014 (the three months ending December 31, 2014)	$	3,750
2015		15,000
2016		30,000
2017		30,000
2018		435,000
Total	$	513,750

10. COMMON STOCK

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense for stock options, restricted stock units (RSUs) and the 2006 Employee Stock Purchase Plan (the Purchase Plan) recorded in our condensed consolidated statement of operations for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Cost of product	$ 354	$ 307	$ 1,068	$ 874
Cost of support and services	1,971	2,206	6,372	6,423
Sales and marketing	9,862	10,304	27,535	31,359
Research and development	8,096	8,670	21,958	25,338
General and administrative	4,325	3,617	10,996	11,165
Total	$ 24,608	$ 25,104	$ 67,929	$ 75,159

Share Repurchase Program

On August 19, 2011, our Board of Directors authorized a Share Repurchase Program (the Program), which authorized us to repurchase up to $150.0 million of our outstanding common stock. On May 17, 2012, the Board of Directors announced a $150.0 million increase to the Program. On August 19, 2013, the Board of Directors announced a $200.0 million increase to the Program. On March 4, 2014, the Board of Directors announced a $250.0 million increase to the Program. The Program does not require us to purchase a minimum number of shares, and may be suspended, modified or discontinued at any time without prior notice. For the three months ended September 30, 2014, we repurchased 5,144,600 shares of common stock under the Program on the open market for an aggregate purchase price of $95.5 million, or a weighted average of $18.57 per share. For the nine months ended September 30, 2014, we repurchased 10,165,278 shares of common stock under the Program on the open market for an aggregate purchase price of $195.6 million, or a weighted average of $19.24 per share. The timing and amounts of these purchases were based on market conditions and other factors including price, regulatory requirements and capital availability. The share repurchases were financed by available cash balances and cash from operations. As of September 30, 2014, $192.2 million remained available for share repurchases under the Program.

For the three months ended September 30, 2013, we repurchased 3,114,894 shares of common stock under the Program for an aggregate purchase price of $50.0 million, or weighted-average of $16.05 per share. For the nine months ended September 30, 2013, we repurchased 7,935,836 shares of common stock under the Program for an aggregate purchase price of $125.1 million, or weighted-average of $15.76 per share.

11. INCOME TAXES

Our provision for (benefit from) income taxes is based on our estimated annual effective tax rate, adjusted for discrete tax items recorded in the period. The effective tax rate was 29.3% and 251.1% for the three months ended September 30, 2014 and 2013, respectively. The effective tax rate was 31.9% and 41.8% for the nine months ended September 30, 2014 and 2013, respectively. Our provision for (benefit from) income taxes consists of federal, foreign, and state income taxes. The provision for (benefit from) income taxes for the three months ended September 30, 2014 and 2013 was $4.8 million and $(6.3) million, respectively. The provision for (benefit from) income taxes for the nine months ended September 30, 2014 and 2013 was $10.1 million and $(14.9) million, respectively.

Our effective tax rate for the three and nine months ended September 30, 2014, differed from the federal statutory rate due to state taxes and significant permanent differences. Significant permanent differences included taxes in foreign jurisdictions with a tax rate different than the U.S. federal statutory rate, nondeductible stock-based compensation expense, tax charges related to our intercompany transfer of intellectual property rights, the domestic production activities deduction and changes in tax liability associated with uncertain tax positions.

Our effective tax rate for the three and nine months ended September 30, 2013, differed from the federal statutory rate due to state taxes and significant permanent differences. Significant permanent differences included taxes in foreign jurisdictions with a tax rate different than the U.S. federal statutory rate, nondeductible stock-based compensation expense, tax charges related to our intercompany transfer of intellectual property rights, the domestic production activities deduction, and the federal R&D tax credit. The federal R&D tax credit was retroactively reinstated and extended to December 31, 2013 during the first quarter of 2013. As a result of the reinstatement, we recorded a discrete tax benefit of $4.3 million related to 2012 in the first quarter of 2013. In the second quarter of 2013, we recorded a discrete tax benefit of $6.2 million as a result of a change in tax status of one of our subsidiaries, OPNET Technologies.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss), net of tax, at the end of the period, as well as the activity during the period were as follows:

(in thousands)	Unrealized gain (loss) on investments, net of tax	Foreign currency translation adjustment	Derivative instruments gain (loss), net of tax	Total
Balance as of December 31, 2013	$ (30)	$ (59)	$ 505	$ 416
Other comprehensive income (loss) before reclassifications	12	(1,169)	(3,073)	(4,230)
Amounts reclassified from accumulated other comprehensive income (loss)	6	—	323	329
Net current-period other comprehensive income (loss)	18	(1,169)	(2,750)	(3,901)
Balance as of September 30, 2014	$ (12)	$ (1,228)	$ (2,245)	$ (3,485)

Amounts reclassified from Accumulated other comprehensive income (loss), net to Net income (loss) for unrealized gains or losses on investments are recorded in Interest expense and other, net. Amounts reclassified from Accumulated other comprehensive income (loss) to Net income (loss) for derivatives instrument gains or losses are recorded in Cost of support and services and Operating expenses.

13. SEGMENT AND GEOGRAPHIC INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our Chief Executive Officer. While our Chief Executive Officer evaluates the revenue for certain of our product lines, the information for all product lines is aggregated for analysis on a consolidated level as the primary basis for the allocation of resources and assessment of financial results. Accordingly, the consolidated business is considered to be one operating segment.

Revenue by Product Line

We have two product lines: Application Acceleration and Performance Management. Application Acceleration includes our wide area network (WAN) optimization products, including SteelHead and SteelFusion (formerly Granite), our SteelApp (formerly Stingray) virtual application delivery controllers (ADCs), and our SteelStore (formerly Whitewater) cloud storage delivery products. Performance Management includes our SteelCentral performance management and control suite. The Performance Management product line combines our former Cascade products and the products acquired from OPNET.

The following table presents revenue by product line:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenue:				
Application Acceleration	$ 209,686	$ 209,387	$ 619,179	$ 590,856
Performance Management	66,688	52,336	186,637	166,916
Total revenue	$ 276,374	$ 261,723	$ 805,816	$ 757,772

Revenue by Geography

Revenue by geography is based on the billing address of the customer. The following table sets forth revenue by geographic area:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Americas				
United States	$ 166,397	$ 154,843	$ 464,580	$ 452,812
Other Americas	8,153	9,172	25,531	26,244
Total Americas	174,550	164,015	490,111	479,056
Europe, Middle East and Africa				
United Kingdom	39,528	29,167	106,572	87,291
Other Europe, Middle East and Africa	31,657	35,012	103,065	94,154
Total Europe, Middle East and Africa	71,185	64,179	209,637	181,445
Asia Pacific	30,639	33,529	106,068	97,271
Total revenue	$ 276,374	$ 261,723	$ 805,816	$ 757,772

14. LEGAL MATTERS

On June 1, 2011, we served Silver Peak Systems, Inc. with a lawsuit, filed in the United States District Court for the District of Delaware, alleging infringement of certain patents. The lawsuit seeks unspecified damages and injunctive relief. On July 22, 2011, Silver Peak Systems denied the allegations and requested declaratory judgments of invalidity and non-infringement. On December 21, 2011, we amended our lawsuit against Silver Peak Systems to allege infringement of an additional patent. Our lawsuit against Silver Peak Systems currently alleges infringement of three patents. Trial of our claims against Silver Peak Systems in this matter is currently stayed pending a separate U.S. Patent and Trademark Office proceeding.

On August 17, 2011, Silver Peak Systems amended its counterclaims against us, alleging infringement by Riverbed of three U.S. patents: 7,630,295, titled “Network Device Continuity”; 7,945,736, titled “Dynamic Load Management of Network Memory”; and 7,948,921, titled “Automatic Network Optimization.” Silver Peak subsequently dropped its claims with respect to U.S. patent 7,630,295. The trial on the remaining two patents commenced on March 24, 2014. On April 1, 2014, the jury rendered a verdict of infringement on U.S. patents 7,948,921 and 7,945,736 based on certain features offered on Riverbed SteelHead products. We disagree with the verdict, and we intend to appeal to the Federal Circuit. There has been no trial or discovery on damages, and we expect that such a trial and discovery would be scheduled only if we lose on appeal to the Federal Circuit.

At this time we are unable to estimate any range of reasonably possible loss relating to these actions.

On June 28, 2013, we served Silver Peak Systems with an additional lawsuit, filed in the United States District Court for the Northern District of California, alleging infringement of two patents that are not covered by the lawsuit in Delaware. The California lawsuit seeks unspecified damages and injunctive relief. On July 22, 2013, Silver Peak Systems denied the allegations and requested declaratory judgments of invalidity and non-infringement. On August 12, 2013, Silver Peak Systems amended its counterclaims against us, alleging infringement by Riverbed of U.S. patent 8,392,684, titled “Data Encryption in a Network Memory Architecture for Providing Data Based on Local Accessibility”. On August 26, 2013 we denied Silver Peak Systems’ allegations and requested declaratory judgments of invalidity and non-infringement. On July 29, 2014, the Court lifted the stay that was in place on our action against Silver Peak, though no trial date has been set. The action against us is currently stayed pending a separate U.S. Patent and Trademark Office proceeding. At this time we are unable to estimate any range of reasonably possible loss relating to these actions. We believe that we have meritorious defenses to the counterclaims against us, and we intend to vigorously contest these counterclaims.

In connection with our July 2011 acquisition of the outstanding securities of Zeus Technology Limited (Zeus), the share purchase agreement provided for certain additional potential payments (acquisition-related contingent consideration) totaling up to $27.0 million in cash, based on achievement of certain bookings targets related to Zeus products for the period from July 20, 2011 through July 31, 2012 (the Zeus Earn-Out period). The share purchase agreement also provided for a potential $3.0 million payment as an incentive bonus to former employees of Zeus, based on achievement of certain bookings targets related to Zeus products for the Zeus Earn-Out period.

In October 2012 we served the representative of the Zeus shareholders, as lead defendant and proposed defendant class representative for all other similarly situated former shareholders of Zeus, with a lawsuit, filed in the Superior Court of the State of California, for declaratory relief. The lawsuit seeks declaratory judgment that, among other things, (a) Riverbed is not in breach of the share purchase agreement, and (b) Riverbed does not owe any acquisition-related contingent consideration under the share purchase agreement because the necessary conditions precedent to the payment of acquisition-related contingent consideration did not occur. In November 2012, the representative of the Zeus shareholders filed a cross-complaint against Riverbed and Riverbed Technology Limited in the Superior Court of the State of California. The cross-complaint claims breach of contract and breach of the covenant of good faith and fair dealing, and seeks declaratory judgment that Riverbed has breached the share purchase agreement and that the entire $27.0 million in contingent consideration is payable to Zeus shareholders. Discovery is ongoing, and the Court has approved a class treatment of the former shareholders, though several have declined to participate. The trial is currently scheduled for August 31, 2015, though may be rescheduled to an earlier date pending the Court's availability. We believe that the contention of the representative of the Zeus shareholders, and the Court-appointed class representatives for shareholders, is without merit and intend to vigorously defend our determination.

In November 2012 we received a grand jury subpoena issued by the United States District Court for the Eastern District of Virginia. The subpoena requested documents related to certain federal government contracting matters, including a $19 million transaction involving the sale of our products and services by a Riverbed reseller to an agency of the federal government in 2009. In January 2014 we received a notice that the Civil Division of the United States Attorney's Office for the Eastern District of Virginia has opened a civil investigation into the same matters.

From time to time, we are subject to various legal proceedings, claims and litigation arising in the ordinary course of business. There are no currently pending legal proceedings at September 30, 2014 that, in the opinion of management, would have a material adverse effect on our financial position, results of operations or cash flows. There can be no assurance that existing or future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our financial position, results of operations, or cash flows.

15. SUBSEQUENT EVENT

On October 27, 2014, we sold the SteelStore product line to NetApp in an all-cash transaction for approximately $80.0 million. In the quarter and year to date periods ended September 30, 2014 we recognized approximately $1.7 million and $4.0 million in revenue, respectively, from this product line.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q. The information in this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchange Act). Such forward-looking statements include statements related to: our business and strategy, trends affecting our business and financial results, international expansion plans, direct and indirect sales plans and strategies, growth of our revenue, costs and expenses (including sales and marketing expenses), gross margins, review of our strategic and financial alternatives, our restructuring plan, our share repurchase program, our acquisitions, the effect of fluctuations in exchange rates and our hedging activities on our financial results, our effective tax rate and our liquidity and capital requirements. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. For example, words such as "may," "will," "could," "would," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipates," "plans," "expects," "intends" and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those discussed elsewhere in this Form 10-Q in the section titled "Risk Factors" and the risks discussed in our other SEC filings. We disclaim any obligation to publicly release any revisions or updates to the forward-looking statements after the date of this Form 10-Q.

Overview

We were founded on May 23, 2002 and are a leader in application performance infrastructure. Riverbed enables organizations to embrace location-independent computing through the Riverbed Application Performance Platform, a set of integrated solutions that give companies the flexibility to host applications and data in the locations that best serve the business while ensuring the flawless delivery of those applications to better leverage global resources, radically reduce the cost of running their business, and maximize employee productivity. Riverbed's solutions dramatically improve application performance, reduce IT costs, and substantially increase business agility. We have two product lines:

- Application Acceleration product line, which includes our wide area network (WAN) optimization products, including SteelHead and SteelFusion (formerly Granite), SteelApp (formerly Stingray) virtual application delivery controllers (ADCs); and SteelStore (formerly Whitewater) cloud storage delivery products (which were sold to NetApp, Inc. on October 27, 2014); and
- Performance Management product line, which includes our SteelCentral performance management and control suite. The Performance Management product line combines our former Cascade products and the products acquired from OPNET Technologies, Inc. (OPNET).

We are headquartered in San Francisco, California. Our personnel are located throughout the U.S. and in more than 35 countries worldwide. We expect to continue to add personnel in the U.S. and internationally to provide additional geographic sales, research and development, general and administrative and technical support coverage.

The Riverbed Strategy

Our goal is to develop solutions that are widely recognized as the preeminent performance and efficiency standard for organizations of all sizes and geographies. Key elements of our strategy include:

- *Enhance our customers' performance* - Riverbed is the performance company. Our vision is to provide the most complete platform for location independent computing to ensure flawless application performance and the best user experience. This will allow customers to turn distance and location into competitive advantage by letting business objectives - not technical constraints - drive where and how applications and data are hosted and delivered for optimal business performance. Our vision focuses on the intersection of applications, networks, and storage, and brings customers a single, unified view of performance in their distributed environment.
- *Maintain and extend our technological advantages* - We believe that we offer the broadest ability to enable rapid and reliable access to applications and data for our customers. We intend to enhance our position as a leader and innovator in the WAN optimization, branch converged infrastructure, application delivery controller and performance management markets. We also intend to continue to sell new capabilities, such as our solutions oriented toward cloud environments, into our installed base and to new customers. Continuing investments in research and development are critical to maintaining our technological advantage.

- *Transform from a single-product to platform company* - We have introduced enhancements to our product capabilities in order to address our customers' size and application requirements. We have also introduced new products to extend our market and utilize our technology platform to extend our capabilities.
- *Extend our technology partner ecosystem* - We work with a broad and diverse ecosystem of partners to extend the value of our platform and deliver a range of implementation, integration and value added services. We have enhanced our product capabilities via integration of and interoperability with partner technologies.
- *Increase market awareness* - To generate increased demand for our products, we will continue to market the effectiveness of our comprehensive IT performance solutions.
- *Scale our sales force and distribution channels* - We sell our products directly through our sales force and indirectly through channel partners. We intend to leverage, innovate and grow our sales force and our indirect channels to extend our geographic reach and market penetration.
- *Enhance and extend our support and services capabilities* - On an ongoing basis, we plan to enhance and extend our support and services capabilities to continue to support our growing global customer base. For example, we host Splash, a new feature-rich community site for customers.

Major Trends Affecting Our Financial Results

Company Outlook

We believe that our current value proposition, which enables customers to improve the performance of their applications and access to their data across WANs by integrating performance acceleration and performance management solutions, while also offering the ability to simplify IT infrastructure and realize significant capital and operating cost savings, should allow us to continue to grow our business. Our product revenue growth rate will depend significantly on continued growth in the WAN optimization, storage delivery, performance management and control, and virtual ADC markets, our ability to continue to attract new customers in those markets and our ability to generate additional sales from existing customers. Our growth in support and services revenue is dependent upon increasing the number of products under support contracts, which is dependent on both growing our installed base of customers and renewing existing support contracts. Our future profitability and rate of growth will be directly affected by the continued acceptance of our products in the marketplace, as well as the timing and size of orders, product mix, average selling prices and costs of our products and general economic conditions. Our ability to achieve profitability in the future will also be affected by the extent to which we must incur additional expenses to expand our sales, support, marketing, development, and general and administrative capabilities to grow our business. The largest component of our expenses is typically personnel costs. Personnel costs consist of salaries, benefits and incentive compensation for our employees, including commissions for sales personnel and stock-based compensation.

Revenue

Our revenue grew rapidly over the past decade. Revenue increased from $2.6 million in 2004, when we began shipping products, to $1.0 billion in 2013. Revenue grew by 6% in the three months ended September 30, 2014 to $276.4 million from $261.7 million in the three months ended September 30, 2013. Revenue grew by 6% in the nine months ended September 30, 2014 to $805.8 million from $757.8 million in the nine months ended September 30, 2013. We believe that our revenue growth is a positive sign that our products, support and services have a significant value proposition to our customers and that the markets we compete in are still expanding.

Costs and Expenses

Operating expenses consist of sales and marketing, research and development, general and administrative expenses, and acquisition-related costs. Personnel-related costs, including stock-based compensation, are the most significant components of each of these expense categories. The timing and number of additional hires has and could materially affect our operating expenses, both in dollar amount and as a percentage of revenue, in any particular period.

On October 9, 2014, we announced that we have initiated a plan in order to reduce annual costs by $20 million to $25 million and improve annual operating margins by 1% to 2%. We are consolidating and eliminating certain outside services and streamlining our sales and marketing efforts to better align with the business needs. We are making a reduction to our work force of between 80 to 100 positions worldwide. We expect that actions related to our restructuring efforts to be substantially complete by the end of the fourth quarter of 2014 and we expect to take a restructuring charge in the range of $4.0 million to $6.0 million in the fourth quarter of 2014.

Stock-based Compensation Expense

Stock-based compensation expense and related payroll taxes were $24.4 million and $25.2 million in the three months ended September 30, 2014 and 2013, respectively, and $69.2 million and $76.7 million in the nine months ended September 30, 2014 and 2013, respectively. We expect stock-based compensation to continue to play an important part in the overall compensation structure for our employees.

Seasonality

Our operating results may be affected by seasonal buying patterns. Historically, we have experienced a stronger seasonal revenue cycle in the fourth fiscal quarter and lowest in our first fiscal quarter.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). These accounting principles require us to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. We believe that the estimates and judgments that we make and upon which we rely are reasonable based upon information available to us at the time that these estimates and judgments are made. To the extent there are material differences between these estimates and actual results, our condensed consolidated financial statements could be adversely affected.

The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following: revenue recognition, accounting for business combinations, stock-based compensation, accounting for income taxes, and inventory valuation. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our year ended December 31, 2013 for a more complete discussion of our critical accounting policies and estimates including revenue recognition, accounting for business combinations including the fair value measurement of contingent consideration, goodwill, intangible assets and impairment assessments, stock-based compensation, accounting for income taxes, and inventory valuation. Our critical accounting policies have been discussed with the Audit Committee of the Board of Directors. We believe there have been no material changes to our critical accounting policies and estimates during the three and nine months ended September 30, 2014, compared to those discussed in our Form 10-K for the year ended December 31, 2013.

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Results of Operations

Revenue

We derive our revenue from sales of our appliances and software licenses and from support and services. Product revenue primarily consists of revenue from sales of our Application Acceleration and Performance Management products and is typically recognized upon delivery. Support revenue provides customers the right to receive unspecified software product upgrades, maintenance releases issued when-and-if-available during the support period, hardware repair, and access to technical support personnel. Support revenue is recognized ratably over the contractual period, which is typically one to three years. Service revenue includes professional services and training and is recognized as the services are performed.

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Total Revenue	$ 276,374	$ 261,723	$ 805,816	$ 757,772
Total Revenue by Type:				
Product	$ 153,383	$ 153,167	$ 448,458	$ 444,690
Support and services	$ 122,991	$ 108,556	$ 357,358	$ 313,082
% Revenue by Type:				
Product	55%	59%	56%	59%
Support and services	45%	41%	44%	41%
Total Revenue by Geography:				
United States	$ 166,397	$ 154,843	$ 464,580	$ 452,812
Other Americas	$ 8,153	$ 9,172	$ 25,531	$ 26,244
Americas	$ 174,550	$ 164,015	$ 490,111	$ 479,056
Europe, Middle East and Africa	$ 71,185	$ 64,179	$ 209,637	$ 181,445
Asia Pacific	$ 30,639	$ 33,529	$ 106,068	$ 97,271
% Revenue by Geography:				
United States	60%	59%	58%	60%
Other Americas	3%	4%	3%	3%
Americas	63%	63%	61%	63%
Europe, Middle East and Africa	26%	25%	26%	24%
Asia Pacific	11%	12%	13%	13%
Total Revenue by Product Line:				
Application Acceleration	$ 209,686	$ 209,387	$ 619,179	$ 590,856
Performance Management	$ 66,688	$ 52,336	$ 186,637	$ 166,916
% Revenue by Product Line:				
Application Acceleration	76%	80%	77%	78%
Performance Management	24%	20%	23%	22%
Total Revenue by Sales Channel:				
Direct	$ 26,060	$ 28,654	$ 79,979	$ 120,611
Indirect	$ 250,314	$ 233,069	$ 725,837	$ 637,161
% Revenue by Sales Channel:				
Direct	9%	11%	10%	16%
Indirect	91%	89%	90%	84%

Quarter Ended September 30, 2014 Compared to the Quarter Ended September 30, 2013: Total revenue increased by 5.6% in the three months ended September 30, 2014 as compared to the prior year period.

Product revenue in the three months ended September 30, 2014, increased slightly as compared to the three months ended September 30, 2013. As of September 30, 2014, our products have been sold to over 25,000 customers, compared to over 24,000 customers as of September 30, 2013.

Substantially all of our customers purchase support when they purchase our products. Support and services revenue increased 13% in the three months ended September 30, 2014, as compared to the same period in the prior year due primarily to growth in our customer base. Support and services revenue as a percentage of total revenues increased over the prior year due primarily to growth in our customer base. As our customer base grows, we expect our revenue generated from support and services to increase.

In the three months ended September 30, 2014, we derived 91% of our revenue from indirect channels compared to 89% for the three months ended September 30, 2013. The increase in revenue from indirect channels is primarily due to the conversion of the customers acquired from OPNET to relationships with our channel partners. We expect indirect channel revenue to continue to represent a substantial majority of our revenue.

We generated 40% of our revenue in the three months ended September 30, 2014 from international locations, compared to 41% in the three months ended September 30, 2013. The decrease in international revenue as a percent of total revenue was due primarily to a lower proportion of Asian-Pacific-based sales. We continue to expand into international locations and introduce our products in new markets and expect international revenue to increase in dollar amount over time.

Nine months ended September 30, 2014 Compared to the Nine months ended September 30, 2013: Revenue increased by 6% in the nine months ended September 30, 2014 as compared to the prior year period.

Product revenue increased by approximately 1% in the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013.

Support and services revenue increased 14% in the nine months ended September 30, 2014, and as a percentage of total revenues as compared to the same period in the prior year due primarily to growth in our customer base.

In the nine months ended September 30, 2014, we derived 90% of our revenue from indirect channels compared to 84% for the nine months ended September 30, 2013. The increase in revenue from indirect channels is primarily due to the conversion of the customers acquired from OPNET to relationships with our channel partners.

We generated 42% of our revenue in the nine months ended September 30, 2014 from international locations, compared to 40% in the nine months ended September 30, 2013. The increase in international revenue as a percent of total revenue was due primarily to a higher proportion of European-based sales.

Cost of Revenue and Gross Margin

Cost of product revenue consists of the costs of the appliance hardware, personnel costs of manufacturing management, manufacturing, shipping and logistics costs, expenses for inventory obsolescence, warranty obligations, and amortization of acquisition-related intangibles. We utilize third parties to assist in the design and manufacture of our appliance hardware, embed our proprietary software on our appliance hardware and perform shipping logistics.

Cost of support and service revenue consists of personnel costs of technical support and professional services personnel, spare parts, and logistics services. As we expand internationally and into other sectors, we may incur additional costs to conform our products to comply with local laws or local product specifications. In addition, as we expand internationally, we will continue to hire additional technical support personnel to support our growing international customer base.

Our gross margin has been and will continue to be affected by a variety of factors, including the mix and average selling prices of our products, new product introductions and enhancements, the cost of our appliance hardware, expenses for inventory obsolescence and warranty obligations, cost of support and services personnel, and the mix of distribution channels through which our products are sold.

(in thousands)	Three months ended September 30, 2014		Three months ended September 30, 2013		Nine months ended September 30, 2014		Nine months ended September 30, 2013
Cost of revenue:							
Cost of product	$	36,945	$	41,772		111,614	123,135
Cost of support and services		33,393		29,085		97,657	87,020
Total cost of revenue	$	70,338	$	70,857		209,271	210,155
Gross profit:	$	206,036	$	190,866	$	596,545	$ 547,617
Gross margin for product:		76%		73%		75%	72%
Gross margin for support and services		73%		73%		73%	72%
Total gross margin		75%		73%		74%	72%

Quarter Ended September 30, 2014 Compared to the Quarter Ended September 30, 2013: The total cost of product revenue decreased $4.8 million, or 12%, in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, due primarily to a decrease in inventory write-downs of $2.0 million, a decrease in the amortization of certain acquisition-related intangible assets of $1.4 million, and a decrease in component costs of $1.0 million.

Cost of support and services revenue increased $4.3 million, or 14.8%, due primarily to increased logistics and spare parts costs and higher headcount and payroll related costs to support the installed base growth.

Gross margin increased to 75% in the three months ended September 30, 2014 as compared to 73% in the three months ended September 30, 2013. Product gross margin increased to 76% in the three months ended September 30, 2014 from 73% in the three months ended September 30, 2013 primarily as a result of a decrease in amortization of the acquisition-related intangible assets and a decrease in inventory write-downs. Gross margins for support and services remained flat at 73% in the three months ended September 30, 2014 as compared to 73% in the three months ended September 30, 2013.

Nine months ended September 30, 2014 Compared to the Nine months ended September 30, 2013: The total cost of product revenue decreased $11.5 million, or 9%, in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, due primarily to a decrease in inventory write-downs of $2.4 million, a decrease in the amortization of certain acquisition-related intangible assets of $3.7 million, a decrease in the inventory fair value adjustment related to the acquisition of OPNET of $1.7 million, and a decrease in component costs of $1.0 million.

Cost of support and services revenue increased $10.6 million, or 12%, due primarily to increased logistics and spare parts costs and higher headcount and payroll related costs to support the installed base growth.

Gross margin increased to 74% in the nine months ended September 30, 2014 as compared to 72% in the nine months ended September 30, 2013. Product gross margin increased to 75% in the nine months ended September 30, 2014 from 72% in the nine months ended September 30, 2013 primarily as a result of a decrease in amortization of the acquisition-related intangible assets, a decrease in the inventory fair value adjustment related to the acquisition of OPNET, and a decrease in inventory write-downs. Gross margins for support and services increased to 73% in the nine months ended September 30, 2014 from 72% in the nine months ended September 30, 2013. Gross margin for support and services was positively impacted by the growth in support revenue due to an increased installed base. Additionally, the gross margin in 2013 was impacted by the reduction to service revenue related to the fair value adjustment to the deferred support revenue as required by the business combination accounting for the OPNET acquisition.

Sales and Marketing Expenses

Sales and marketing expenses represent the largest component of our operating expenses and include personnel costs, sales commissions, marketing programs and facilities costs. Marketing programs are intended to generate revenue from new and existing customers, and are expensed as incurred. We plan to continue to make investments in sales and marketing with the intent to add new customers and increase penetration within our existing customer base by further leveraging sales personnel worldwide, expanding our domestic and international sales and marketing activities, increasing channel penetration, building brand awareness and sponsoring additional marketing events. We expect future sales and marketing expenses to increase and continue to be our most significant operating expense. Generally, sales personnel are not immediately productive and sales and marketing expenses do not immediately result in increased revenue. Hiring additional sales personnel reduces short-term operating margin until the sales personnel become productive and generate revenue. Accordingly, the timing of sales personnel hiring and the rate at which they become productive will affect our future performance.

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	2014	2013	2014	2013
Sales and marketing expenses	$ 113,100	$ 116,257	$ 338,535	$ 345,351
Percent of total revenue	41%	44%	42%	46%

Quarter Ended September 30, 2014 Compared to the Quarter Ended September 30, 2013: Sales and marketing expenses decreased by $3.2 million, or 3%, in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, primarily due to decreases in amortization of the intangibles acquired in the OPNET acquisition of $3.3 million.

Nine months ended September 30, 2014 Compared to the Nine months ended September 30, 2013: Sales and marketing expenses decreased by $6.8 million, or 2%, in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to decreases in amortization of the intangibles acquired in the OPNET acquisition of $10.1 million and decreases in marketing costs of $1.1 million, offset by increases in information technology and facilities costs of $4.9 million.

Research and Development Expenses

Research and development (R&D) expenses primarily include personnel costs and facilities costs. We expense R&D costs as incurred. We are devoting substantial resources to the continued development of additional functionality for existing products and the development of new products. We intend to continue to invest significantly in our R&D efforts because we believe they are essential to maintaining our competitive position.

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	2014	2013	2014	2013
Research and development expenses	$ 53,354	$ 49,461	$ 155,299	$ 149,440
Percent of total revenue	19%	19%	19%	20%

Quarter Ended September 30, 2014 Compared to the Quarter Ended September 30, 2013: R&D expenses increased by $3.9 million, or 7.9%, in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, primarily due to increases in personnel and human resource-related costs of $2.4 million and increases in information technology and facilities costs of $1.5 million.

Nine months ended September 30, 2014 Compared to the Nine months ended September 30, 2013: R&D expenses increased by $5.9 million, or 3.9%, in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to increases in information technology and facilities costs of $4.4 million and increases in personnel and human resource-related costs of $1.4 million.

General and Administrative Expenses

General and administrative (G&A) expenses consist primarily of compensation for personnel and facilities costs related to our executive, finance, human resources, information technology and legal organizations, and fees for professional services. Professional services include legal, audit and information technology consulting costs.

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands)	2014	2013	2014	2013
General and administrative expenses	$ 18,698	$ 17,729	$ 58,102	$ 55,164
Percent of total revenue	7%	7%	7%	7%

Quarter Ended September 30, 2014 Compared to the Quarter Ended September 30, 2013: G&A expenses increased by $1.0 million in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, primarily due to increases in professional service fees related to non-routine corporate governance and shareholder matters of $0.6 million.

Nine months ended September 30, 2014 Compared to the Nine months ended September 30, 2013: G&A expenses increased by $2.9 million in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to increases in increases in professional service fees related to non-routine corporate governance and shareholder matters of $3.6 million and increases in outside services related to litigation fees of $1.6 million associated with the defense of our intellectual property, offset by a decrease in personnel-related costs of $2.2 million as a result of our workforce rationalization from the OPNET acquisition and a decrease in travel and entertainment costs of $0.3 million.

Acquisition-Related Costs

Acquisition-related costs include transaction costs and integration costs. Transaction costs include advisory, legal and other professional fees directly associated with acquisitions. Integration related costs include integration project management consulting, acquired employee retention bonuses, one-time termination benefits, facility exit costs and other non-recurring, or redundant costs to integrate an acquired company into Riverbed's systems and operations. We expect to continue to incur integration costs primarily associated with our facilities rationalization and sales force integration plans, but expect the ongoing costs to be lower than in prior quarters.

The following table summarizes the acquisition-related costs, including transaction costs and integration-related costs in the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Acquisition-related costs	$ 1,866	$ 4,882	$ 4,806	$ 16,085

Quarter Ended September 30, 2014 Compared to Quarter Ended September 30, 2013: During the three months ended September 30, 2014, we recorded acquisition-related costs of $1.9 million, primarily related to legal fees associated with the defense of the Zeus shareholder litigation related to acquisition-related contingent consideration, and facility exit costs. We expect to continue to incur integration costs primarily associated with our work force and facilities rationalization plans.

Nine months ended September 30, 2014 Compared to the Nine months ended September 30, 2013: During the nine months ended September 30, 2014, we recorded acquisition-related costs of $4.8 million, primarily related to legal fees associated with the defense of the Zeus shareholder litigation and integration-related costs associated with our acquisition of OPNET.

Interest Expense and Other, Net

Interest expense and other, net, consists primarily of interest income on our cash and marketable securities, interest expense on our credit facility, and foreign currency exchange gains or losses.

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2014**	**2013**	**2014**	**2013**
Interest income	$ 421	$ 216	$ 920	$ 629
Interest expense	(2,761)	(5,895)	(8,419)	(18,006)
Foreign exchange losses and other	(433)	616	(700)	41
Total interest expense and other, net	$ (2,773)	$ (5,063)	$ (8,199)	$ (17,336)

Quarter Ended September 30, 2014 Compared to the Quarter Ended September 30, 2013: Interest expense and other, net, decreased in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, primarily due to the decrease in interest expense resulting from the refinancing of our borrowings in the fourth quarter of 2013, which decreased our rate of interest.

Nine months ended September 30, 2014 Compared to the Nine months ended September 30, 2013: Interest expense and other, net, decreased in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to the decrease in interest expense resulting from the refinancing of our borrowings in the fourth quarter of 2013, which decreased our rate of interest.

Provision for (Benefit from) Income Taxes

Our provision for (benefit from) income taxes is based on our estimated annual effective tax rate, adjusted for discrete tax items recorded in the period. The provision for (benefit from) income taxes for the three months ended September 30, 2014, and 2013 was $4.8 million and $(6.3) million, respectively. The provision for (benefit from) income taxes for the nine months ended September 30, 2014 and 2013 was $10.1 million and $(14.9) million, respectively. Our provision for (benefit from) income taxes consists of federal, foreign, and state income taxes. Our effective tax rate was 29.3% and 251.1% for the three months ended September 30, 2014, and 2013, respectively. The effective tax rate was 31.9% and 41.8% for the nine months ended September 30, 2014 and 2013, respectively.

Our effective tax rate for the three and nine months ended September 30, 2014, differed from the federal statutory rate due to state taxes and significant permanent differences. Significant permanent differences included taxes in foreign jurisdictions with a tax rate different than the U.S. federal statutory rate, nondeductible stock-based compensation expense, tax charges related to our intercompany transfer of intellectual property rights, the domestic production activities deduction and changes in tax liability associated with uncertain tax positions.

Our effective tax rate for the three and nine months ended September 30, 2013, differed from the federal statutory rate due to state taxes and significant permanent differences. Significant permanent differences included taxes in foreign jurisdictions with a tax rate different than the U.S. federal statutory rate, nondeductible stock-based compensation expense, tax charges related to our intercompany transfer of intellectual property rights, the domestic production activities deduction, and the federal R&D tax credit. The federal R&D tax credit was retroactively reinstated and extended to December 31, 2013 during the first quarter of 2013. As a result of the reinstatement, we recorded a discrete tax benefit of $4.3 million related to 2012 in the first quarter of 2013. In the second quarter of 2013, we recorded a discrete tax benefit of $6.2 million as a result of a change in tax status of one of our subsidiaries, OPNET Technologies.

The tax rate for the three and nine months ended September 30, 2014, is lower than the tax rate for the three and nine months ended September 30, 2013 primarily due to the difference in the annual projected mix of earnings between jurisdictions of varying tax rates, partially offset by the current year loss of tax benefits attributable to the expiration of the federal R&D tax credit as of December 31, 2013 which had not been renewed as of September 30, 2014.

Our effective tax rate in 2014 and in future periods may fluctuate on a quarterly basis. The effective tax rate could be affected by the geographic distribution of our worldwide earnings or losses, our stock-based compensation expense, changes in the valuation of our deferred tax assets, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles, or interpretations thereof.

We record a valuation allowance to reduce our deferred tax assets to the amount we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we have considered our historical levels of income and expectations of future taxable income. In determining future taxable income, we make assumptions to forecast federal, state and international operating income, the reversal of temporary differences, and the implementation of any feasible and prudent tax planning strategies. The assumptions require significant judgment regarding the forecasts of taxable income, and are consistent with our forecasts used to manage our business.

We are subject to income tax in the U.S. as well as numerous state and foreign jurisdictions. We are no longer subject to federal examinations for years before 2009. With the exception of several states, we are no longer subject to state and local income tax examinations for years before 2010, although carryforward attributes that were generated prior to 2010 may still be adjusted upon examination by the California Franchise Tax Board if the attributes either have been or will be used in a future period. In addition, we file tax returns in multiple foreign taxing jurisdictions. In our most significant foreign jurisdictions, the UK and Singapore, the open tax years range from 2009 to 2012.

Liquidity and Capital Resources

(in thousands)	**September 30, 2014**	**December 31, 2013**
Working capital	$ 217,572	$ 268,303
Cash and cash equivalents	$ 207,782	$ 208,022
Short and long-term investments	$ 268,886	$ 324,014

	Nine months ended September 30,	
(in thousands)	**2014**	**2013**
Cash provided by operating activities	$ 149,785	$ 128,389
Cash provided by (used in) investing activities	$ 9,695	$ (85,076)
Cash used in financing activities	$ (155,656)	$ (117,585)

Cash and Cash Equivalents

Cash and cash equivalents consist of money market mutual funds, government-sponsored enterprise obligations, treasury bills, commercial paper, corporate bonds and notes, and other money market securities with remaining maturities at date of purchase of 90 days or less.

Short and long-term investments consist of certificates of deposit, government-sponsored enterprise obligations, municipal bonds, treasury bills, commercial paper, and corporate bonds and notes. The fair value of investments is determined as the exit price in the principal market in which we would transact. The fair value of our investments has not materially fluctuated from historical cost.

Cash and cash equivalents, short-term investments and long-term investments as of September 30, 2014 were $476.7 million, a decrease of $55.4 million as compared to December 31, 2013.

As of September 30, 2014 and December 31, 2013, $125.7 million and $93.8 million, respectively of the Company's cash and cash equivalents, short-term and long-term investments were held by foreign subsidiaries and are generally based in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries are generally subject to U.S. income taxation on repatriation to the U.S.

Restricted cash primarily represents collateralized letters of credit for the security deposits in connection with lease agreements for our facilities. Current restricted cash, which is included in the Prepaid expenses and other current assets in the condensed consolidated balance sheets, totaled $3.7 million and $3.3 million at September 30, 2014 and December 31, 2013, respectively. Long-term restricted cash totaled $8.6 million and $9.1 million at September 30, 2014 and at December 31, 2013, respectively, and was included in Other assets in the condensed consolidated balance sheets.

We have significant international operations. Our sales contracts are principally denominated in U.S. dollars and therefore changes in foreign exchange rates have not materially affected our cash flows from operations. As we fund our international operations, our cash and cash equivalents are affected by changes in exchange rates. To date, the foreign currency effect on our cash and cash equivalents has not been significant.

Cash Provided by Operating Activities

Our largest source of operating cash flows is cash collections from our customers. Our primary uses of cash from operating activities are for personnel related expenditures, product costs, outside services, and rent payments. Our cash flows from operating activities will continue to be affected principally by the extent to which we grow our revenue and spend on hiring personnel in order to grow our business. The timing of hiring sales personnel in particular affects cash flows as there is a lag between the hiring of sales personnel and the generation of revenue and related cash flows from their sales efforts.

Cash provided by operating activities was $149.8 million in the nine months ended September 30, 2014, an increase of $21.4 million compared to $128.4 million in the nine months ended September 30, 2013. Cash provided from the statement of operations for the nine months ended September 30, 2014, after adjustments for certain non-cash income items, including depreciation and amortization, stock-based compensation expense, excess tax benefits from employee stock plans and deferred taxes was $149.9 million, an increase of $48.7 million from the prior year period. The increase in cash provided from the statement of operations was primarily due to an improvement in operating income, lower interest expense on borrowings, and a change in deferred taxes. Cash used in operating activities associated with changes in operating assets and liabilities in the nine months ended September 30, 2014 was $0.1 million, a decrease of $27.3 million from the prior year period.

Cash Provided by (Used in) Investing Activities

Cash provided by investing activities primarily relate to sales and maturities of marketable securities, net of purchases, offset by capital expenditures, and acquisitions. Cash provided by investing activities was $9.7 million in the nine months ended September 30, 2014, a $94.8 million increase in cash provided compared to $85.1 million of cash used in investing activities in the nine months ended September 30, 2013. The increase in cash provided by investing activities is substantially attributable to reduced purchases of investment securities of $76.1 million and increased proceeds from the sale and maturities of marketable securities of $43.3 million for the nine months ended September 30, 2014, as compared to the prior year period, which was offset by increased capital expenditures of $25.0 million primarily related to our new corporate headquarters.

Cash Used in Financing Activities

Cash used in financing activities in the nine months ended September 30, 2014 totaled $155.7 million and consisted of cash of $195.6 million used to repurchase shares of our common stock and $11.3 million of cash used to pay down long-term borrowings, which was offset by $53.4 million of cash provided from the proceeds from the issuance of common stock under employee stock plans and $5.9 million of excess tax benefit from employee stock plans.

We believe that our net cash flows from operations, together with our cash and investments balance at September 30, 2014, will be sufficient to fund our projected operating requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of expansion into new territories, the timing of introductions of new products and enhancements to existing products, and the continuing market acceptance of our products.

In December 2013, we entered into a new credit agreement and related security and other agreements for a $600.0 million credit facility (the 2013 Credit Facility) that includes a $300.0 million senior secured term loan facility and a $300.0 million senior secured revolving loan facility. The 2013 Credit Facility has a five year term and has an initial interest rate for both the term loan and revolving loan of LIBOR plus 175 basis points. In the fourth quarter 2013, we drew down $300.0 million on the term loans, and $225.0 million under the revolving credit facility. The terms of the 2013 Credit Facility require us to make scheduled quarterly payments on the term loan of 1.25% of the original principal amount in the first two years, or $3.8 million per quarter, increasing to 2.50% thereafter, with the balance due on December 20, 2018. Refer to Contractual Obligations, below, for the minimum payment requirements. As of September 30, 2014, the outstanding borrowings were $513.8 million.

This quarterly payment provision will result in the use of an increased portion of our cash flows from operations to pay principal payments on our credit facilities (limiting our flexibility in planning for, or reacting to, changes in our business and industry) making the payments unavailable for operations, working capital, capital expenditures, expansion, acquisitions, or other purposes.

On March 4, 2014, the Board of Directors announced a $250.0 million increase to the Share Repurchase Program (the Program). The maximum dollar value of shares of common stock that remain available for purchase under the Program is $192.2 million as of September 30, 2014. The share repurchases were and will continue to be funded by available cash balances and cash from operations.

In the future, we may enter into other arrangements for potential investments in, or acquisitions of, complementary businesses, services or technologies, which could require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Contractual Obligations

The following is a summary of our contractual obligations as of September 30, 2014:

(in thousands)	Total	Remaining three months of 2014	2015	2016	2017	2018	Thereafter
Contractual Obligations							
Principal payments on borrowings	$ 513,750	$ 3,750	$ 15,000	$ 30,000	$ 30,000	$ 435,000	$ —
Interest payments on borrowings (1)	39,732	2,496	10,227	9,836	9,200	7,973	—
Operating leases	205,093	5,515	28,953	27,464	25,560	23,813	93,788
Purchase obligations (2)	11,014	10,991	17	6	—	—	—
Total contractual obligations	$ 769,589	$ 22,752	$ 54,197	$ 67,306	$ 64,760	$ 466,786	$ 93,788

(1) Assumes an interest rate of 2.0% over the term of the loan (see Note 9 - *Borrowings* in the Notes to Condensed Consolidated Financial Statements). The actual interest rate is a variable rate of interest based on LIBOR (with no floor) plus an applicable margin (varying from 1.25% to 2.00%).

(2) Represents amounts associated with agreements that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of payment. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

As of September 30, 2014, we had $53.7 million of unrecognized tax benefits, including interest and penalties, related to uncertain tax positions. Because of the high degree of uncertainty regarding the settlement of these liabilities, we are unable to estimate the years in which future cash outflows may occur. As a result, this amount is not included in the table above.

Off-Balance Sheet Arrangements

At September 30, 2014 and December 31, 2013, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes, nor did we have any undisclosed material transactions or commitments involving related persons or entities.

Other

At September 30, 2014 and December 31, 2013, we did not have commercial commitments under lines of credit, standby repurchase obligations or other such debt arrangements.

Recent Accounting Pronouncements

See Note 2 - *Recent Accounting Pronouncements* in the Notes to Condensed Consolidated Financial Statements for recent accounting pronouncements that could have an effect on us.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Risk

Our sales contracts are principally denominated in U.S. dollars and therefore our revenue and receivables are not subject to significant foreign currency risk. We do incur certain operating expenses in currencies other than the U.S. dollar and therefore are subject to volatility in cash flows due to fluctuations in foreign currency exchange rates, particularly changes in the British pound, Euro, Australian dollar and Singapore dollar. We enter into forward contracts to manage our exposure to foreign currency volatility that exists as part of our ongoing business operations. We utilize cash flow hedges to reduce the exchange rate impact on a portion of our operating expenses. Contracts are denominated primarily in British pounds, Euros, Australian dollars and Singapore dollars. We do not enter into any foreign exchange derivative instruments for trading or speculative purposes.

Interest Rate Sensitivity

We had unrestricted cash and cash equivalents, and investments totaling $476.7 million and $532.0 million at September 30, 2014 and December 31, 2013, respectively. Cash and cash equivalents of $207.8 million and $208.0 million at September 30, 2014 and December 31, 2013, respectively, are held for working capital purposes and include highly liquid investments with a maturity of ninety days or less at the time of purchase. Cash equivalents consist primarily of money market mutual funds, government-sponsored enterprise obligations, treasury bills, and other money market securities. Investments of $268.9 million and $324.0 million at September 30, 2014 and December 31, 2013, respectively, consist of government-sponsored enterprise obligations, treasury bills, FDIC-backed certificates of deposit, municipal bonds and corporate bonds and notes.

We do not enter into investments for trading or speculative purposes. Due to the high investment quality and relatively short duration of these investments, we do not believe that they present any material exposure to changes in fair market value as a result of changes in interest rates.

The applicable interest rate on our senior secured credit facility is equal to LIBOR (with no rate floor) plus an applicable margin (varying from 1.25% to 2.00%) or, in the certain cases a base rate (based on a certain lending institution's Prime Rate or as otherwise specified in the credit agreement, with no rate floor) plus an applicable margin (varying from 0.25% to 1.00%). The interest rate is currently LIBOR plus 175 basis points, or 2.0% as of September 30, 2014.

There have been no material changes to our quantitative and qualitative disclosures about market risk during the nine months ended September 30, 2014, as compared to those discussed in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 30, 2014, the end of the period covered by this quarterly report on Form 10-Q. This controls evaluation was done under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, such as this quarterly report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed such that information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Based upon the controls evaluation, our CEO and CFO have concluded that as of September 30, 2014, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and to ensure that material information relating to us and our consolidated subsidiaries is made known to management, including the CEO and CFO.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the third quarter of 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting means a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Inherent Limitations of Internal Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 1, 2011, we served Silver Peak Systems, Inc. with a lawsuit, filed in the United States District Court for the District of Delaware, alleging infringement of certain patents. The lawsuit seeks unspecified damages and injunctive relief. On July 22, 2011, Silver Peak Systems denied the allegations and requested declaratory judgments of invalidity and non-infringement. On December 21, 2011, we amended our lawsuit against Silver Peak Systems to allege infringement of an additional patent. Our lawsuit against Silver Peak Systems currently alleges infringement of three patents. Trial of our claims against Silver Peak Systems in this matter is currently stayed pending a separate U.S. Patent and Trademark Office proceeding.

On August 17, 2011, Silver Peak Systems amended its counterclaims against us, alleging infringement by Riverbed of three U.S. patents: 7,630,295, titled “Network Device Continuity”; 7,945,736, titled “Dynamic Load Management of Network Memory”; and 7,948,921, titled “Automatic Network Optimization.” Silver Peak subsequently dropped its claims with respect to U.S. patent 7,630,295. The trial on the remaining two patents commenced on March 24, 2014. On April 1, 2014, the jury rendered a verdict of infringement on U.S. patents 7,948,921 and 7,945,736 based on certain features offered on Riverbed SteelHead products. We disagree with the verdict, and we intend to appeal to the Federal Circuit. There has been no trial or discovery on damages, and we expect that such a trial and discovery would be scheduled only if we lose on appeal to the Federal Circuit.

At this time we are unable to estimate any range of reasonably possible loss relating to these actions.

On June 28, 2013, we served Silver Peak Systems with an additional lawsuit, filed in the United States District Court for the Northern District of California, alleging infringement of two patents that are not covered by the lawsuit in Delaware. The California lawsuit seeks unspecified damages and injunctive relief. On July 22, 2013, Silver Peak Systems denied the allegations and requested declaratory judgments of invalidity and non-infringement. On August 12, 2013, Silver Peak Systems amended its counterclaims against us, alleging infringement by Riverbed of U.S. patent 8,392,684, titled “Data Encryption in a Network Memory Architecture for Providing Data Based on Local Accessibility”. On August 26, 2013 we denied Silver Peak Systems’ allegations and requested declaratory judgments of invalidity and non-infringement. On July 29, 2014, the Court lifted the stay that was in place on our action against Silver Peak, though no trial date has been set. The action against us is currently stayed pending a separate U.S. Patent and Trademark Office proceeding. At this time we are unable to estimate any range of reasonably possible loss relating to these actions. We believe that we have meritorious defenses to the counterclaims against us, and we intend to vigorously contest these counterclaims.

In connection with our July 2011 acquisition of the outstanding securities of Zeus Technology Limited (Zeus), the share purchase agreement provided for certain additional potential payments (acquisition-related contingent consideration) totaling up to $27.0 million in cash, based on achievement of certain bookings targets related to Zeus products for the period from July 20, 2011 through July 31, 2012 (the Zeus Earn-Out period). The share purchase agreement also provided for a potential $3.0 million payment as an incentive bonus to former employees of Zeus, based on achievement of certain bookings targets related to Zeus products for the Zeus Earn-Out period.

In October 2012 we served the representative of the Zeus shareholders, as lead defendant and proposed defendant class representative for all other similarly situated former shareholders of Zeus, with a lawsuit, filed in the Superior Court of the State of California, for declaratory relief. The lawsuit seeks declaratory judgment that, among other things, (a) Riverbed is not in breach of the share purchase agreement, and (b) Riverbed does not owe any acquisition-related contingent consideration under the share purchase agreement because the necessary conditions precedent to the payment of acquisition-related contingent consideration did not occur. In November 2012, the representative of the Zeus shareholders filed a cross-complaint against Riverbed and Riverbed Technology Limited in the Superior Court of the State of California. The cross-complaint claims breach of contract and breach of the covenant of good faith and fair dealing, and seeks declaratory judgment that Riverbed has breached the share purchase agreement and that the entire $27.0 million in contingent consideration is payable to Zeus shareholders. Discovery is ongoing, and the Court has approved a class treatment of the former shareholders, though several have declined to participate. The trial is currently scheduled for August 31, 2015, though may be rescheduled to an earlier date pending the Court’s availability. We believe that the contention of the representative of the Zeus shareholders, and the Court-appointed class representatives for shareholders, is without merit and intend to vigorously defend our determination.

In November 2012 we received a grand jury subpoena issued by the United States District Court for the Eastern District of Virginia. The subpoena requested documents related to certain federal government contracting matters, including a $19 million transaction involving the sale of our products and services by a Riverbed reseller to an agency of the federal government in 2009. In January 2014 we received a notice that the Civil Division of the United States Attorney’s Office for the Eastern District of Virginia has opened a civil investigation into the same matters.

From time to time, we are subject to various legal proceedings, claims and litigation arising in the ordinary course of business. We do not believe we are party to any currently pending legal proceedings the outcome of which would have a material adverse effect on our financial position, results of operations, or cash flows.

There can be no assurance that existing or future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our financial position, results of operations, or cash flow.

Item 1A. Risk Factors

Set forth below and elsewhere in this Quarterly Report on Form 10-Q, and in other documents we file with the SEC, are risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this Quarterly Report on Form 10-Q and in our other public statements. Because of the following factors, as well as other variables affecting our operating results, past financial performance should not be considered as a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Business and Industry

Our operating results may fluctuate significantly, which makes our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our quarterly and annual operating results have varied significantly in the past and could vary significantly in the future, which makes it difficult for us to predict our future operating results. Our operating results may fluctuate due to a variety of factors, many of which are outside of our control, including the changing and volatile U.S., European and global economic environment, and any of which may cause our stock price to fluctuate. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. In addition, revenues in any quarter are largely dependent on customer contracts entered into during that quarter. Historically, the amount of customer orders that have not been shipped as of the end of a fiscal year has not been material. Moreover, a significant portion of our quarterly sales typically occurs during the last month of the quarter, and sometimes within the last few weeks or days of the quarter. As a result, our quarterly operating results are difficult to predict even in the near term and a delay in an anticipated sale past the end of a particular quarter may negatively impact our results of operations for that quarter, or in some cases, that year. A delay in the recognition of revenue, even from just one account, may have a significant negative impact on our results of operations for a given period. If our revenue or operating results fall below the expectations of investors or securities analysts or below any guidance we may provide to the market, as has occurred recently and at other times in the past, or if the guidance we provide to the market falls below the expectations of investors or securities analysts, as has occurred recently and at other times in the past, the price of our common stock could decline substantially. Such a stock price decline could occur, and has occurred recently and at other times in the past, even when we have met our publicly stated revenue and/or earnings guidance.

In addition to other risks listed in this "Risk Factors" section, factors that may affect our operating results include, but are not limited to:

- seasonal fluctuations in demand for our products and services. For example, many companies in our industry experience adverse seasonal fluctuations in customer spending patterns, particularly in the first and third quarters; we have experienced these seasonal fluctuations in the past and expect that this trend will continue in the future;
- fluctuations in sales cycles and prices for our products and services;
- reductions in customers' budgets for information technology purchases and delays in their purchasing cycles;
- general economic or political conditions in our domestic and international markets, including the recent deficit spending and government debt issues surrounding the U.S. and Eurozone economies;
- unpredictability in the development of core, new or adjacent markets, or a slowdown or reversal of growth in these markets, including the wide area network (WAN) optimization, network and application performance management, and public cloud computing markets and including any markets that we enter as a result of acquisitions;
- our ability to realize the anticipated benefits of our acquisition of OPNET;
- limited visibility into customer spending plans;
- changing market conditions, including current and potential customer consolidation;
- customer or partner concentration. For example, three and two value-added distributors each represented more than 10% of our revenue for the three and nine months ended September 30, 2014, respectively;
- variation in sales channels, product costs or mix of products sold;
- the timing of recognizing revenue in any given quarter as a result of revenue recognition accounting rules, including the extent to which sales transactions in a given period are unrecognizable until a future period or,

conversely, the satisfaction of revenue recognition rules in a given period resulting in the recognition of revenue from transactions initiated in prior periods;

- the sale of our products in the timeframes we anticipate, including the number and size of orders, and the product mix within any such orders, in each quarter;
- our ability to develop, introduce and ship in a timely manner new products and product enhancements that meet customer requirements;
- the timing and execution of product transitions or new product introductions, including any related or resulting inventory costs;
- delays in customer purchasing cycles in response to our introduction of new products or product transitions. For example, a product transition caused some of our customers to lengthen their purchasing decision in the first quarter of 2012 as they spent time evaluating new models. In addition, we experienced extended sales cycles in the first quarter of 2012 as some of our customers evaluated our then new SteelFusion (formerly Granite) product;
- customer acceptance of new product introductions. For example, in the first quarter of 2012 we introduced SteelFusion, which delivers branch converged infrastructure. New products may not achieve any significant degree of market acceptance or be accepted into our sales channel by our channel partners. Furthermore, many of our target customers have not purchased products similar to these and might not have a specific budget for the purchase of these products;
- in addition to OPNET, our ability to successfully integrate acquired companies or technologies, especially where those acquisitions result in our entering new markets. For example, in July 2011 we acquired Zeus Technology Ltd., a company that delivers high-performance software-based load balancing and traffic management solutions for virtual and cloud environments, and Aptimize Ltd., a web content optimization company;
- our ability to realize the anticipated benefits of any strategic transaction undertaken by us, including any acquisition, divestiture, partnership, commercial agreement or investment;
- the timing of product releases or upgrades by us or by our competitors;
- any significant changes in the competitive dynamics of our markets, including new entrants or substantial discounting of products;
- our ability to control costs, including our operating expenses and the costs of the components we purchase;
- our ability to timely and effectively implement, and realize the anticipated benefits of, any restructuring plans, including those announced in October 2014;
- any component shortages or price fluctuations in our supply chain;
- our ability to establish and maintain successful relationships with channel partners, and the effectiveness of any changes we make to our distribution model;
- any decision to increase or decrease operating expenses in response to changes in the marketplace or perceived marketplace opportunities;
- our ability to derive benefits from our investments in sales, marketing, engineering or other activities;
- our ability to successfully work with partners on combined solutions, including with respect to product validation, marketing, selling and support;
- volatility in our stock price, which may lead to higher stock compensation expenses;
- unpredictable fluctuations in our effective tax rate due to the geographic distribution of our worldwide earnings or losses, disqualifying dispositions of stock from the employee stock purchase plan and stock options, changes in the valuation of our deferred tax assets or liabilities, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles, or interpretations thereof; and
- the effects of natural disasters, including any effects on our supply chain or on the willingness of our customers or prospective customers to make capital commitments.

Adverse economic conditions make it difficult to predict revenues for a particular period and may lead to reduced information technology spending, which would harm our business and operating results. In addition, turmoil in credit markets during economic downturns increases our exposure to our customers' and partners' credit risk, which could result in reduced revenue or increased write-offs of accounts receivable.

Our business depends on the overall demand for information technology, and in particular for WAN optimization and the other markets in which we operate, and on the economic health and general willingness of our current and prospective customers, both enterprises and government organizations, to make capital commitments. These government organizations include non-U.S. as well as U.S. federal, state and local organizations. In some quarters, sales to government organizations have represented, and may in the future represent, a significant portion of overall sales. If the conditions in the U.S. and global economic environment, including the economies of any international markets that we serve, remain uncertain or continue to be volatile, or if they deteriorate further, our business, operating results, and financial condition would likely be materially adversely affected. For example, U.S. government deficit spending and debt levels, as well as actions taken by the U.S. Congress relating to these matters, could negatively impact the U.S. and global economies and adversely affect our financial results. In addition, our financial results could be negatively impacted by the continuing uncertainty surrounding, or any deterioration relating to, the debt levels or growth prospects for Eurozone economies.

Economic weakness, customer financial difficulties and constrained spending on IT initiatives have resulted, and may in the future result, in challenging and delayed sales cycles and could negatively impact our ability to forecast future periods. In addition, the markets we serve are emerging and the purchase of our products involves material changes to established purchasing patterns and policies. The purchase of our products is often discretionary and may involve a significant commitment of capital and other resources. In addition, our operating expenses are largely based on anticipated revenue trends and a high percentage of our expenses are, and will continue to be, fixed in the short-term. Uncertainty about future economic conditions makes it difficult to forecast operating results and to make decisions about future investments. Weak or volatile economic conditions would likely harm our business and operating results in a number of ways, including information technology spending reductions among customers and prospects, longer sales cycles, lower prices for our products and services and reduced unit sales. A reduction in information technology spending could occur or persist even if economic conditions improve. In addition, any increase in worldwide commodity prices may result in higher component prices and increased shipping costs, both of which may negatively impact our financial results.

Many of our customers and channel partners use third parties to finance their purchases of our products. Any freeze, or reduced liquidity, in the credit markets may result in customers or channel partners either delaying or entirely foregoing planned purchases of our products if they are unable to obtain the required financing. This would result in reduced revenues, and our business, operating results and financial condition would be harmed. In addition, these customers' and partners' ability to pay for products already purchased may be adversely affected by any credit market turmoil or an associated downturn in their own business, which in turn could harm our business, operating results and financial condition.

We face intense competition that could reduce our revenue and adversely affect our financial results.

The market for our products is highly competitive and we expect competition to intensify in the future. Other companies may introduce new products in the same markets we serve or intend to enter.

This competition could result, and has resulted in the past, in increased pricing pressure, reduced profit margins, increased sales and marketing expenses and failure to increase, or the loss of, market share, any of which would likely seriously harm our business, operating results and financial condition.

Competitive products may in the future have better performance, more and/or better features, lower prices and broader acceptance than our products. Many of our current or potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources than we do. Potential customers may prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. Currently, in the WAN Optimization market we face competition from a number of established companies, including Cisco Systems, Blue Coat Systems, Citrix Systems, and F5 Networks. We also face competition from a large number of smaller private companies and new market entrants. In the Network Performance Management and Application Performance Management markets, our Riverbed Performance Management product line primarily competes with Netscout, Computer Associates (NetQos), and Compuware. As a result of our July 2011 acquisitions of Zeus and Aptimize, we face additional competition from F5 Networks and Citrix Systems.

We expect increased competition from our current competitors as well as other established and emerging companies if our market continues to develop and expand. For example, third parties currently selling our products could market products and services that compete with our products and services. In addition, some of our competitors have made acquisitions or entered into partnerships or other strategic relationships with one another to offer a more comprehensive solution than they individually had offered. We expect this trend to continue as companies attempt to strengthen or maintain their market positions in an evolving industry and as companies enter into partnerships or are acquired. Many of the companies driving this consolidation trend have significantly greater financial, technical, and other resources than we do and are better positioned to acquire and offer complementary products and technologies. The companies resulting from these possible consolidations may create more compelling product offerings and be able to offer greater pricing flexibility, making it more difficult for us to compete effectively, including on the basis of price, sales and marketing programs, technology, or product functionality. Continued industry consolidation may adversely impact customers' perceptions of the viability of smaller and even medium-sized technology companies and consequently customers' willingness to purchase from such companies. These pressures could materially adversely affect our business, operating results and financial condition.

We also face competitive pressures from other sources. For example, Microsoft has improved, and has announced its intention to further improve, the performance of its software for remote office users. Our products are designed to improve the performance of many applications, including applications that are based on Microsoft protocols. Accordingly, improvements to Microsoft application protocols may reduce the need for our products, adversely affecting our business, operating results, and financial condition. Improvement in other application protocols or in the Transmission Control Protocol (TCP), the underlying transport protocol for most WAN traffic, could have a similar effect. In addition, we market our products, in significant part, on the anticipated cost savings to be realized by organizations if they are able to avoid the purchase of costly IT infrastructure at remote sites by purchasing our products. To the extent other companies are able to reduce the costs associated with purchasing and maintaining servers, storage or applications to be operated at remote sites, our business, operating results, and financial condition could be adversely affected.

Our Board of Directors is evaluating strategic alternatives for our company and this process may have an adverse impact on our business.

On October 9, 2014, we announced that our Board of Directors has determined to undertake a comprehensive review, with the assistance of its advisors, of strategic and financial alternatives to enhance shareholder value, which could result in, among other things, a sale of the company, a merger, consolidation, business combination or a disposition of a substantial portion of our assets. In connection with this process, we expect to incur substantial expenses associated with identifying and evaluating potential strategic alternatives. The process of evaluating strategic alternatives may be disruptive to our business operations and may not result in the consummation of any transaction. If we are unable to effectively manage the process, our business, financial condition and results of operations could be adversely affected. In addition, the announcement of a conclusion to the process may negatively impact both our business and the price of our common stock.

We do not intend to comment regarding the evaluation of strategic alternatives until such time as our Board of Directors has determined the outcome of the process or otherwise has deemed that disclosure is appropriate. As a consequence, perceived uncertainties relating to the future of our company may result in delayed or lost sales, the loss of potential business opportunities and may make it more difficult for us to attract and retain qualified personnel and business partners.

Our business could be negatively affected as a result of actions of stockholders or others.

In January 2014, we announced that our Board of Directors had rejected an unsolicited proposal by Elliott Management Corporation to acquire all of our outstanding shares of common stock. There can be no assurance that Elliott Management Corporation or another third party will not make an unsolicited takeover proposal in the future or take other action to acquire control of the Company. Considering and responding to a future proposal is likely to result in significant additional costs to us, and future acquisition proposals, other stockholder actions to acquire control and the litigation that often accompanies them, if any, are likely to be costly and time-consuming and may disrupt our operations and divert the attention of management and our employees from executing our strategic plan. Additionally, perceived uncertainties as to our future direction as a result of stockholder activism, potential changes to the composition of the Board of Directors, or other developments may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce transactions with us or do business with our competitors instead of us because of any such issues, then our business, operating results, and financial condition would be adversely affected.

We rely heavily on channel partners to sell our products. Disruptions to, or our failure to effectively implement, develop and manage, our distribution channels and the processes and procedures that support them could harm our business.

Our future success is highly dependent upon establishing and maintaining successful relationships with a variety of channel partners, including value-added resellers, value-added distributors, service providers, and systems integrators. A substantial majority of our revenue (91% and 90% in the three and nine months ended September 30, 2014, respectively) is derived from indirect channel sales and we expect indirect channel sales to continue to account for a substantial majority of our total revenue. We employ a two-tier distribution strategy, as part of a larger effort to scale our reach and better serve the needs of our channel. Our revenue depends in large part on the effective performance of these channel partners, and changes to our distribution model, the loss of a channel partner, or the reduction in sales to our channel partners could materially reduce our revenues and gross margins. By relying on indirect channels, we may have little or no contact with the ultimate users of our products, thereby making it more difficult for us to establish brand awareness, ensure proper delivery and installation of our products, service ongoing customer requirements, and respond to evolving customer needs. In addition, we recognize a large portion of our revenue based on a sell-through model using information regarding the end user customers that is provided by our channel partners. If those channel partners provide us with inaccurate or untimely information, the amount or timing of our revenues could be adversely impacted. For example, we have encountered delays with certain partners where internal processing issues have prevented that partner from providing a purchase order to us in a timely manner.

Recruiting and retaining qualified channel partners and training them in our technology and product offerings requires significant time and resources. These recruitment, retention, and training efforts have assumed even greater importance as we have evolved into a multi-product company. In order to develop and expand our distribution channel, we must continue to scale and improve our processes and procedures that support our distribution channel, including investment in systems and training, and those processes and procedures may become increasingly complex and difficult to manage. In particular, training and educating our channel partners has become more complex as we have introduced products that extend beyond core WAN optimization. We have no minimum purchase commitments with any of our value-added resellers or other indirect distributors, and our contracts with these channel partners do not prohibit them from offering products or services that compete with ours. Our competitors may be effective in providing incentives to existing and potential channel partners to favor their products, to choose not to partner with us, or to prevent or reduce sales of our products. Our channel partners may choose not to offer our products exclusively or at all. If we fail to maintain successful relationships with our channel partners, fail to develop new relationships with channel partners in new markets or expand the number of channel partners in existing markets, fail to manage, train or motivate existing channel partners effectively, or if these channel partners are not successful in their sales efforts, sales of our products would decrease and our business, operating results and financial condition would be materially adversely affected.

We expect our gross margins to vary over time and our recent level of gross margin may not be sustainable. In addition, our gross margins may be adversely affected by our introductions of new products.

Our gross margins vary from quarter to quarter and the recent level of gross margins may not be sustainable and may be adversely affected in the future by numerous factors, including but not limited to product or sales channel mix shifts, increased price competition, increases in material or labor costs, excess product component or obsolescence charges from our contract manufacturers, write-downs for obsolete or excess inventory, increased costs due to changes in component pricing or charges incurred due to component holding periods if our forecasts do not accurately anticipate product demand, warranty-related issues, product discounting, freight charges, or our introduction of new products or new product platforms or entry into new markets with different pricing and cost structures.

Any introduction of, and transition to, a new product line requires us to forecast customer demand for both legacy and new product lines for a period of time, and to maintain adequate inventory levels to support the sales forecasts for both product lines. If new product line sales, or product line sales in general, exceed our sales forecast, we could possibly experience stock shortages, which would negatively affect our revenues. If legacy product line sales, or product lines sales in general, fall short of our sales forecast, we could have excess inventory, as has occurred from time to time. Any inventory charges would negatively impact our gross margins.

Our sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense. As a result, our revenue is difficult to predict and may vary substantially from quarter to quarter.

The timing of our revenue is difficult to predict. Our sales efforts involve educating our customers about the use and benefit of our products, including their technical capabilities and potential cost savings to an organization. Customers typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle, in some cases over twelve months. Also, as our channel model distribution strategy evolves, utilizing value-added resellers, value-added distributors, systems integrators and service providers, and as the breadth of our product offerings increases, the level of variability in the length of sales cycle across transactions may increase and make it more difficult to predict the timing of many of our sales transactions. For example, we recently experienced, and may continue to experience, extended sales cycles as a result of the additional complexity inherent in selling multiple product offerings in one transaction or a series of related transactions. We spend substantial time and money in our sales efforts without any assurance that these endeavors will produce any sales. Even after making the decision to purchase, customers may deploy our products slowly and deliberately. In addition, product purchases are frequently and increasingly subject to budget constraints, multiple approvals, and unplanned administrative, processing, and other delays.

Customers may also defer purchases as a result of anticipated or announced releases of new products or enhancements by our competitors or by us. For example, in the first quarter of 2012 and in prior periods we have experienced delays in customer purchasing cycles in response to our introduction of new products or product transitions; we expect that this trend will continue in the future. Product purchases may be, and in the recent past have been, delayed by the volatile U.S. and global economic environment, which introduced additional risk into our ability to accurately forecast sales in a particular quarter. If sales expected from a specific customer for a particular quarter are not realized in that quarter or at all, revenue will be harmed and we may miss our stated guidance for that period.

If we do not successfully anticipate market needs and develop products and product enhancements that meet those needs, or if those products do not gain market acceptance, our business and operating results will be harmed.

We may not be able to anticipate future market needs or be able to develop new products or product enhancements to meet such needs, either on a timely basis or at all. For example, our failure to address additional application-specific protocols, particularly if our competitors are able to provide such functionality, could harm our business. In addition, our inability to diversify beyond our current product offerings could adversely affect our business. Any new products or product enhancements that we introduce, including by way of acquisitions, may not achieve any significant degree of market acceptance or be accepted into our sales channel by our channel partners, which would adversely affect our business and operating results. In addition, the introduction of new products or product enhancements may shorten the life cycle of our existing products, or replace sales of some of our current products, thereby offsetting the benefit of even a successful product introduction, or may cause customers to defer purchasing our existing products in anticipation of the new or enhanced products, any of which could adversely affect our business and operating results.

Acquisitions could disrupt our business and cause dilution to our stockholders.

During 2012 we acquired OPNET Technologies, Inc. We have made other acquisitions of businesses, products or technologies, and in the future we may acquire additional businesses, products or technologies. Our ability as an organization to integrate acquisitions is unproven. Any acquisitions that we complete may not ultimately strengthen our competitive position or achieve our goals, or the acquisition may be viewed negatively by customers, financial markets or investors. In addition, we may encounter difficulties in integrating personnel, operations, technologies, or products from the acquired businesses and in retaining and motivating key personnel from these businesses. We may also encounter difficulties in maintaining uniform standards, controls, procedures, and policies across locations, or in managing geographically or culturally diverse locations. We may experience significant problems or liabilities associated with acquired or integrated product quality or technology. Acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities and increase our expenses. Acquisitions may reduce our cash available for operations and other uses and could result in an increase in amortization expense related to identifiable assets acquired, potentially dilutive issuances of equity securities or the incurrence of debt.

We rely on third parties to perform shipping and other logistics functions on our behalf. A failure or disruption at a logistics partner would harm our business.

Currently, we use third-party logistics partners to perform storage, packaging, shipment and handling for us. Although the logistics services required by us may be readily available from a number of providers, it is time-consuming and costly to qualify and implement these relationships. If one or more of our logistics partners suffers an interruption in its business, or experiences delays, disruptions, or quality control problems in its operations, or we choose to change or add additional logistics partners, our ability to ship products to our customers would be delayed and our business, operating results and financial condition would be adversely affected.

We are susceptible to shortages or price fluctuations in our supply chain. Any shortages or price fluctuations in components used in our products could delay shipment of our products or increase our costs and harm our operating results.

We use various hardware components in our products that are sourced from third parties. Shortages in components that we use in our products have occurred recently and may occur in the future and our suppliers' ability to predict the availability of such components may be limited. Some components that we use are available only from limited sources of supply. Replacing a component that is used in our products with a different component may require establishing a new supply relationship with a third-party and may also require extensive testing and qualification before the replacement component may be used, both of which may be costly and time-consuming. In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantity requirements and delivery schedules. The unavailability of any component that is necessary to the proper functioning of our appliances would prevent us from shipping products. Any inability to ship our products in a timely manner would delay sales and adversely impact our revenue, business, operating results and financial condition.

Any growth in our business or the economy is likely to create greater pressures on us and our suppliers to project overall component demand accurately and to establish optimal component inventory levels. In addition, increased demand by third parties for the components we use in our products may lead to decreased availability and higher prices for those components. We carry limited inventory of our product components, and we rely on suppliers to deliver components in a timely manner based on forecasts we provide. We rely on both purchase orders and long-term contracts with our suppliers, but we may not be able to secure sufficient components at reasonable prices or of acceptable quality, which would seriously impact our ability to deliver products to our customers and, as a result, adversely impact our revenue.

If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experience manufacturing delays, which would harm our business. We are dependent on contract manufacturers, and changes to those relationships, expected or unexpected, may result in delays or disruptions that could harm our business.

We depend on independent contract manufacturers to manufacture and assemble our products. We rely on purchase orders or long-term contracts with our contract manufacturers. Some of our contract manufacturers are not obligated to supply products to us for any specific period, in any specific quantity, or at any specific price. Our orders may represent a relatively small percentage of the overall orders received by our contract manufacturers from their customers. As a result, fulfilling our orders may not be considered a priority by one or more of our contract manufacturers in the event the contract manufacturer is constrained in its ability to fulfill all of its customer obligations in a timely manner. We provide demand forecasts and purchase orders to our contract manufacturers. To the extent that any such demand forecast or purchase order is binding, if we overestimate our requirements, the contract manufacturers may assess charges or we may have liabilities for excess inventory, each of which could negatively affect our gross margins. Conversely, because lead times for required materials and components vary significantly and depend on factors such as the specific supplier, contract terms, and the demand for each component at a given time, if we underestimate our requirements, the contract manufacturers may have inadequate materials and components required to produce our products, which could interrupt manufacturing of our products and result in delays in shipments and deferral or loss of revenue.

Although the contract manufacturing services required to manufacture and assemble our products may be readily available from a number of established manufacturers, it is time-consuming and costly to qualify and implement contract manufacturer relationships. Therefore, if one or more of our contract manufacturers suffers an interruption in its business, or experiences delays, disruptions, or quality control problems in its manufacturing operations, or we choose to change or add additional contract manufacturers, our ability to ship products to our customers would be delayed and our business, operating results and financial condition would be adversely affected.

In addition, a portion of our manufacturing is performed overseas and is therefore subject to risks associated with doing business in other countries.

We are dependent on various information technology systems, and failures of or interruptions to those systems could harm our business.

Many of our business processes depend upon our information technology systems (IT), the systems and processes of third parties, and on interfaces with the systems of third parties. For example, our order entry system provides information to the systems of our contract manufacturers, which enables them to build and ship our products. If those systems fail or are interrupted, or if our ability to connect to or interact with one or more networks is interrupted, our processes may function at a diminished level or not at all. This would harm our ability to ship products, and our financial results would likely be harmed.

In addition, reconfiguring our IT systems or other business processes in response to changing business needs, or in connection with integrating acquired businesses, may be time-consuming and costly. To the extent this impacts our ability to react timely to specific market or business opportunities, our financial results would likely be harmed.

If we are unable to protect our intellectual property rights, our competitive position could be harmed or we could be required to incur significant expenses to enforce our rights.

We depend on our ability to protect our proprietary technology. We rely on trade secret, patent, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. Despite our efforts, the steps we have taken to protect our proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights, and our ability to police such misappropriation or infringement is uncertain, particularly in countries outside of the U.S. Further, with respect to patent rights, we do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims, and even if patents are issued, they may be contested, circumvented or invalidated over the course of our business. The invalidation of any of our key patents could benefit our competitors by allowing them to more easily design products similar to ours. Moreover, the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages, and competitors may in any event be able to develop similar or superior technologies to our own now or in the future. Protecting against the unauthorized use of our products, trademarks, and other proprietary rights is expensive, difficult and, in some cases, impossible. Litigation has been necessary in the past and may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. For example, we are currently engaged in patent infringement litigation against Silver Peak Systems, in which both we and Silver Peak Systems assert patent infringement by the other party. Intellectual property litigation has resulted, and may in the future result, in substantial costs and diversion of management resources, and may in the future harm our business, operating results and financial condition. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

Claims by others that we infringe their proprietary technology could harm our business.

Our industry is, and any industry or market that we may enter in the future may be, characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. In the ordinary course of our business, we are involved in disputes and licensing discussions with others regarding their claimed proprietary rights and we cannot assure you that we will always successfully defend ourselves against such claims. Third parties have claimed and may in the future claim that our products or technology infringe their proprietary rights. We expect that infringement claims may increase as the number of products and competitors in any of our markets increases and overlaps occur. In addition, as we have gained greater visibility and market exposure as a public company, we face a higher risk of being the subject of intellectual property infringement claims. Any claim of infringement by a third-party, even those without merit, could cause us to incur substantial legal costs defending against the claim, and could distract our management from our business. Furthermore, we could be subject to a judgment or voluntarily enter into a settlement, either of which could require us to pay substantial damages. A judgment or settlement could also include an injunction, a court order or other agreement that could prevent us from offering our products. For example, in April 2014, Silver Peak Systems received a verdict of infringement by us relating to two patents; although an initial injunction request was denied, Silver Peak Systems may continue to seek an injunction against our continued offering of certain features on our SteelHead products. In addition, we might elect or be required to seek a license for the use of third-party intellectual property, which may not be available on commercially reasonable terms or at all, or if available, the payments under such license may harm our operating results and financial condition. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Any of these events could seriously harm our business, operating results, and financial condition. Third parties may also assert infringement claims against our customers and channel partners. Any of these claims would require us to initiate or defend potentially protracted and costly litigation on their behalf, regardless of the merits of these claims, because we generally indemnify our customers and channel partners from claims of infringement of proprietary rights of third parties. If any of these claims succeed, or if we voluntarily enter into a settlement, we may be forced to pay damages on behalf of our customers or channel partners, which could have a material adverse effect on our business, operating results and financial condition.

Our international sales and operations subject us to additional risks that may harm our operating results.

In the years ended December 31, 2013 and 2012, and in the nine months ended September 30, 2014, we derived 41%, 45%, and 42%, respectively, of our revenue from customers outside the U.S. We have personnel in numerous countries worldwide. We expect to continue to add personnel in additional countries. Our international sales and operations makes us subject to various U.S. and international laws and regulations, including those relating to antitrust, data protection, and business dealings with both commercial and governmental officials and organizations. Our international sales and operations subject us to a variety of additional risks, including:

- the difficulty and cost of managing and staffing international offices and the increased travel, infrastructure, legal and other compliance costs associated with multiple international locations;
- difficulties in enforcing contracts and collecting accounts receivable, and longer payment cycles, especially in emerging markets;
- tariffs and trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets;
- the effects of any political instability on the general willingness of our current and prospective customers to make capital commitments;
- unfavorable changes in tax treaties or laws;

- increased exposure to foreign currency exchange rate risk; and
- reduced protection for intellectual property rights in some countries.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international sales and operations. Our failure to manage any of these risks successfully, or to comply with these laws and regulations, could harm our operations, reduce our sales, and harm our business, operating results and financial condition. For example, in certain foreign countries, particularly those with developing economies, certain business practices that are prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act, may be more commonplace. Although we implement policies and procedures with the intention of ensuring compliance with these laws and regulations, our employees, contractors, and agents, as well as channel partners involved in our international sales, may take actions in violation of our policies. Any such violation could have an adverse effect on our business and reputation.

Some of our business partners also have international operations and are subject to the risks described above. Even if we are able to successfully manage the risks of international operations, our business may be adversely affected if our business partners are not able to successfully manage these risks.

Foreign currencies periodically experience rapid fluctuations in value against the U.S. dollar. Any foreign currency devaluation against the U.S. dollar increases the real cost of our products to our customers and partners in foreign markets where we sell in U.S. dollars, which has resulted in the past and may result in the future in delayed or cancelled purchases of our products and, as a result, lower revenues. In addition, this increase in cost increases the risk to us that we will be unable to collect amounts owed to us by such customers or partners, which in turn would impact our revenues and could materially adversely impact our business and financial results. Any devaluation may also lead us to more aggressively discount our prices in foreign markets in order to maintain competitive pricing, which would negatively impact our revenues and gross margins. Conversely, a weakened U.S. dollar could increase the cost of local operating expenses and procurement of raw materials to the extent we purchase components in foreign currencies.

Starting in the first quarter of fiscal 2012, we entered into forward contracts designated as cash flow hedges to protect against foreign currency exchange rate risks. The effectiveness of our hedges depends on our ability to accurately forecast expenses denominated in non-U.S. dollar currencies. As a result, we could incur significant losses from our hedging activities if our forecasts are incorrect. In addition, our hedging activities may be ineffective or may not offset any or more than a portion of the adverse financial impact resulting from currency variations. Gains or losses associated with hedging activities also may impact our profitability.

International customers may also require that we localize our products. The product development costs for localizing the user interface of our products, both graphical and textual, could be a material expense to us if the software requires extensive modifications. To date, such changes have not been extensive, and the costs have not been material.

We are investing in engineering, sales, marketing, services and infrastructure, and these investments may achieve delayed or lower than expected benefits, which could harm our operating results.

We intend to continue to add personnel and other resources to our engineering, sales, marketing, services and infrastructure functions as we focus on developing new technologies, growing our market segments, capitalizing on existing or new market opportunities, increasing our market share, and enabling our business operations to meet anticipated demand. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be adversely affected.

If we lose key personnel or are unable to attract and retain personnel on a cost-effective basis, our business would be harmed.

Our success is substantially dependent upon the performance of our senior management and key technical and sales personnel. Our management and employees can terminate their employment at any time, and the loss of the services of one or more of our executive officers or other key employees could harm our business. Our success also is substantially dependent upon our ability to attract additional personnel for all areas of our organization, particularly in our sales, research and development, and customer service departments. Competition for qualified personnel is intense, and we may not be successful in attracting and retaining such personnel on a timely basis, on competitive terms, or at all. Additionally, fluctuations or a sustained decrease in the price of our stock could affect our ability to attract and retain key personnel. When our stock price declines, our equity incentive awards may lose retention value, which may negatively affect our ability to attract and retain such key personnel. If we are unable to attract and retain the necessary technical, sales and other personnel on a cost-effective basis, our business, operating results and financial condition would be adversely affected.

We may not generate positive returns on our research and development investments.

Developing our products is expensive, and the investment in product development may involve a long payback cycle or may not generate additional revenue at all. For the three and nine months ended September 30, 2014, our research and development expenses were $53.4 million and $155.3 million, or approximately 19% of our total revenue in each period. Our future plans include significant investments in research and development and related product opportunities. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. These investments may take several years to generate positive returns, if ever.

Our ability to sell our products is highly dependent on the quality of our support and services offerings, and our failure to offer high quality support and services would harm our operating results and reputation.

Once our products are deployed within our customers' networks, our customers depend on our support organization to resolve any issues relating to our products. A high level of support is critical for the successful marketing and sale of our products. If we or our channel partners do not effectively assist our customers in deploying our products, succeed in helping our customers quickly resolve post-deployment issues, and provide effective ongoing support, it would adversely affect our ability to sell our products to existing customers and would harm our reputation with potential customers. In addition, as we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. Any failure to maintain high quality support and services would harm our operating results and reputation.

If we fail to manage future growth effectively, our business would be harmed.

We have expanded our operations significantly since inception, both organically and through acquisitions of complementary businesses and technologies, and anticipate that further significant expansion will be required. This growth is expected to continue to place significant demands on our management, infrastructure, and other resources. To manage our growth, we need to hire, integrate, and retain highly skilled and motivated employees. We will also need to continue to improve our financial and management controls, reporting systems, and procedures. We have an enterprise resource planning software system that supports our finance, sales, and inventory management processes. If we were to encounter delays or difficulties as a result of this system, including loss of data and decreases in productivity, our ability to properly run our business could be adversely impacted. If we do not effectively manage our growth, our business would be harmed.

Organizations are increasingly concerned with the security of their data, and to the extent they elect to encrypt data being transmitted from the point of the end user in a format that we're not able to decrypt, rather than only across the WAN, our WAN optimization products will become less effective.

Our WAN optimization products are designed to remove the redundancy associated with repeated data requests over a WAN, either through a private network or a virtual private network (VPN). The ability of our WAN optimization products to reduce such redundancy depends on our products' ability to recognize the data being requested. Our WAN optimization products currently detect and decrypt some forms of encrypted data. Since most organizations currently encrypt most of their data transmissions only between sites and not on the LAN, the data is not encrypted when it passes through our WAN optimization products. For those organizations that elect to encrypt their data transmissions from the end-user to the server in a format that we are not able to decrypt, our WAN optimization products will offer limited performance improvement unless we are successful in incorporating additional functionality into our products that address those encrypted transmissions. Our failure to provide such additional functionality could limit the growth of our business and harm our operating results.

If our products do not interoperate with our customers' infrastructure, installations could be delayed or cancelled, which would harm our business.

Our products must interoperate with our customers' existing infrastructure, which often have different specifications, utilize multiple protocol standards, deploy products from multiple vendors, and contain multiple generations of products that have been added over time. If we find errors in the existing software or defects in the hardware used in our customers' infrastructure or problematic network configurations or settings, as we have in the past, we may have to modify our software or hardware so that our products will interoperate with our customers' infrastructure. In such cases, and others, our products may be unable to provide significant performance improvements for applications deployed in our customers' infrastructure. These issues could cause longer installation times for our products and could cause order cancellations, either of which would adversely affect our business, operating results and financial condition. In addition, government and other customers may require our products to comply with certain security or other certifications and standards. If our products are late in achieving or fail to achieve compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our products to such customers, or at a competitive disadvantage, which would harm our business, operating results, and financial condition.

If functionality similar to that offered by our products is incorporated into existing network infrastructure products, organizations may decide against adding our products to their network, which would harm our business.

Other providers of network infrastructure products, including our partners, are offering or announcing functionality aimed at addressing the problems addressed by our products. For example, Cisco Systems incorporates WAN optimization functionality into certain of its router blades. The inclusion of, or the announcement of intent to include, functionality perceived to be similar to that offered by our products in products that are already generally accepted as necessary components of network architecture or in products that are sold by more established vendors may have an adverse effect on our ability to market and sell our products. Furthermore, even if the functionality offered by other network infrastructure providers is more limited than our products, a significant number of customers may elect to accept such limited functionality in lieu of adding appliances from an additional vendor. Many organizations have invested substantial personnel and financial resources to design and operate their networks and have established deep relationships with other providers of network infrastructure products, which may make them reluctant to add new components to their networks, particularly from new vendors. In addition, an organization's existing vendors or new vendors with a broader product offering than ours may be able to offer concessions that we are not able to match because we currently offer a relatively focused line of products and have fewer resources than many of our competitors. If organizations are reluctant to add network infrastructure products from new vendors or otherwise decide to work with their existing vendors, our business, operating results, and financial condition will be adversely affected.

Our products are highly technical and may contain undetected software or hardware errors or security vulnerabilities. These errors or vulnerabilities, and any related claims against our products, could cause harm to our reputation and our business.

Our products, including software product upgrades and releases, are highly technical and complex and, when deployed, are critical to the operation of many networks. Our products have contained and may contain undetected errors, defects, or security vulnerabilities. In particular, new products and product platforms may be subject to increased risk of hardware issues. Some errors in our products may be discovered only after a product has been installed and used by customers. Some of these errors may be attributable to third-party technologies incorporated into our products, which makes us dependent upon the cooperation and expertise of such third-parties for the diagnosis and correction of such errors. The diagnosis and correction of third-party technology errors is particularly difficult where our product features the RSP or VSP, because it is not always immediately clear whether a particular error is attributable to a technology incorporated into our product or to third-party software deployed by our customers on our product. In addition, where we have incorporated technology from a third-party, the solutions may be more complex and may lead to new technical errors that may prove difficult to diagnose and support. Any delay or mistake in the initial diagnosis of an error will result in a delay in the formulation of an effective action plan to correct such error. Any errors, defects, or security vulnerabilities discovered in our products after commercial release could result in loss of revenue or delay in revenue recognition, loss of customers and increased service and warranty cost, any of which could harm our reputation, business, operating results and financial condition. Any such errors, defects, or security vulnerabilities could also adversely affect the market's perception of our products and business. In addition, we could face claims for product liability, tort or breach of warranty, including claims relating to changes to our products made by our channel partners. Our contracts with customers contain provisions relating to warranty disclaimers and liability limitations, which may not be upheld. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention and harm the market's perception of us and our products. In addition, if our business liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, our business, operating results and financial condition could be adversely impacted.

Our use of open source and third-party software could impose limitations on our ability to commercialize our products.

We incorporate open source software into our products. Although we monitor our use of open source closely, the terms of many open source licenses have not been interpreted by U.S. or other courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. We could also be subject to similar conditions or restrictions should there be any changes in the licensing terms of the open source software incorporated into our products. In either event, we could be required to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely or successful basis, any of which could adversely affect our business, operating results and financial condition.

We also incorporate certain third-party technologies, including software programs, into our products and may need to utilize additional third-party technologies in the future. However, licenses to relevant third-party technology may not continue to be available to us on commercially reasonable terms, or at all. Therefore, we could face delays in product releases until equivalent technology can be identified, licensed or developed, and integrated into our current products. These delays, if they occur, could materially adversely affect our business, operating results and financial condition. We currently use third-party software programs in our appliance and software products, some of which are currently available from only one vendor. Any disruption in our access to these or other software programs or third-party technologies could result in significant delays in our product releases and could require substantial effort to locate or develop a replacement program. If we decide in the future to incorporate into our products any other software program licensed from a third-party, and the use of such software program is necessary for the proper operation of our products, then our loss of any such license would similarly adversely affect our ability to release our products in a timely fashion.

We are subject to various regulations that could subject us to liability or impair our ability to sell our products.

Our products and services are subject to a variety of government regulations, including export controls, import controls, environmental laws, laws relating to the use of conflict minerals, and required certifications. For example, our products are subject to export controls of the U.S. and other countries and may be exported outside the U.S. and other countries only with the required level of export license or through an export license exception, because we incorporate encryption technology into our products. In addition, various countries regulate the import of certain encryption technology and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries. Changes in our products or changes in regulations may increase the cost of building and selling our products, create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products throughout their global systems or, in some cases, prevent the export or import of our products to certain countries altogether. Any change in regulations, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. We must comply with various and increasing environmental regulations, both domestic and international, regarding the manufacturing and disposal of our products. Failure to comply with these and similar laws on a timely basis, or at all, could have a material adverse effect on our business, operating results and financial condition. Any decreased use of our products or limitation on our ability to export or sell our products would harm our business, operating results and financial condition.

Our sales to United States government customers subject us to special risks that could adversely affect our business.

We sell our products directly or indirectly to the United States government and, in connection with such sales, we must comply with complex federal procurement and related laws and regulations, which may impose added costs on our business. For the year ended December 31, 2013, approximately 8% of our sales constituted sales made directly or indirectly to the United States government. The federal government audits and reviews the performance of federal contractors regarding contract terms, pricing practices, cost structure, and compliance with applicable laws, regulations and standards. Such an audit could result in an adverse finding, including a finding that we overcharged the government or failed to comply with applicable laws, regulations and standards. If a government audit or other investigation results in an adverse finding or uncovers improper or illegal activities, we may be required to restate previously reported operating results or we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with United States federal government agencies. We could face additional expense and delay if any of our competitors, or competitors of the prime contractors to which we serve as subcontractors, protest or challenge contract awards made to us or to our prime contractors pursuant to competitive bidding. In addition, United States government contracts contain provisions and are subject to laws and regulations that provide government customers with rights and remedies not typically found in commercial contracts; these remedies include rights to terminate for convenience on short notice, reduce or modify contracts or subcontracts, and claim rights in products and technology produced by us.

We incur significant costs as a result of operating as a public company, and our management devotes substantial time to new compliance initiatives.

We incur significant legal, accounting and other expenses as a public company, including costs resulting from regulations regarding corporate governance practices and costs relating to compliance with Section 404 of the Sarbanes-Oxley Act. For example, the listing requirements of the Nasdaq Stock Market's Global Select Market require that we satisfy certain corporate governance requirements relating to independent directors, audit and compensation committees, distribution of annual and interim reports, stockholder meetings, stockholder approvals, solicitation of proxies, conflicts of interest, stockholder voting rights and codes of conduct. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act contains various provisions applicable to the corporate governance functions of public companies. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, these rules and regulations could make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our board committees or as executive officers.

While we believe that we currently have adequate internal controls over financial reporting, we are exposed to risks from legislation requiring companies to evaluate those internal controls.

The Sarbanes-Oxley Act requires that we test our internal controls over financial reporting and disclosure controls and procedures. In particular, for the year ended December 31, 2013, we performed system and process evaluation and testing of our internal controls over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 requires that we incur substantial expense and expend significant management time on compliance-related issues. Moreover, if we are not able to comply with the requirements of Section 404 in the future, or if we or our independent registered public accounting firm identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock may decline and we could be subject to sanctions or investigations by the Nasdaq Stock Market's Global Select Market, the SEC or other regulatory authorities, which would require significant additional financial and management resources.

Changes in financial accounting standards may cause adverse unexpected revenue fluctuations and affect our reported results of operations.

A change in accounting policies can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of existing pronouncements have occurred with frequency and may occur in the future. Changes to existing rules, or changes to the interpretations of existing rules, could lead to changes in our accounting practices, and such changes could adversely affect our reported financial results or the way we conduct our business.

We are required to expense equity compensation given to our employees, which has reduced our reported earnings, will harm our operating results in future periods and may reduce our stock price and our ability to effectively utilize equity compensation to attract and retain employees.

We historically have used stock options, restricted stock units, and an employee stock purchase plan as significant components of our employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention, and provide competitive compensation packages. The compensation charges that we are required to record related to these equity awards have reduced, and will continue to reduce, our reported earnings, will harm our operating results in future periods, and may require us to reduce the availability and amount of equity incentives provided to employees, which could make it more difficult for us to attract, retain and motivate key personnel. Moreover, if securities analysts, institutional investors and other investors adopt financial models that include stock option expense in their primary analysis of our financial results, our stock price could decline as a result of reliance on these models with higher expense calculations.

We may have exposure to greater than anticipated tax liabilities.

Our provision for income taxes is subject to volatility and could be adversely affected by nondeductible stock-based compensation, changes in the research and development tax credit laws, earnings being lower than anticipated in jurisdictions where we have lower statutory rates and being higher than anticipated in jurisdictions where we have higher statutory rates, transfer pricing adjustments, not meeting the terms and conditions of tax holidays or incentives, changes in the valuation of our deferred tax assets and liabilities, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles or interpretations thereof. In addition, like other companies, we may be subject to examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. While we regularly assess the likelihood of adverse outcomes from such examinations and the adequacy of our provision for income taxes, there can be no assurance that such provision is sufficient and that a determination by a tax authority will not have an adverse effect on our results of operations.

If we fail to successfully manage our exposure to the volatility and economic uncertainty in the global financial marketplace, our operating results could be adversely impacted.

We are exposed to financial risk associated with the global financial markets, including volatility in interest rates and uncertainty in the credit markets. Our exposure to market rate risk for changes in interest rates relates primarily to the outstanding balance of our $600 million credit facility and our investment portfolio. The primary objective of our investment activities is to preserve principal, maintain adequate liquidity and portfolio diversification while at the same time maximizing yields without significantly increasing risk. However, the valuation of our investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact its valuation include changes to credit ratings of the securities that we hold, interest rate changes, the ongoing strength and quality, and recent instability, of the global credit market, and liquidity. If the carrying value of our investments exceeds the fair value, and the decline in fair value is deemed to be other-than-temporary, we will be required to write down the value of our investments. Additionally, instability and uncertainty in the financial markets, as has been recently experienced, could result in the incurrence of significant realized or impairment losses associated with certain of our investments, which would reduce our net income.

If we need additional capital in the future, it may not be available to us on favorable terms, or at all.

We have historically relied on outside financing and cash flow from operations to fund our operations, capital expenditures and expansion, most recently through establishment of a $600 million credit facility. We may require additional capital from equity or debt financing in the future to fund our operations or respond to competitive pressures or strategic opportunities. We may not be able to secure timely additional financing on favorable terms, or at all. The terms of our current senior secured credit facility include certain covenants that limit future borrowings and require that certain payments, investments and acquisitions meet defined leverage ratios, and any additional financing may place additional limits on our financial and operating flexibility. The terms of our current senior secured credit facility includes financial covenants that require the maintenance of minimum consolidated interest coverage and maximum consolidated leverage ratios. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if and when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited.

We have taken on significant debt, which will decrease our business flexibility and increase our interest expense.

We currently have a balance of $513.8 million related to our $600 million credit facility. This debt, together with certain covenants imposed on us in connection with incurring this debt, among other things, limits how we conduct our business, reduces our flexibility to respond to changing business and economic conditions and increases our interest expense. Our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations, generate sufficient cash flows to service such debt and the other factors discussed in this section. There can be no assurance that we will be able to manage any of these risks successfully. We may also need to refinance a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of our existing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. In addition, the covenants in our credit facility limit our ability to, among other things, obtain additional financing, make acquisitions or other investments, repurchase our stock or pay dividends. These limitations could adversely affect our financial condition and results of operations.

Our business is subject to the risks of earthquakes, fire, floods, pandemics and other natural catastrophic events, and to interruption by manmade problems such as computer viruses, break-ins or terrorism.

Our main operations, including our primary data center, are located in the San Francisco Bay Area, a region known for seismic activity. A significant natural disaster, such as an earthquake, fire or a flood, could disrupt our operations and therefore harm our business, operating results and financial condition. A natural disaster could also impact our ability to manufacture and deliver our products to customers, or provide support to our customers, any of which would harm our business, operating results and financial condition. In addition, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could result in the theft of intellectual property, customer information or other sensitive data. Any of these incidents could result in both legal and reputational costs. Natural disasters, acts of unrest or terrorism or war could also cause disruptions in our or our customers' business, our domestic and international markets, or the economy as a whole. To the extent that such disruptions result in delays or cancellations of customer orders or the deployment of our products, our business, operating results and financial condition would be adversely affected.

Risks Related to Ownership of Our Common Stock

The trading price of our common stock has been volatile and is likely to be volatile in the future.

The trading prices of the securities of technology companies, including our own, have been highly volatile. Further, our common stock has a limited trading history. Since our initial public offering in September 2006 through September 30, 2014, our stock price, after adjusting for our 2:1 stock split in the form of a stock dividend effected in November 2010, has fluctuated from a low of $3.55 to a high of $44.70. The market price of our common stock has at times reflected a higher multiple of expected future earnings than many other companies. As a result, even small changes in investor expectations regarding our future growth and earnings, whether as a result of actual or rumored financial or operating results, changes in the mix of products and services sold, acquisitions, industry changes, or other factors, could result in, and have recently resulted in, significant fluctuations in the market price of our common stock.

Factors that could affect the trading price of our common stock include, but are not limited to:

- variations in our operating results;

- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- the gain or loss of significant customers;
- recruitment or departure of key personnel;
- providing estimates of our future operating results, or changes of these estimates, either by us or by any securities analysts who follow our common stock, or changes in recommendations by any securities analysts who follow our common stock;
- significant sales or purchases, or announcement of significant sales or purchases, of our common stock by us or our stockholders, including our directors and executive officers;
- announcements by or about us regarding events or news adverse to our business;
- market conditions in our industry, the industries of our customers and the economy as a whole;
- adoption or modification of regulations, policies, procedures or programs applicable to our business;
- actions taken by stockholders and others, including in connection with a potential offer to acquire us;
- an announced acquisition of or by a competitor;
- an announced acquisition of or by us. For example, our stock price declined immediately after the announcement by us of our intention to acquire OPNET; and
- an announcement by us of a conclusion to the strategic and financial alternatives review process first announced by us on October 9, 2014.

If the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our common stock might also decline in reaction to announcements by, or events that affect, other companies in our industry, or the trading price might decline in reaction to events that affect the stock market generally even if these announcements or events do not directly affect us. Each of these factors, among others, could cause our stock price to decline. Some companies that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If such a lawsuit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management's attention and resources.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will continue to depend in part on the research and reports that securities or industry analysts publish about us or our business. If we do not continue to maintain adequate research coverage or if one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and amended and restated bylaws contain provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable.

On November 11, 2013, we implemented a stockholder rights plan, also called a poison pill, which may have the effect of discouraging or preventing a change of control of us by, among other things, making it uneconomical for a third-party to acquire us on a hostile basis.

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

There were no sales of unregistered securities during the three and nine months ended September 30, 2014.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table summarizes the stock repurchase activity for the three months ended September 30, 2014 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
July 1, 2014 – July 31, 2014	632,000	$ 18.30	632,000	$ 276,134,513
August 1, 2014 – August 31, 2014	3,207,100	18.43	3,207,100	217,028,870
September 1, 2014 – September 30, 2014	1,305,500	19.05	1,305,500	192,164,629
Total	5,144,600	$ 18.57	5,144,600	$ 192,164,629

(1) The Program does not require us to purchase a minimum number of shares, and may be suspended, modified or discontinued at any time without prior notice. The timing and amounts of these purchases are based on market conditions and other factors, including price, regulatory requirements and capital availability. The share repurchases were financed by available cash balances and cash from operations.

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Item 6. Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation. (1)
3.2	Amended and Restated Bylaws. (2)
4.1	Form of Common Stock Certificate. (1)
31.1	Certifications
31.2	Certifications
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Riverbed Technology, Inc. under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

(1) Incorporated by reference to Riverbed's Registration Statement on Form S-1 (No. 333-133437) filed with the SEC on April 20, 2006, as amended.
(2) Incorporated by reference to Riverbed's Current Report on Form 8-K (No. 001-33023) filed with the SEC on February 22, 2011.

SIGNATURES

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

Date: October 31, 2014

RIVERBED TECHNOLOGY, INC.

By: /s/ Jerry M. Kennelly

Jerry M. Kennelly

Chief Executive Officer

Date: October 31, 2014

RIVERBED TECHNOLOGY, INC.

By: /s/ Ernest E. Maddock

Ernest E. Maddock

Chief Financial Officer

EXHIBIT INDEX

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EXHIBIT 31.1

CERTIFICATIONS

I, Jerry M. Kennelly, certify that:

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

Date: October 31, 2014

/s/ Jerry M. Kennelly

Jerry M. Kennelly
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Ernest E. Maddock, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Riverbed Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2014

/s/ Ernest E. Maddock

Ernest E. Maddock
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350,

as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Jerry M. Kennelly, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Riverbed Technology, Inc. on Form 10-Q for the quarterly period ended September 30, 2014 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Riverbed Technology, Inc.

Date: October 31, 2014

/s/ Jerry M. Kennelly

Jerry M. Kennelly
Chief Executive Officer
(Principal Executive Officer)

I, Ernest E. Maddock, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Riverbed Technology, Inc. on Form 10-Q for the quarterly period ended September 30, 2014 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Riverbed Technology, Inc.

Date: October 31, 2014

/s/ Ernest E. Maddock

Ernest E. Maddock
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Riverbed Technology, Inc. and will be retained by Riverbed Technology, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.